



Pathfinder™

Stewardship Report 2024

Natalia Blauth, Unsplash

Ethically invested funds to
suit *every modern investor.*

March 2025

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About

Stewardship is the responsible allocation and management of capital by investors to create and preserve long term value for current and future generations (source Stewardship Code Aotearoa NZ). This recognizes that being an investor like Pathfinder is much more than simply buying and passively holding shares in companies. Stewardship impacts many different parts of what we do, including our investment choices, our voting as a shareholder, our advocacy for change and our reporting.

There is no single way to conduct stewardship – every investor will have their own approach. For us this is shaped by our purpose as a business, our strategy for investing and our belief around how we can be most effective. Our approach as a fund manager to having ‘real world’ impact and effecting change has four levels:

1. **Product:** This relates to the values and features we embed in the products we offer investors.
2. **Business Model:** We see the model a business adopts as an important choice for how it will interact with stakeholders and ultimately the impact it will have on communities and the environment. Its business model will be shaped by its purpose, leadership, culture and embedded structures (which can be both formal and informal). Our work to certify as a B Corp is part of our business model commitment to act in a way that considers all stakeholders with a long-term perspective.
3. **Industry:** We work in the financial services industry. On the one hand financial services has the opportunity to influence significant positive change in the ‘real world’. Meanwhile on the other hand financial services have generally seen their role in strictly financial terms (a narrow understanding of ‘fiduciary duty’) without including longer term economic, social and environmental costs of growth. Through our stewardship work, we have the opportunity to influence real change in our industry.
4. **Systems:** Whether as citizens, businesses, community groups or governmental organisations we operate under accepted and often unseen systems. These can, for example, be ecological, economic, financial, political or societal systems. These systems are shaped by society and often emerge from or are influenced by a complex interplay of natural phenomena and environmental factors, as well as human decision-making and cultural evolution. We should think about the possibility of driving positive change in systems, especially economic and financial.

There are nine principles of effective stewardship in the Aotearoa New Zealand code. The table below applies these nine principles across our four levels of impact and effecting change:

	Product	Business model	Industry	Systems
Be committed		✓		
Establish and maintain policies		✓		
Incorporate material ESG matters	✓	✓		
Be engaged	✓	✓	✓	
Vote responsibly	✓			
Manage conflicts of interest	✓	✓		
Collaborate and advocate for change	✓	✓	✓	✓
Measure & report	✓	✓		
Educate and improve	✓	✓	✓	✓

We are committed to good stewardship. We see stewardship as one of the levers we can use to achieve our mission as a business – ‘to fund the lasting transformation to a better world’.

1. **Advocate for change:** How we can influence key stakeholders.
2. **Be engaged:** How we engage with the companies we invest in.
3. **Vote responsibly:** How we vote as a shareholder in the companies we invest in.

Other areas relevant to our stewardship are grouped under the section headed “4. Other stewardship matters” below. **This report relates to the 12-month period between 1st April 2023 to 31st March 2024.**

1 - Advocate for change

A key component of our stewardship over the last 12 month reporting period has been our challenge to the financial services industry – and businesses generally – to think about business purpose and the impact of investment decisions.

Much of this work is in private conversations with others in the industry, with journalists and to larger audiences in public presentations or conferences. Below we share some of the key presentations our CEO (John Berry) has

Area	Event	Audience	Content
Client	WAO Summit	NGOs (Wānaka)	Impact investment for climate and biodiversity
	WAO Summit	Public (Wānaka)	Climate and business
Wellness	Remnet Conference	Corporates (Auckland)	Employee stress, financial wellness and business responsibility
	HR Changemakers Conference	Corporates (Auckland)	Employee stress, financial wellness and business responsibility
Business Thinking	Mindlab	Corporates and NGOs (Auckland)	Business purpose and change
	Otago University	Public lecture (Dunedin)	Business purpose and social enterprise
	Climate Action Marlborough	Small business, local government, NGOs (Blenheim)	Business purpose and change
Ethical Investing	NZ Society of Accountants	Accountants (Auckland)	Ethical investment
	Otago University	Students (Dunedin)	Ethical investment
	Lincoln University	Finance students (Lincoln)	Ethical investment
	Unitec	Students (Auckland)	Real world impacts of money
	NZTE	NZ exporting companies (Auckland)	Ethical investment and planetary boundaries
	Australasian Accounting Standards Board	Accountants and accounting standard setters (Auckland)	Ethical investment

In addition to sharing ideas at conferences, community groups and public events, we are also involved in discussions around policy settings and legislation. These discussions have primarily been around private asset investment in KiwiSaver. Our view is that KiwiSaver providers should be allocating a small part of KiwiSaver to private (unlisted) investments which can include venture capital, infrastructure and social housing. Pathfinder KiwiSaver invests in each of these categories.

2 - Be engaged

Engagement involves communicating with companies we invest in to try and bring about positive change. This can be through an informal discussion with an executive at a company intending to 'seed' an idea, through to a formal and structured approach to engaging with a company. For a smaller manager like Pathfinder engagement can often be most impactful by collaborating with other managers (which is the first example we give below).

Our engagements for the 12 month period included:

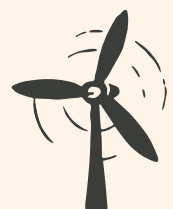
Woolworths engagement with Climate Action 100+

Pathfinder joined the Climate Action 100+ working group to collaborate with other investors in 2023 in relation to Woolworths Group. The engagement focused on its climate-related disclosures and strategies. Through this initiative, we aim to encourage Woolworths to set more ambitious decarbonisation targets and develop a more comprehensive climate transition plan. While Woolworths has made progress by committing to source 100% renewable electricity by 2025 and reduce its scope 1 and 2 emissions by 63% from its 2015 baseline by 2030, we believe there is room to do more. Our goal is to work constructively with Woolworths to enhance its climate risk management, increase transparency in its reporting, and accelerate its efforts towards achieving net-positive carbon emissions by 2050 or earlier. By participating in this collective engagement, we hope to leverage the combined influence and knowledge of institutional investors to drive meaningful change in Woolworths' approach to addressing climate-related risks and opportunities.

Checking alignment with our Ethical Investment Policy

As part of our commitment to responsible investing, we review both our existing portfolio companies and potential investment prospects for alignment with our Ethical Investment Policy. Examples of our efforts include:

1. Reaching out to biotechnology companies to check for any involvement in animal testing. If the companies confirmed that they were conducting or had engaged in this practice in the past, we sought information on their strategies to mitigate, minimise, and ultimately phase out animal testing. We specifically looked for any alternative methods such as in vitro testing or stem cell research, and adherence to the 3R policy (Replace, Reduce, Refine).
2. We carefully examined companies involved in activities listed in our exclusions, including fossil fuel distribution, alcohol and/or tobacco retailing, to verify that any revenue from these activities remained within our disclosed thresholds. Where information was lacking, we reached out directly with the companies in question to verify with them whether the lack of information meant that the company was in line with our criteria, or if there was information that we had not considered.



Engaging with companies connected to water quality, accessibility or sustainability

We focused on water treatment with a particular emphasis on PFAS (known as “forever chemicals”) contamination. We reached out to a number of companies, most of which we already invest in, connected to water quality, accessibility, and sustainability. This group included water utilities, engineering services firms, and manufacturers of treatment devices and machines. We are motivated by the long-term human and environmental harm caused by PFAS chemicals. Our intent with the engagement is to gain insights into their perspectives on the future of PFAS contamination treatment, their preparations for increased public attention, and their strategies for addressing likely stricter regulations and drinking water standards. Through these interactions, we aim to understand the industry’s current approaches and future plans for tackling this critical environmental and health challenge.

3 – Vote responsibly

Pathfinder voted over 2,000 times in the year. Because of both the frequency of votes and the different markets we vote in (e.g. US market) we use a proxy voter called Glass Lewis. Glass Lewis votes on behalf of Pathfinder using a set of policies that consider future returns and minimise environmental, and social risks by supporting clear and effective governance policies. Below is a summary of our voting activities for FY24. Also available to view in our Sustainability Report 2024, page 23.

Here’s a snapshot of our voting data for the 2023-2024 Financial Year:

Voting Data

	Number of Votes Cast	Proportion of all voting opportunities
No votes cast	43	1.50%
Voted	2824	98.50%
Total ballots	2867	100%

Shareholder Proposals

	% of time we voted
Voted for	36.9%
Voted against/withhold	51.3%
Voted abstain	9.7%
No votes cast	2.1%



Management Proposals

	% of time we voted
Voted for	92.9%
Voted against/withhold	5.5%
Voted abstain	0.1%
No votes cast	1.5%

Note:

Vote for

This is a vote 'for' the proposed ballot. It is a vote of approval for the proposal.

Vote against

This is a vote 'against' the proposed ballot. It is a vote in opposition to the proposal.

Abstain

This is one way Glass Lewis chooses not to vote. Glass Lewis will abstain from voting for a few reasons, mainly because they haven't been provided all of the information.

Withhold

By withholding from a vote, Glass Lewis is voting against a ballot.

No Vote

No vote can be cast for a few reasons. In most instances where Glass Lewis chooses not to vote, there will be no decision required for a ballot. For example, when electing directors, there may be two seats available, but three candidates proposed. In this instance, Glass Lewis will vote for two candidates and cast a 'no vote' for the third.

On pages 22-25 of our Sustainability Report 2024 we explain our voting in more detail. We also give some examples of voting 'with' management (Icade), 'against' management (Oracle) and 'over-riding' the voting recommendation from Glass Lewis (A.O. Smith Corporation and Nike Inc).



4 - Other stewardship matters

In this report we have highlighted advocating for change, being engaged and voting responsibility. We summarise below several other aspects of our stewardship approach:

Policies

We do not yet have a stand-alone Stewardship Policy. Our commitment to stewardship is referred to in our Ethical Investment Policy, page 9 and also evidenced by us becoming a signatory to the Stewardship Code. We intend to review our stewardship processes during 2025.

Incorporate material ESG matters

We have incorporated ESG into both our exclusions (what we don't invest in) and our process for selecting investments. More detail on this is provided in our Sustainability Report 2024, pages 19-21.

Managing conflicts of interest

Conflicts of interest occur when our interests as a business may be inconsistent with, or very different to, the interests of our investors. It is possible conflicts of interest could arise in voting or engagement activities.

It is important that conflicts are identified and managed, whether the conflicts are real or perceived. Our focus for managing conflicts of interest is our duty to act in the best interests of our investors. Our Compliance Manual recognises that to achieve this our focus is on creating processes, controls and a culture where:

- Client interests are at the heart of the business
- Staff understand (and care about) good outcomes for investors
- Investors are treated equally and fairly and any conflicts of interest are disclosed to them.

We manage this conflict by ensuring that all transactions giving rise to a related party benefit comply with requirements of the Financial Markets Conduct Act 2013 and Pathfinder's Related Party Transaction Policy. This procedure requires us to certify that the transaction, or series of transactions, is permitted by the Financial Market Conduct Act 2013 or to obtain the Supervisor's consent to the transaction or transactions. We must also notify the Supervisor of the transaction or transactions.

For listed companies, we are aware of one instance involving an executive from Pathfinder who served as a director. Pathfinder abstained from exercising voting rights on shares held in that company to avoid potential conflicts of interest.

Educate and improve

We are mindful as a boutique investment manager that we need to dedicate appropriate resource and oversight to our stewardship activities. This includes reviewing our approach and intentions with our stewardship and ensuring our team receive on-going training and have appropriate tools and knowledge for voting and engaging. We work to improve our approach each year.

We are a signatory to the Aotearoa New Zealand Stewardship Code, and this is our first Stewardship Report. We recognise that there are definite areas requiring more depth in what and how we report. We approach this process as one of continual improvement, and each year will build on the stewardship work we have completed and reported in the prior year.

Pathfinder Asset Management Limited is the issuer of the Pathfinder KiwiSaver Plan and Pathfinder Investment Funds. Product Disclosure Statements for the offers are available at pathfinder.kiwi. Learn more about how we invest ethically by reading our Ethical Investment Policy on our website.





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