

Responsible Investment Policy.

December 2020.

1. Purpose.

BT Funds Management (NZ) Limited (**BTNZ**) is the investment manager for a range of investment products including the Westpac KiwiSaver Scheme, Westpac Active Unit Trusts and Premium Investment Funds. BTNZ is the investment arm of Westpac in New Zealand and a member of the Westpac Group of companies.

The purpose of this policy statement is to articulate BTNZ's approach to responsible investing (**RI**) and to provide a framework for understanding and managing environmental (**E**), social (**S**) and corporate governance (**G**) impacts, risks and opportunities across the investment management services provided by BTNZ.

This policy statement has been developed in conjunction with the BT Proxy Voting Policy.

2. Scope.

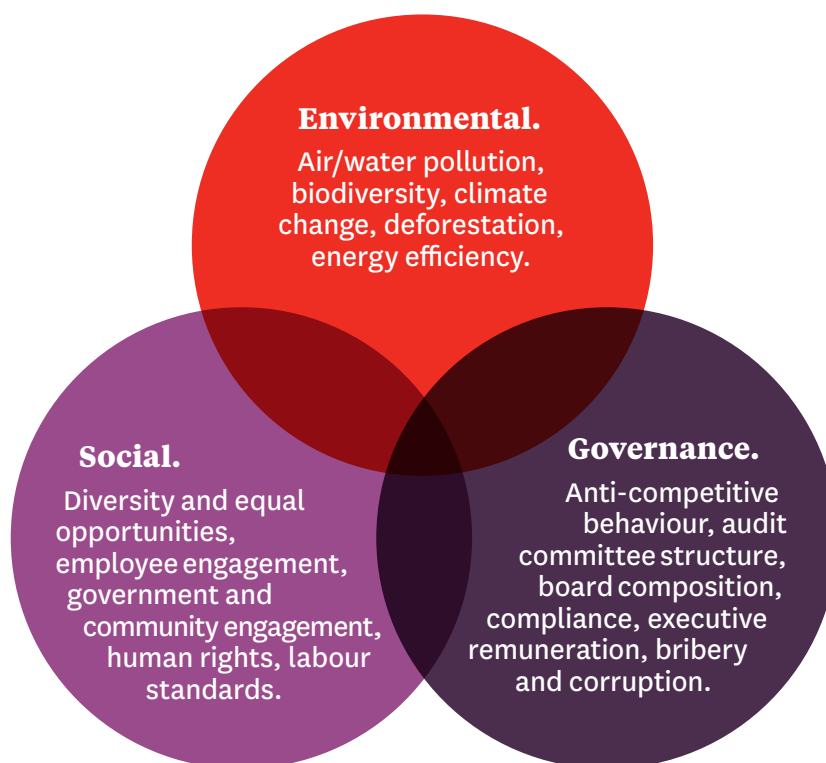
This policy statement applies to the investment management services provided by BTNZ.

3. Defining responsible investment.

We define RI as the integration of ESG factors into the investment decision making process, enabling risks to be better managed and to meet our customers' long-term investment objectives, consistent with our fiduciary duty.

We believe ESG factors can have a material impact on the long-term successful performance of any business. ESG risk is the risk to investment portfolios' performance due to failure to recognise or address material existing or emerging ESG factors. We believe such factors have the potential to impact the performance of investment portfolios over the long-term, whether they are issues specific to companies, sectors, regions, or asset classes.

Some of these factors are as follows:



The term 'ESG integration' refers to the activities undertaken to protect or enhance value and/or manage risks through taking a broader, more comprehensive approach to investment analysis, decision-making, external manager selection, and engagement.

4. Our approach to responsible investment.

We incorporate the following three components; Integrate, Exclude, and Monitor and Engagement.

1. Integrate Integrate ESG risks and opportunities into investment decisions.	2. Exclude Build a framework that caters for consideration of all potential issues.	3. Monitor & Engagement Monitor investments and report on our activities.
<p>Incorporate ESG considerations into investment manager selection process.</p> <p>Incorporate BTNZ RI policy implications into external investment management agreements.</p> <p>Incorporate ESG scoring process into BTNZ's directly managed funds.</p>	<p>Set exclusions:</p> <ul style="list-style-type: none">– Weapon manufacturers– Tobacco manufacturers– Fossil Fuels– Predatory lending practices– Whale meat processors. <p>Consider further exclusions using a defined framework criteria and assessing impact on long term risk/return. See more on this in Section 5.</p>	<p>Third party investment managers to report to BTNZ on ESG incorporation and company engagement.</p> <p>Reporting on Proxy Voting.</p> <p>Becoming a signatory to the UN Principles of Responsible Investing.</p>

Consistent with our fiduciary responsibilities to our customers:

- We will incorporate ESG factors into investment analysis and decision-making processes (either directly or through third party investment managers (**IMs**)).
- We will be active owners, consistent with our proxy voting policy.
- Where activity is in breach of national laws and international treaties supported by NZ, or engagement cannot deliver the necessary change, we will implement asset restrictions, in line with our exclusion framework (see section 5).
- We will seek appropriate disclosure on ESG research and ESG-related issues by the IMs and/or entities in which we invest.
- We will promote acceptance and implementation of the ESG-related principles within the investment industry.

4.1 ESG integration into investment decision making.

Our fiduciary duty prescribes that we act in the best interest of our customers. As an organisation, BTNZ is cognisant of the need to make investment decisions that have regard for the risk-weighted return over nominated time periods. BTNZ believes that long-term investment outcomes can be enhanced if ESG considerations are factored into the investment decision making process.

Our approach to ESG integration does not generally apply a specific screening process (apart from the exclusion framework as discussed in Section 5). At varying times ESG factors may be considered at a company, stock, or sector level; may impact a country specifically; or be part of a global trend.

When considering ESG factors in the investment process, BTNZ is not seeking to take a moral or ethical stance. Instead, our approach is motivated by an objective of creating value and/or avoiding undue risks.

4.2 ESG integration in a multi-manager context.

In the context of our multi-manager investment strategies (where security selection decisions are delegated to third party IM's), ESG incorporation and engagement occurs through the selection, appointment, and ongoing monitoring process.

Prior to appointment we undertake a formal assessment of each IMs approach to the integration of ESG risk, in addition to ongoing dialogue around ESG issues. The ESG credentials of proposed and shortlisted managers are reviewed and considered in our manager selection and review process. All IMs are required to be aware of and observe our RI policy, and are required to provide regular updates to BTNZ outlining their ESG research process as well as their engagement with the companies they invest in.

4.3 Active ownership.

We recognise that we have an opportunity to use shareholder voting rights to influence the companies in which we invest. Furthermore, we believe we have a responsibility to engage (either directly or through IMs) with companies to encourage good governance, transparency, and sustainable business practices.

We undertake active ownership engagement at two levels;

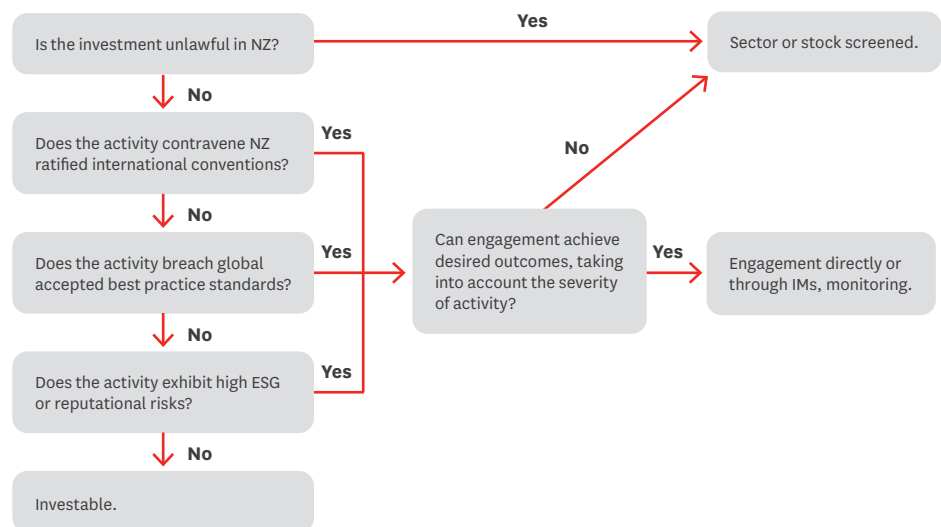
- i. Where we exercise voting rights on securities on behalf of customers, through proxy voting. We believe this can influence board decision making and therefore investment returns and risk over time, and,
- ii. With IMs to promote good practices on active ownership and ESG considerations.

For proxy voting on company resolutions, voting is undertaken by underlying IMs and, where applicable, BTNZ monitors this through a reporting process. Participation in the voting process ensures that we are working to protect our customers' interests. We reserve the right and may, on occasion, direct external managers on how they should vote.

The BTNZ Proxy Voting policy is published on the Westpac New Zealand public website. IM's are provided with a copy of the policy and are encouraged to act in a way which aligns with the policy.

5. Exclusion Decision Framework.

As an institutional investor with a stake in the wider economy, we believe that positive outcomes are a function of ESG risk management and company engagement, rather than blanket screening of certain types of investments. However, certain exclusions are required by New Zealand law, and we also recognise the importance of considering NZ government policy and international conventions to which NZ is a signatory. In addition, we will give special consideration to companies /industries involved in certain activities or breaches of accepted best practice standards where engagement with the company/ industry does not achieve desired outcomes. Consequently, in some limited cases we will exclude certain companies or sectors from the portfolios. Our exclusion decision framework is outlined below.



5. Exclusion Decision Framework. *continued*

The likely long-term impact of exclusions on investment returns and risk of a portfolio are carefully considered prior to the incorporation of any screening decisions. We also consider factors such as our customer's expectations, the potential reputational impact as well as action taken (if any) by the broader industry.

In applying a negative screen, we employ a third party ESG research service provider to deliver the list of companies in the screened sector. The exclusion list is updated periodically and provided to each IM to ensure their portfolios they manage remain compliant with the list.

The asset exclusions currently encompass the following;

Weapons.

- Companies involved in the manufacture of nuclear weapons, cluster munitions and anti-personnel mines (together, "controversial weapons").
- Companies involved in the manufacture and sale of assault weapons to civilian customers.

Tobacco.

- Companies involved in the manufacture of tobacco products.

Fossil Fuels.

- Companies that derive more than 10% of their revenue from oil and gas exploration, production, or refining activities. This includes revenues from oil sands extraction, oil and gas exploration in offshore Arctic regions, and shale energy exploration and/or production.
- Companies that derive more than 10% of their revenue from thermal coal mining.
- Companies that have their primary business activity in the oil & gas drilling, oil & gas equipment and services, integrated oil & gas, oil & gas exploration and production and coal & consumable fuels subindustries as defined by Global Industry Classification Standards.

Other.

- Companies involved in predatory lending practices as defined by our ESG research service provider.
- Companies involved in the processing of whale meat.

However, our funds may hold some investment in an underlying fund that is not managed by us. These underlying funds are not subject to our responsible investment policy and may include investment in companies that we would normally exclude. This currently applies to the Other (alternative investment) asset class, which only excludes controversial weapons and tobacco. Asset exclusions also do not apply to derivative-based investments.

6. Responsibility and Accountability.

Ultimate accountability for the RI policy rests with Investment Solutions. Investment Solutions has responsibility for the day-to-day integration and management of ESG impacts, risks, and opportunities across the investment portfolios.

7. Policy statement review.

This policy statement is reviewed annually or more frequently as required to ensure that it remains current.
