

22 June 2022

Mr Rick Stolwerk  
Chair of Investment and Property Subcommittee  
Northland Regional Council

Cc: Malcolm Nicholson, Bruce Howse, Simon Crabb

Rick

### NORTHLAND REGIONAL COUNCIL ESR TARGETS

Eriksens were requested at the Investment and Property Subcommittee held on 30 March 2022 to provide advice on how the Council can achieve its ESR end target in 5 years' time.

As per the SIPO dated February 2022 the Council wish to move away from investments in fossil fuels, alcohol, tobacco, gambling, military weapons, civilian firearms, nuclear power and adult entertainment over a five year time horizon.

We launched The Eriksens Responsible Investment Survey in 2019 where we covered most products our clients invested in. The main aim of survey is to show our clients where their money is invested and how it aligns with their social and environmental views and objectives.

We indicated positive trends in reduced holdings of alcohol, armaments, distribution of fossil fuels, extraction and processing of fossil fuels, gambling and gaming, and tobacco for the last six periods in our latest Responsible Investment report as of 31 December 2021.

An alternative methodology of calculating exposure to ESG industries is the attached table (Appendix) based on the involvement of companies in range of products, services and business activities provided by MorningStar. This source shows the product involvement at the company level calculated as a range of revenue exposure for all products except controversial weapons. Comparing to GICS classification this methodology is more accurate. A downside is the time lag for managers to provide the data to MorningStar. As a result the Aspiring portfolio is dated September 2021 and some others still dated December 2021.

Based on MorningStar data the Council's exposure to ESG industries is not significant being less than 1% as at 30 April 2022 for every category.

We are having regular meetings with managers. ESG is one of the important topics on the agenda each time. Responsible investing policies are in place and all investment decision are made in accordance with these policies for all the products invested in. We are observing that managers are enhancing their procedures and applying the best practices available in the market.

The Council's investment portfolio is relatively in a good position comparing to the market average. Taking into consideration the positive trends within portfolio and improving managers internal policies we believe that the Council is in position to achieve its ESR targets in five year time horizon. In addition, we are constantly monitor the domestic and international markets on the availability of suitable products with strong responsible investing components that can be introduced into portfolio if required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. Eriksen'.

Jonathan Eriksen  
**EriksensGlobal Limited**

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## Actuaries & Investment Strategists

### Appendix. Portfolio exposure based on MorningStar data

NRC	Adult Entertainment	Alcohol	Controversial Weapons	Gambling	Military Contracting	Nuclear	Small Arms	Thermal Coal	Tobacco
Aspiring	-	0.17	-	0.13	-	-	-	-	0.09
BlackRock	-	0.00	0.00	0.01	0.00	0.01	0.00	0.01	0.00
Castle Point 5 Oceans	-	0.17	0.03	0.06	0.03	0.27	-	0.17	0.02
Castlerock	-	-	-	-	-	-	-	-	-
Continuity	-	-	-	-	-	-	-	-	-
CPE Capital	-	-	-	-	-	-	-	-	-
Direct Capital	-	-	-	-	-	-	-	-	-
Federation	-	-	-	-	-	-	-	-	-
Fermat	-	-	-	-	-	-	-	-	-
Harbour Income	-	0.01	0.00	0.00	0.01	0.00	0.00	-	-
Harbour T. Rowe Price Global Equity	-	0.03	0.05	0.00	0.10	0.05	0.02	-	-
Milford Active Growth	-	0.12	-	0.07	0.09	0.02	-	0.02	-
Milford Diversified Income Fund	-	0.03	0.00	0.00	0.10	0.09	0.00	0.23	0.00
Milford PE III	-	-	-	-	-	-	-	-	-
Mint Diversified Growth	-	0.14	-	-	-	-	-	-	-
Mint Diversified Income	-	0.06	-	-	-	-	-	-	-
MLC	-	-	-	-	-	-	-	-	-
Nanuk New World	-	-	-	-	0.02	0.01	-	-	-
Oriens Capital	-	-	-	-	-	-	-	-	-
Pioneer Capital	-	-	-	-	-	-	-	-	-
QuayStreet Income	-	-	-	0.20	-	-	-	-	-
Schroder Real Return	-	0.04	0.00	0.04	0.02	0.02	0.01	0.06	0.00
<b>Total</b>	-	<b>0.77</b>	<b>0.09</b>	<b>0.51</b>	<b>0.36</b>	<b>0.47</b>	<b>0.03</b>	<b>0.49</b>	<b>0.11</b>

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