Responsible Investing

Please note that Salt Investment Funds Limited replaced Forsyth Barr Investment Management Limited as the manager and issuer of the Octagon Investment Funds on 31 July 2026. This Factsheet relates to a period prior to the change in manager and has been prepared by Forsyth Barr Investment Management Limited.

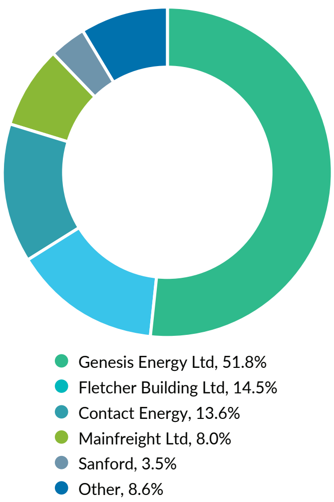
New Zealand Equities Fund (as at 30 June 2026)	Fund	Benchmark
% of Portfolio reporting Scope 1 and 2 emissions (by market value)	99%	100%
Weighted Average Carbon Intensity (WACI), tCO2e	43	40
Portfolio Emissions (Scopes 1+2), tCO2e per $1m invested	**26**	**22**

Australian Equities Fund (as at 30 June 2026)	Fund	Benchmark
% of Portfolio reporting Scope 1 and 2 emissions (by market value)	99%	100%
Weighted Average Carbon Intensity (WACI), tCO2e	117	93
Portfolio Emissions (Scopes 1+2), tCO2e per $1m invested	**60**	**39**

Listed Property Fund (as at 30 June 2026)	Fund	Benchmark
% of Portfolio reporting Scope 1 and 2 emissions (by market value)	97%	98%
Weighted Average Carbon Intensity (WACI), tCO2e	7	4
Portfolio Emissions (Scopes 1+2), tCO2e per $1m invested	**1**	**0**

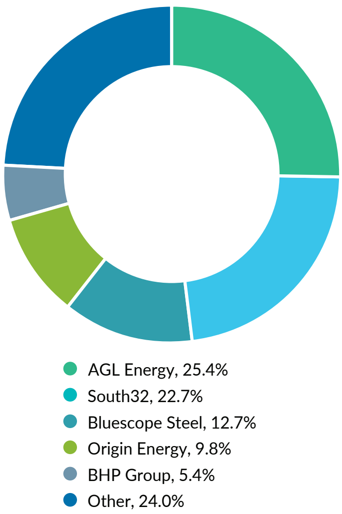
New Zealand Equities Fund

LARGEST CONTRIBUTORS TO PORTFOLIO EMISSIONS



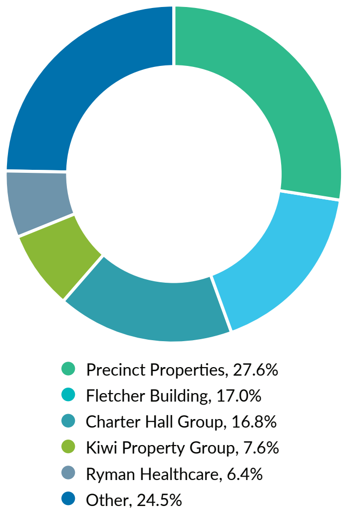
Australian Equities Fund

LARGEST CONTRIBUTORS TO PORTFOLIO EMISSIONS



Listed Property Fund

LARGEST CONTRIBUTORS TO PORTFOLIO EMISSIONS



Director ownership of NZX50 companies

It has been a tough few years for investors in the New Zealand equity market. The five-year annualised return of the S&P/NZX 50 Gross Index was just 0.3% as at 30 April 2026, with almost half of its constituents delivering negative cumulative total returns over that period.

Unsurprisingly, this has sharpened investor scrutiny of both the management and corporate governance of listed companies.

While weak economic conditions and global geopolitical events explain some of the disappointing performance, some boards have inevitably (and rightly) faced difficult questions from shareholders. Fletcher Building (-49%), Synlait Milk (-87%) and Ryman Healthcare (-82%) are all examples of companies that have experienced significant shareholder value destruction over the past five years, followed by substantial board renewal as part of broader governance resets.

The principal-agent problem lies at the heart of corporate governance. Shareholders (the principals) appoint directors to represent their interests and oversee management (the agents). If directors are expected to act in shareholders' best interests, should they themselves be shareholders?

Not necessarily in New Zealand. Our analysis found that only a handful of the largest NZX companies formally require non-executive directors (NEDs) to own shares, with a further handful encouraging ownership. Around half of the NZX 50 have no publicly disclosed policy or expectation for NED share ownership. We focus on NEDs because executive directors are more likely to already hold shares through remuneration arrangements.

The concern underlying the agency problem dates back at least to Adam Smith's *The Wealth of Nations* (1776). Writing about joint-stock companies, Smith observed:

"The directors of such companies... being the managers rather of other people's money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance..."

The point remains relevant today. Directors with personal capital at risk may be more inclined to think like long-term owners when making decisions on strategy, capital allocation, risk and executive remuneration.

Academic literature broadly defines the board's role as monitoring management, providing accountability to shareholders, appointing the CEO and helping shape company strategy. Share ownership is not essential to fulfilling these responsibilities, but it can strengthen the alignment between directors and investors.

We reviewed the publicly available disclosures of NZX50 companies. While our analysis is limited to published policies and will not capture internal expectations, we believe it provides a useful picture of current practice.

We found that 10 companies have a formal requirement for NEDs to hold shares, while a further 13 encourage directors to own shares. These policies vary considerably in both the required holding and the timeframe over which directors are expected to build their investment.

Several approaches stood out.

Auckland International Airport requires directors to invest at least 15% of their annual net director fee each year for three years until they hold shares equivalent to one year's base director fee.

Ryman Healthcare introduced a formal minimum shareholding policy in 2023 as part of its governance reforms. NEDs are expected to acquire shares equal in value to their annual base fee within five years of appointment.

Contact Energy encourages directors, subject to personal circumstances, to hold at least 20,000 shares within three years of appointment. At current prices, this represents an investment of around $200,000.

NZX Limited links share ownership directly to director remuneration, requiring directors to use part of their fees to purchase company shares unless prevented by compliance or other legitimate reasons.

From our perspective, whether ownership is mandatory or encouraged is less important than whether the expectation is clearly disclosed. A published policy signals that directors are expected to share in the financial outcomes experienced by shareholders.

Boards exist to oversee management and make decisions that create long-term shareholder value. In our view, it is reasonable for long-term investors to expect NEDs to have some economic exposure to the companies which they oversee, subject to appropriate exceptions.

This expectation should be communicated clearly, whether through a formal requirement or a publicly disclosed policy.

Ryman Healthcare's introduction of a minimum shareholding requirement formed one element of its broader governance reset following a prolonged period of poor shareholder returns. At the other end of the spectrum, Infratil—one of the NZX's strongest performers, delivering around 100% cumulative total return over the past five years—encourages directors to acquire and hold shares through its Board Charter. Several directors also purchased additional shares last year, signalling confidence in the company's long-term prospects.

Investors can already see from annual reports whether directors own shares. The next step is for more companies to state clearly whether they expect their directors to do so.

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OCT7166-10-(RI)-August 2026