BNZ RESPONSIBLE INVESTMENT POLICY

May 2019

1. Overview

1.1 Purpose and scope

BNZ is committed to incorporating Environmental, Social and Governance ('ESG') factors, where practicable, into the investment products it offers. This policy has been developed after taking the Group's ESG Risk Principles and BNZ's Credit Policy into account, and it applies to BNZ Investment Services Limited Managed Investment Schemes and BNZ's Discretionary Investment Management Service. In this policy, references to BNZ refers (as appropriate) to BNZ and BNZ Investment Services Limited.

1.2 Investment Philosophy

BNZ's investment philosophy is based on the following beliefs:

- Risk and return are related.
- Diversification across countries, sectors, securities and styles reduces risk and can improve return.
- Financial markets can be inefficient, which can from time to time provide an opportunity to add value through an active approach to investment management.

The investment philosophy is implemented by:

- Investing in authorised investments that are managed by fund managers who are experts in their particular market. In some instances, BNZ may approve authorised investments that are direct securities.
- Maintaining a well-defined governance structure which leads to better decisions and enables risks to be managed more effectively.
- Minimising the potential impact of fees, taxes and other costs which can impact returns.

1.3 ESG Philosophy Statement

Consideration of ESG factors relate to BNZ's belief that risk and return are related. Additionally, BNZ believes that incorporating ESG factors, when making investment decisions, is consistent with its responsibility to act in the best interests of its customers.

BNZ believes that as part of a robust investment framework, ESG factors should be considered by the investment managers it appoints for the following reasons:

1. Consideration of ESG factors should lead to a more complete analysis, including the early detection of risks that could otherwise be overlooked, thereby resulting in better investment decisions being made. Over the long term, this should contribute to higher returns and less risk.
2. Good management of ESG factors (including governance, employee relations, safety, and environmental risks) is material to the long-term successful performance of any business. By not managing these factors effectively, there is a greater likelihood of poor returns.

1.4 Context

As a provider of investment products to its customers, BNZ is responsible for the construction of these investment products (ie. the asset allocations and selection of investment managers). For each asset class, BNZ appoints one or more investment managers. In turn, the investment managers are responsible for the selection of individual investments. Therefore, to a large degree, the identification, assessment and management of ESG factors is primarily undertaken by the investment managers that are appointed by BNZ.

2. Policy application

2.1 Incorporating consideration of ESG into investment decisions

Where practicable, BNZ requires the investment managers it has appointed to consider ESG factors in their investment analysis and decision making. BNZ will assess the extent to which an investment manager incorporates ESG factors into its investment process. The insights from this assessment are considered when a decision is made to appoint a new investment manager or retain an existing investment manager.

2.2 Monitoring activities of investment managers

BNZ monitors and evaluates the activities of the investment managers it has appointed in relation to ESG factors. Investment managers have three options to address any ESG concerns they have regarding a particular company:

1. Remain invested and engage with the company in relation to the issue.
2. Divest the investment.
3. Exclude the company from the investment universe.

BNZ believes that investment managers should engage first and divest or exclude as a last resort. Each investment manager is expected to engage with investee companies on ESG matters by discussing matters of concern or interest. As part of this process, they need to assess the likely effectiveness of engagement and the resources required to do so. However, BNZ is aware that in some instances, engagement may be an ineffective tool.

2.3 Proxy voting

In general, BNZ has a preference for proxy voting to be undertaken by the investment managers it has appointed. Investment managers are generally best placed to make a judgement on resolutions as they should have a good understanding of the companies that they invest in and the issues, including those related to ESG, that investors may be asked to vote on. Furthermore, the outcome of the resolutions may be related to their rationale for holding the stock in the portfolio. BNZ monitors the investment managers' proxy voting behaviour formally on a semi-annual basis though a survey process.

2.4 Disqualification or divestment

During the due diligence process for the selection of new investment managers, BNZ excludes investment managers that do not have an appropriate process in place to identify, assess and manage ESG matters relating to the portfolio they manage.

If an appointed investment manager fails to adhere to their ESG process or does not maintain an appropriate process after appointment, the investment manager will not be retained, following appropriate consultation.

2.5 Exclusions

Exclusions framework

BNZ applies exclusions to appointed investment managers on a case-by-case basis. Where mandates are in place with investment managers, BNZ may be able to exclude certain sectors in line with this policy. Where BNZ gains its exposure via commingled funds, it may not be feasible to apply an exclusions framework due to the commingled nature of the investment. In some asset classes or sectors, it may not be feasible for BNZ to apply exclusions because of the nature of the underlying investments.

The decision to exclude particular sectors, where practicable, takes account of the following considerations, to the extent that they are applicable:

1. The regulatory environment.
2. The materiality of the issue.
3. The impact on the risk and return of BNZ's investment products.
4. The effectiveness of engagement.
5. Alignment with BNZ's brand and values.

Excluded Sectors

The following sectors are excluded from BNZ's exposure to International Equities:

- Cluster munitions - companies which are actively involved in the development or production of cluster munitions.
- Landmines - companies which are actively involved in the development or production of landmines.
- Nuclear weapons systems - companies which are actively involved in: 1) the manufacture or testing of nuclear weapons systems; and/or 2) management of facilities used to assemble or refurbish them; and/or 3) manufacture of the delivery systems for nuclear weapons.
- Tobacco - companies which are actively involved in the manufacture of tobacco or tobacco products.

  Collectively these are referred to as 'Excluded Sectors'. With respect to the above exclusions, the following is worth noting:
- Zero tolerance is applied to the Excluded Sectors.
- No investment is to be made in companies that have a controlling interest in a subsidiary, or joint venture, with involvement in the Excluded Sectors.

Exclusions List

The exclusions are implemented via an Exclusions List ('List') which identifies companies that are engaged in activities in the Excluded Sectors. The List is maintained by BNZ's asset consultant using research from a specialist Socially Responsible Investment ('SRI') data provider. Companies in the MSCI All Country World Index are covered by this service. The List is reviewed and updated every quarter and cross checked against BNZ's exposure to International Equities. If it is discovered that BNZ holds a security in an Excluded Sector, it will aim to divest that investment in an orderly manner within three months of becoming aware of it. The ability to divest in an orderly manner may be impacted by market liquidity and other events (eg suspended trading).

While BNZ's asset consultant applies a rigorous process to maintain the List, there is the risk that an investment is made in a security that BNZ had intended to exclude. Some examples of when this may occur include:

- Incorrect or incomplete data provided by the SRI data provider.
- A change to a company's operations in an excluded activity between reviews.
- An error is made by an investment manager or by BNZ's asset consultant.

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