



Profile of the MAS responsible investing mandate within international equities.

As at 30 September 2021

We apply our responsible investment policy across everything we invest in. The core component (or the MAS responsible investing mandate) of our international equities is managed to select companies that are leaders in their industries with respect to environmental, social and governance (ESG) practices. International equities form a part of the growth asset allocation within our Funds.

In this summary, we profile the top ten holdings within this core component and compare this to that of the broader market index which is the MSCI All Countries World Index. We also provide commentary on individual companies in the next section.

Top Ten Holdings

MAS responsible investing mandate		MSCI All Countries World Index	
Company	Allocation	Company	Allocation
Microsoft	6.6%	Apple	3.6%
Alphabet – Class A	2.6%	Microsoft	3.1%
Alphabet – Class C	2.5%	Amazon	2.3%
Tesla	2.1%	Facebook	1.2%
Nvidia Group	1.7%	Alphabet – Class A	1.2%
Taiwan Semiconductor Manufacturing	1.7%	Alphabet – Class C	1.2%
Visa	1.2%	Tesla	1.0%
Home Depot	1.2%	Nvidia Group	0.8%
Procter & Gamble	1.1%	Taiwan Semiconductor Manufacturing	0.8%
Tencent Holdings	1.1%	JPMorgan	0.8%
Total	21.7%	Total	16%

Commentary

This section provides an overview of companies where there is a notable difference between the companies held within the MAS responsible investing mandate and the MSCI World Index.

Notable exclusions

Apple

Apple has an ESG rating of 'BBB', recently downgraded from 'A'. This downgrade was primarily due to greater risk that key revenue lines such as iPhones are subject to heightened risks of corporate corruption as they are exposed to high regulatory risks. Apple also has had alleged involvement in several business ethics, anti-competitive, and tax transparency controversies. With sales of USD 274 billion, of which about 80% is from hardware sales (in FY 2019) the bulk of which are outsourced for manufacturing, Apple faces high exposure to the risks of production disruptions and reputational damage stemming from potential labour issues in its supply chain. Apple has some of the best industry practices in its supply chain management and continues to raise the bar. However, there has been a recurrence of high-profile controversies at Apple's supplier sites in recent years; these continue to keep the company under scrutiny. Apple's involvement in big data and analytics operations exposes it to risks associated with the handling and management of sensitive customer data. Apple is involved in controversies related to its Governance, Labour Rights, Customers, Human Rights and Environment impacts. It faces significant concerns related to Supply Chain Labour Standards, Bribery & Fraud, and Anticompetitive Practices.

Amazon

Amazon has an ESG rating of 'BBB'. Amazon faces controversies over business ethics and anticompetitive practices, particularly allegations of antitrust violations in jurisdictions such as India and EU, and penalty faced in Japan. Amazon employs a gigantic workforce (798,000 employees, as of FY 2019), including valuable tech talent, and has heavy reliance on part-time workers. Due to this, the company continues to face labour management challenges. While wages for its US, Canada and few EU-based employees were increased, it faces allegations of poor working conditions and inadequate safety measures for employees during the COVID-19 pandemic, particularly in France, Italy and the US. Amazon is involved in controversies related to its Labour Rights, Customers, Human Rights, Environment and Governance impacts. It faces significant concerns related to Labour Management Relations, Collective Bargaining & Union, and Anticompetitive Practices. Evidence indicates its data security audits and programs to protect customers' data are in line with those of its peers. Yet, the increasing online transactions for delivery services due to the COVID-19 pandemic and its growing cloud services expose it to significant privacy and data security concerns, given its massive customer database.

Facebook

Facebook has an ESG rating of 'B', recently downgraded from 'BBB'. This is due to a greater emphasis in the rating to business ethics concerns, which for Facebook include antitrust, tax transparency, and substantial scrutiny for safety issues on its major platforms, such as disinformation and other harmful content. After the US Federal Trade Commission's enforcement against Facebook in 2019, the company implemented strong measures such as board-level oversight of data security. However, with 2.6 billion monthly active users (2020) and an increasing regulatory focus on user rights over personal data, Facebook may be subject to scrutiny over the provision of user rights for all its products. The US Federal Trade Commission's antitrust case against Facebook (2020) over monopolisation of personal social networking continues to highlight its weak corporate behaviour. Apart from platform safety issues, Facebook has also come under scrutiny for inconsistent enforcement of content moderation rules. Independent auditors found certain content decisions caused 'significant setbacks for civil rights'. Facebook is involved in controversies related to its Customers, Governance, Labour Rights and Human Rights impacts. It faces significant concerns related to Privacy & Data Security, Discrimination & Workforce Diversity, Product Safety & Quality, Anticompetitive Practices, and Bribery & Fraud.

JPMorgan

JPMorgan has an ESG rating of 'A', recently upgraded from 'BBB'. This is due to improvements in the board structure and independence where previously the board lacked an independent board majority and has combined CEO and chairman roles, which could impair the board's ability to provide independent management oversight. However, JP Morgan continues to face investigations on business ethics, sales practices, and human capital management. The bank has also been criticised for the alleged funding of environmentally controversial projects. JPMorgan does maintain an environmental and social policy framework covering ESG due diligence in financing activities across environmentally intensive sectors. Despite improvements in corporate governance and the existence of corporate behaviour policies, the bank faced more controversies than other bank peers as of 30 September 2021 (according to MSCI ESG Controversies and Global Norms Methodology). This may indicate potential gaps in its internal controls and implementation of policies. JPMorgan is also involved in controversies related to its Governance, Labour Rights, Customers and Human Rights impacts. It faces significant concerns related to Bribery & Fraud and Labour Management Relations.

Notable inclusions

Microsoft

Microsoft's ESG score is currently AAA. The company maintains robust cybersecurity threat management practices and is one of the few software companies to explicitly commit to privacy-by-design principles. Microsoft is widely held and follows the 'one share one vote' principle, which sets it apart from many industry peers where founders wield disproportionate voting power relative to their economic stake. Founder Mr. Bill Gates stepped down from his non-executive board position in 2020, making the board completely independent of management, except for CEO Mr. Satya Nadella. There was substantial (28%) support for a shareholder proposal in AGM 2020 to disclose Microsoft's gender pay gap. While the company has a recent history of discrimination lawsuits, training, programs, and detailed quantitative disclosure around diversity and inclusion suggests Microsoft has taken ownership of these issues. In 2020, gender diversity at the board level reached 41% (vs. industry average of 23.67% in the same year). Microsoft's substantial R&D capability and its involvement and strategic focus in several clean technology fields, may position it well for low-carbon-economy opportunities.

Tesla

Tesla has an ESG rating of 'A', largely due to its pure electric vehicle (EV) leadership. Tesla also derives cleantech revenues from solar energy, energy storage solutions, and from regulatory carbon credits. While not totally immune to issues, Tesla is clearly a leader in helping solve one of the world's biggest issues.

Taiwan Semiconductor Manufacturing

Taiwan Semiconductor Manufacturing (TSMC) has an ESG rating of 'AAA'. It is the world's largest contract chipmaker, maintains an industry-leading position on most ESG key issues analysed for this industry. It operates a large network of fabrication facilities, of which around 59% are in the water-stressed regions of Taiwan. Evidence suggests TSMC continues to demonstrate robust water conservation and recycling programs. TSMC's overall governance structure compares favourably with that of industry peers. In particular, its board has an independent majority and all designated board committees are fully independent. On the corporate behaviour front, it has a robust anti-corruption framework with measures such as staff training and mechanisms to report unethical behaviour. The company's robust compensation schemes, engagement programs, and well-defined career progression plans may help foster loyalty among employees. TSMC appears committed to conflict-free sourcing, with supplier oversight mechanisms such as audits and due diligence programs.

You can get regular updates on the top 10 holdings of each of the Schemes in their most recent Fund Updates as well as a complete list of holdings here:

[MAS KiwiSaver Scheme](#)

[MAS Retirement Savings Scheme](#)

Important notes:

1. This information is sourced from international ESG evaluation specialist firm MSCI and relates to the ESG ratings for each company.
2. The ESG ratings are provided by MSCI and are designed to measure a company's resilience to long-term, industry material ESG risks. More information about the ESG ratings can be located on the MSCI website [here](#).

Disclaimer

The Product Disclosure Statement for the MAS KiwiSaver Scheme is available [here](#). The Product Disclosure Statement for the MAS Retirement Savings Scheme is available [here](#). Medical Funds Management Limited is the issuer and manager of each of those Schemes.

Holdings may change at any time. The actual percentages held as a total of each Fund will differ. Fund holdings are current as at 30 September 2021, and do not necessarily indicate future holdings, which may be different from those stated. Investments in the MAS KiwiSaver Scheme are managed in accordance with the MAS KiwiSaver Scheme's SIPO, available on the MAS website at mas.co.nz/kiwisaver. Investments in the MAS Retirement Savings Scheme are managed in accordance with the MAS Retirement Savings Scheme's SIPO, available on the MAS website at mas.co.nz/retirement-savings