

Responsible Investment Policy

17 March 2021

1. Background and governance

Kiwi Wealth Investments Limited Partnership (KWILP) manages investments for financial products and services offered by itself and its subsidiaries (the Kiwi Wealth Group). KWILP is primarily an active investment manager of global investments.

The Investment Governance Committee (IGC) is a subcommittee of the Board of the General Partner of KWILP. Its role is to provide governance oversight in respect of KWILP's investment management activities and to bring material issues to the attention of the KWILP Board.

This policy will be reviewed at least annually by the IGC and approved by the Boards of the Kiwi Wealth Group.

2. Objective

This document sets out the Kiwi Wealth Group's policy for Responsible Investment (RI) by specifying how the group incorporates RI principles and practises into its product design, investment management and stewardship activities.

The RI Policy is provided to relevant staff who are responsible for managing, monitoring or implementing the investment processes of the Kiwi Wealth Group; such staff are responsible for implementing the policy under the guidance of the CIO. The policy is made readily accessible to all staff and clients.

3. Purpose

KWILP is committed to fulfilling its fiduciary duty to maximising the long-term interests of our various beneficiaries by creating portfolios that seek optimal returns subject to risk budgets and other agreed constraints. Where consistent with this fiduciary duty, we commit to investing responsibly by incorporating environmental, social and governance (ESG) factors into our investment analysis and decision-making processes.

At KWILP, we recognise that our role as an institutional investor creates a valuable opportunity to positively influence the behaviour of investee companies towards ESG issues through active ownership, particularly engagement and proxy voting activities. As an active investment manager, KWILP also has the discretion to actively select individual securities and investments and exclude companies who act significantly against its investment principles.

KWILP believes that RI principles can be used in the investment process to enhance performance in the long term, and that investment opportunities involving certain impacts (for example social or environmental impacts), products and services or corporate behaviour, where engagement and proxy voting activities do not offer a viable option, should be excluded from investment regardless of the strength of the investment case.

4. Integration of ESG factors

Kiwi Wealth Group takes into account ESG factors across the various aspects of its investment decisions, including the appointment of investment managers. We do this through considering ESG issues in investment selection, negative screening for certain activities and behaviours and ESG-related engagement and proxy voting activities with investee companies.

Kiwi Wealth Group considers ESG factors such as the following, but not limited to:

- **Environmental factors** – Climate change, resource depletion, waste, pollution and dumping of hazardous substances, deforestation, and destruction of sites with significant historical and/or social importance.
- **Social factors** – Human rights, working conditions and labour standards (including worker pay, modern slavery and child labour), health, safety and well-being, impact on communities, workforce and gender diversity, and animal welfare.
- **Governance factors** – Bribery and corruption, executive pay, board diversity and structure, political lobbying and donations, and tax strategy.

5. Active ownership

This section outlines KWILP's general approach to engagement and proxy voting. KWILP may also engage the services of external advisors as required when formulating and executing engagement and proxy voting strategies.

a. Engagement

KWILP regularly assesses engagement opportunities, including collaborative efforts with other investors based on an annual plan based around our Engagement Framework (see Appendix I). The framework covers the prioritisation of engagement activities, the setting of objectives, the selection of engagement methods, tracking, monitoring and escalation.

We recognise that engaging in dialogue with investee companies on ESG topics through collaborative efforts can be more effective and bring substantial benefits. This may be particularly true when engaging on a highly complex issue or with a company that operates in a challenging environment.

b. Proxy voting

KWILP exercises proxy votes for securities held in portfolios managed by it with the aim of enhancing shareholder value, supporting strong voting rights for shareholders and promoting responsible corporate behaviour.

In formulating voting strategies, deciding how to exercise specific voting rights and in the actual execution of such voting right, KWILP may apply any of these methods:

- Using its own research or voting team to make decisions.
- Engaging the services of proxy voting advisor(s) who make voting recommendations and/or provide research that it uses to guide its voting decisions.
- Engaging the services of proxy voting advisor(s) who make voting decisions on its behalf, except in pre-defined scenarios where it reviews and makes voting decisions.
- Permitting delegated investment managers to exercise proxy votes on securities they manage according to their own proxy voting policy.
- Deciding not to exercise voting rights at KWILP's discretion.

6. Investment exclusions

a. Background

Companies who fall within the zero tolerance exclusions, or who are within our ESG exclusions or areas of sensitivity and where engagement and proxy voting do not offer the potential of a viable resolution, will be excluded from our investment portfolios.

KWILP will identify companies for exclusion on behalf of the Kiwi Wealth Group based on the impact those companies have (for example, social or environmental impact), products and/or services and/or corporate behaviour.

KWILP will attempt to identify industries and/or companies:

- To be excluded for both direct and indirect investment, deemed "zero tolerance".
- To be excluded from direct holdings on the basis of poor ESG behaviour, including under an investment management agreement (IMA).
- Industries and/or companies where enhanced sensitivity is appropriate in direct investment decisions are made by KWILP.

KWILP will ensure that, when it makes active investment management delegation through the use of collective fund vehicles or IMAs, the delegated manager uses this policy or has their own policy of similar standard in place. When KWILP makes passive delegations, only the zero tolerance exclusions need be observed.

This policy recognises that identifying product involvement and objectionable behaviour is an inexact science, requiring appropriate measures and thresholds to be defined and proper disclosure by companies or investigative reports. In addition, the magnitude of these issues may vary through time, and evidence may not be available until after the fact. The policy also recognises that limited exceptions may be made to certain areas of exclusion, for example relating to immateriality or significant mitigating circumstances, through referring to the underlying principles.

b. Exclusion criteria

(i) Zero tolerance exclusions

Companies which are involved in any of the following product areas will be excluded for both direct and indirect investment:

- Tobacco – We exclude any company involved with tobacco production or where tobacco is the primary industry.
- Controversial and nuclear weapons – This category covers weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, nuclear weapons. We exclude any company involved in the manufacture and production of controversial and nuclear weapons.
- Whaling and whale meat processing – We exclude any company involved in the hunting of whales and the processing of whale meat.

(ii) ESG exclusions

KWILP will identify a list of companies, if any, exhibiting highly objectionable behaviour, particularly in the context of:

- Abuse of the environment;
- Human rights abuses;
- Endemic illegal activities, whether by New Zealand or local law.

These companies will be excluded from directly held investments only, including where such investments may be made by another investment manager under an IMA.

(iii) Areas of sensitivity

The following industries will be treated as areas of sensitivity due to their greater propensity to victimise people and/or the environment. Companies in these areas that are identified as performing poorly in key areas most likely to cause such victimisation will be excluded for direct investment only:

- Defence equipment – Companies producing and supplying defence equipment should have sufficient control against bribery and corruption, including improperly supplying such equipment to sanctioned countries.
- Gambling services – Companies providing gambling services should mitigate the social impact of gambling addiction by implementing a suitable responsible gaming policy.
- Thermal coal – Companies using thermal coal to generate electricity should demonstrate sufficient commitment to transition to renewable generation.
- Nuclear power – Companies using nuclear reactors to generate electricity should demonstrate sufficient commitment to transition to renewable generation.
- Palm oil – Companies producing or distributing palm oil should demonstrate sufficient commitment to preventing deforestation through observing RSPO and source tracing standards.

c. Divestment

If an entity in the Kiwi Wealth Group has chosen to invest in a security or collective investment vehicle that is subsequently deemed excluded under this policy, the holding will be divested from the relevant fund within six months of becoming an exclusion, or as soon as is practical and cost-effective to do so.

If an entity in the Kiwi Wealth Group has chosen to engage another manager under an IMA that is subsequently deemed unsuitable under this policy and no resolution is possible, the contract will be terminated within six months of becoming unsuitable, or as soon as is practical and cost-effective to do so.

d. Decisions, monitoring and reporting

The CIO of KWILP is responsible for decisions, monitoring and updates related to the exclusion lists and related processes on the basis of this policy, and for demonstrating that such policy has been observed. KWILP portfolio managers under the guidance of the CIO are responsible for implementing the exclusion lists.

Exclusion lists will be reviewed on a regular basis, being at least annually. Existing portfolios will be reviewed against exclusion lists whenever there is an update and on a regular basis, being at least annually. Relevant statistics related to exclusion lists and portfolio compliance will be reported to the IGC at each meeting or when changes occur.

7. External managers

Without limiting the obligation on KWILP in Section 7, in appointing an investment manager under an IMA or investing in a collective investment vehicle, the Kiwi Wealth Group will:

- For active managers, ensure such manager has an appropriate RI Policy in place of at least similar standard to this Policy; and
- Prefer to use managers who are committed to Responsible Investment evidenced by having an RI policy, being a PRI signatory or similar.

8. Asset class scope

The policy applies to the ownership of securities issued by or specific to excluded companies, including but not limited to equities, bonds, options, contracts for difference, total return swaps, convertible bonds.

The policy does not apply to client-directed trading, widely-traded index derivatives, short positions in excluded companies, or investments where hedging positions create an immaterial or negative net exposure to excluded companies.

9. Reporting and disclosure

At KWILP, we believe in being transparent to our stakeholders about how RI strategy is being implemented on their behalf, which companies their money is invested in, and how ESG criteria are being applied. We review and update the following information at least on an annual basis, and disclose them through Kiwi Wealth Group's corporate websites or fund reports:

- KWILP's Responsible Investment Policy;
- KWILP's Engagement Framework (Appendix I);
- List of portfolio holdings;
- List of investment exclusions;
- List of proxy voting records.
- RI activities and progress;
- Engagement progress and results;
- Information on ESG incidents, where applicable.

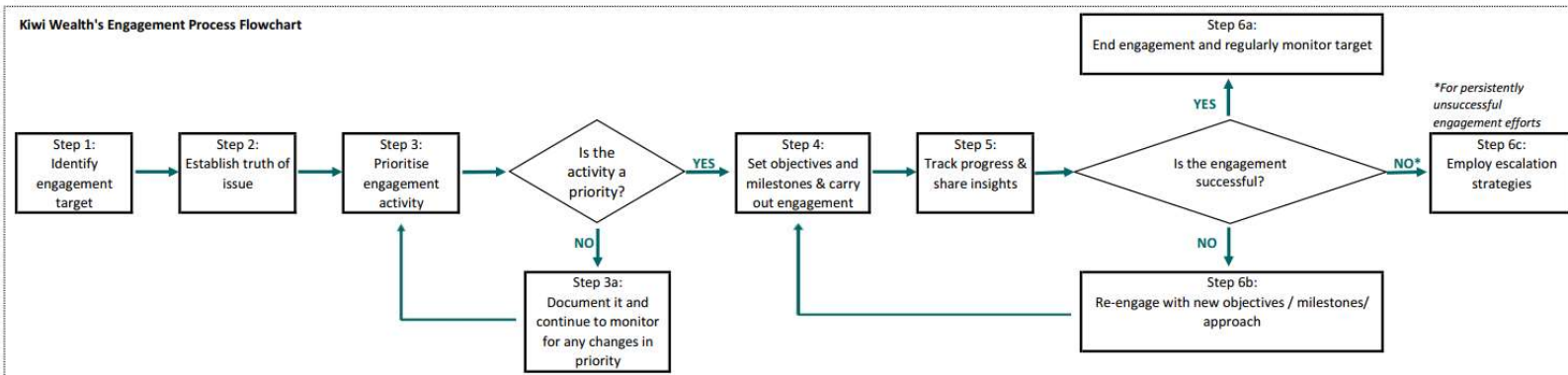
KWILP, as a Principles for Responsible Investment (PRI) signatory, also submits and discloses publicly, where applicable, its annual PRI reporting on www.unpri.org .

Appendix I (Kiwi Wealth Engagement Framework)

Kiwi Wealth's Engagement Process

Process	Action Owner
Step 1: Assess and identify engagement opportunities, including collaborative efforts with other investors, by regular research and monitoring of investee/supply-chain companies for: <ul style="list-style-type: none"> - A breach of norms; - ESG issues that represent a risk to long-term value; or - Potential opportunities for improved financial performance. 	RI staff
Step 2: Carry out further research and due diligence to determine whether an engagement activity is required, and how it should be executed.	RI staff
Step 3: Prioritise all engagement activities using Kiwi Wealth's Prioritisation Matrix for Engagement, based on these five prioritisation factors: <ul style="list-style-type: none"> - Exposure (size of holding / part of Kiwi Wealth's value chain); - Materiality of the ESG issues; - Responses to ESG issues that have already occurred; - Geography / market; - Resources required. Note: <i>Where both individual and collaborative engagement opportunities arise for the same engagement target involving the same issue, choose collaborative efforts over individual efforts.</i>	RI staff
Step 3a: If an activity is not a high priority, document it and continue to monitor for any changes in priority.	
Step 4: Set specific objectives and milestones for each engagement activity. Carry out engagement activity by any, or a combination, of these methods: <ul style="list-style-type: none"> - Letters and emails to the engagement target; - Meetings and/or calls with board/senior management of the engagement target; - Meetings and/or calls with investor relations or other management of the engagement target; - Visits to the engagement target's location of operation. 	RI staff; RI Committee
Step 5: Track and monitor the progress and outcomes of each engagement activity. Communicate and share insights from engagement with the Responsible Investment Committee, Investment Management Team (IMT) and other relevant stakeholders.	RI staff; RI Committee
Step 6a: If milestones have been achieved and completed, end engagement activity and regularly monitor engagement target for any further ESG issue. Step 6b: If engagement efforts are ineffective in inducing change, re-engage target with new objectives / with a different approach. Step 6c: If engagement efforts at length are deemed unsuccessful, employ one or more escalation strategies appropriate in the circumstances, such as but not limited to: <ul style="list-style-type: none"> - Contacting the board of the engagement target; - Issuing a public statement; - Publicly engaging the company (e.g. open letter) - Filing a shareholder resolution or proposal; - Voting against the re-election of relevant board directors; - Voting against the chair of the board of directors; - Voting against the annual financial report; - Collaboratively engaging with other investors; - Escalating issues to auditors / public authorities / regulators; - Reducing exposure (size of holding); - Divesting. 	RI staff; RI Committee

Kiwi Wealth's Engagement Process Flowchart



Kiwi Wealth's Prioritisation Matrix for Engagement

Prioritisation scoring	Exposure	Materiality of ESG issue (to be assessed on a case-by-case basis)	Responses to ESG issues	Business geography / market / size	Internal resources required
5	Top 10 holdings / Part of supply chain (e.g. suppliers)	ESG issue/incident causes SEVERE impact, defined by irreversible / permanent / lasting for a long-term (> 10 years) <u>Example of ESG issues normally resulting in severe damages:</u> Climate change, deforestation, oil spill, modern slavery, child labour, incident resulting in death/permanent disability, destruction of sites/items of significant historical/social importance, overfishing, illegal dumping/discharge of hazardous/toxic waste	Insufficient response (communication & action) to address MULTIPLE occurrences of ESG issues / incidents	Fulfills at least TWO of these: i) Business presence in 5 continents ii) Top 50 in Global Fortune 500 iii) Market capitalisation >US\$200 billion (mega caps) iv) >300,000 employees	Use of existing resources only and within the intended limit (employees, membership/collaboration platform, ESG research provider, etc.)
4	Top 11-25 holdings	MAJOR impact, lasting 5-10 years	Insufficient response (communication & action) to address a single occurrence of ESG issue / incident	Fulfills at least TWO of these: i) Business presence in 4 continents ii) Top 100 in Global Fortune 500 iii) Market capitalisation >US\$100 billion iv) >200,000 employees	Additional resource required, costing up to NZ\$10,000 per annum
3	Top 26-50 holdings	MODERATE impact, lasting 1-5 years	Have communicated willingness to address ESG issues but have not taken any concrete actions	Fulfills at least TWO of these: i) Business presence in 3 continents ii) Top 200 in Global Fortune 500 iii) Market capitalisation >US\$50 billion iv) >100,000 employees	Additional resource required, costing up to NZ\$25,000 per annum
2	Top 51-100 holdings	MINOR impact, lasting 1-12 months	Have communicated willingness and taken actions to address ESG issues, but have not shown satisfactory progress/results	Fulfills at least TWO of these: i) Business presence in 2 continents ii) Top 500 in Global Fortune 500 iii) Market capitalisation >US\$10 billion iv) >50,000 employees	Additional resource required, costing up to NZ\$50,000 per annum
1	Not in top 100 holdings	Insignificant impact that can be resolved immediately (within a calendar month)	Have shown satisfactory progress/results in addressing ESG issues	Does not fulfill the criteria for score 2-5	Additional resource required, costing more than NZ\$50,000 per annum