



BNZ Investment Services Limited

Responsible Investment Policy

1. Overview

1.1 Purpose and Scope

The BNZ Investment Services Limited Responsible Investment Policy (Policy) sets out our approach to Responsible Investing (RI). The Policy applies to BNZ Investment Services Limited (BNZISL) Managed Investment Schemes. In this document, references to 'we', or 'our' refer to BNZISL.

The Policy's RI considerations fall into three distinct but complementary areas:

- Environmental, social and governance (ESG) integration;
- Active ownership; and
- Legal/social responsibility.

As a result of one or more of these RI considerations, the primary actions taken are: 1) selecting managers that have a clear approach to considering ESG factors in their investment process; 2) in certain cases, excluding certain securities or sectors from investment consideration; and 3) company engagement.

We review the Policy on an annual basis, or more often if required.

1.2 Responsible Investment Philosophy

We believe that integrating ESG factors into our investment process is important and these factors can be drivers of sustainable long-term returns. In general, we expect our RI activities to support positive long-term outcomes for investors.

We will consider both financial and non-financial factors in constructing and implementing the Policy.

Our current approach to implementing the Policy is weighted more towards excluding securities and/or sectors from investment portfolios. Over time we expect to increase our focus on active engagement with investee companies to generate real world change. This means it is possible that company or sector exclusions will change over time, including that exclusions for some companies/sectors are removed at a future date (subject to applicable law).

We are a signatory to the Principles for Responsible Investment (PRI).

1.3 Context

For each asset class, we appoint one or more investment managers who are responsible for the selection of individual securities. This document provides direction in the selection of managers and in setting expectations, boundaries and reporting commitments for those managers. We expect our managers to work collaboratively with us in the implementation of the Policy. We will consider the RI capability, flexibility, and resources of managers in our appointment and ongoing review of these managers.

1.4 Sustainability/ESG Strategy

BNZ's Sustainability Strategy (Strategy) outlines a number of bank wide commitments under two core objectives:

- Kaitiakitanga – Accelerate the transition to a low-emissions economy, one that supports the regeneration of the natural environment.
- Manaakitanga – To grow the long-term social and financial wellbeing of all New Zealanders.

This document has been prepared taking into consideration the environmental, social, and governance (ESG) approach followed by BNZ, including its Sustainability Strategy.

1.5 Portfolio greenhouse gas (GHG) emissions

We will begin publicly reporting the GHG emissions of our investment portfolios in 2024, as part of New Zealand's Climate Related Disclosures reporting regime. It is expected that emissions in our investment portfolios might fluctuate over the shorter term. This could be due to manager choices, market movements, and regulatory action or other reasons. Our expectation is that, over the medium to long term, all our investment portfolios will exhibit lower GHG emissions intensity than a comparable benchmark portfolio.

1.6 Modern slavery

Modern slavery is defined as the exploitation and serious violation of an individual's dignity and human rights for personal or commercial gain – i.e., forcing someone to do something against their will with the threat of punishment. Increasingly, human rights risks associated with modern slavery are being codified into international conventions, legislation, and best practice principles for businesses.

With this in mind, over time we aim to increase the level of engagement with our underlying investment managers on this issue.

2. RI areas

2.1 ESG integration

We believe that as part of a robust investment framework, ESG factors should be considered by the active managers we appoint for the following reasons:

- Consideration of ESG factors should lead to a more complete fundamental 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.
- Good management of ESG factors is material to the long-term successful performance of any business. By not managing these factors effectively, there is a greater likelihood of lower returns.

Active managers may choose to hold a security despite the presence of certain risks, including ESG risks, if they deem the potential return adequately compensates for this risk. Active managers may avoid holding a security altogether, despite it not being excluded by us, due to ESG risks.

Note that where we use passive managers (managers that invest by closely tracking a benchmark index), we do not expect the manager to conduct fundamental

analysis or make portfolio management decisions based on ESG factors.

We expect all our managers to have RI policies that are incorporated into their investment process.

We will assess (through our asset consultant) the extent to which an investment manager incorporates ESG factors into its RI policy and investment process. The insights from this assessment are considered when a decision is made to appoint a new investment manager or retain an existing one.

2.2 Legal and social responsibility

We strive to be a responsible corporate citizen by taking into account New Zealand law, the broader regulatory environment, and BNZ's Corporate Mission in the composition of our investment opportunity set. These factors form an important part of our exclusions framework noted below.

3. Exclusions

3.1 Exclusions framework

Excluded sectors

Our exclusions framework details our considerations when deciding whether to exclude particular sectors. The current list of Excluded Sectors is outlined in Appendix 1. Our Excluded Sectors apply to both active managers and passive managers we appoint to run segregated mandates for us.

However, from time to time, our portfolios may hold investments indirectly through an index fund or other third-party managed fund, rather than via a segregated mandate. Where our portfolios invest in this way, we may be unable to apply our exclusions. Therefore our portfolios may invest in sectors or securities that would otherwise be excluded under the Policy. This is not applicable to the BNZ KiwiSaver Scheme. For the avoidance of doubt, no BNZ KiwiSaver Scheme Fund will invest, directly or indirectly (including through investment in index funds or other third-party managed funds), in any sectors or securities excluded by the Policy.

The exclusions framework does not apply to derivative-based investments held by our portfolios.

The decision to exclude sectors may take any of the following considerations into account, to the extent that they are applicable:

- The regulatory environment.
- The materiality of the issue.
- The impact on the risk and return of our investment products.
- The effectiveness of engagement.
- Alignment with BNZ's brand, values, and policies.
- Alignment with BNZ's various commitments on climate change and other RI factors.

The relative importance of these considerations is not prescribed. They can be different for different sectors and can change over time. The list of considerations may also change over time.

With respect to the Excluded Sectors, depending on the sector, a materiality threshold may apply.

Security exclusions

In addition to the current list of Excluded Sectors, we may exclude a security or securities which are not already part of an Excluded Sector.

These exclusions could be for exceptional reasons, including significant and/or repeated violations of international norms, or singular actions of an objectionable nature relating to RI considerations (including reasons relating to modern slavery, broader human rights, corruption, financial crime, and animal welfare), or because such removal or exclusion is otherwise considered necessary or desirable by us in the context of our RI policy.

3.2 Limitations

In addition to internal resources, we employ an asset consultant and a specialist ESG research provider (JANA Investment Advisers Pty Limited) to support our RI activities. We recognise that, like many areas of investing, measuring ESG risk and company behaviour remain an inherently inexact science.

From time to time, we may inadvertently hold a security which, according to the Policy, we should not hold. We acknowledge the possibility for error, and our expectation is that any error in the application of the Policy is corrected in a positive and timely manner, as and when identified.

However, where any non-compliance with the current list of Excluded Sectors is caused by or occurs because a portfolio's assets are transitioning between underlying investment managers (whether existing or replacement), such non-compliance shall not be considered a breach of the Policy provided that it is rectified as soon as reasonably possible once the transition is complete.

We also recognise that, for data availability or operational reasons, certain managers may not be able to precisely implement exclusions at the level of materiality we specify. In these cases, we will work with the manager to implement an acceptable compromise, taking into account the relevant costs and potential impacts on investor outcomes.

4. Active ownership and industry engagement

We are a founding signatory of the Stewardship Code Aotearoa New Zealand. We engage with each of our underlying managers on their active ownership and stewardship practices. In general, we prefer engagement and proxy voting to be undertaken by our underlying investment managers. Underlying investment managers

are usually best placed to make a judgement on resolutions as they are closest to the companies in which they invest and the specific issues, including those related to ESG, on which engagement is necessary and appropriate. They are required to provide regular reporting to us on their engagement activities with investee companies.

5. Policy implementation

We will ensure our underlying investment managers are kept informed of any changes to the Policy in a timely manner. We will work proactively with them to implement any changes to the Policy, in a way that seeks to limit any potential adverse impact on investment returns.

Changes to the Policy will be implemented as soon as reasonably practical, and generally not later than 3 months after the effective date of such change (being the effective date of the Policy).

However, should there be a change to the Policy which results in us giving prior notice of the change to affected investors, implementation may take longer than 3 months and this will not constitute a breach.

Appendix 1 – Excluded Sectors

Product	Description of exclusion	Materiality threshold	Comments
Weapons and devices	Companies that are involved in activities relating to: <ul style="list-style-type: none"> a) Cluster munitions b) Anti-personnel mines c) Nuclear explosive devices 	Any exposure	<p>“Activities” means, in relation to:</p> <ul style="list-style-type: none"> a) Cluster munitions, the things described in section 10 of the Cluster Munitions Prohibition Act 2009; b) Anti-personnel mines, the conduct described in section 7(1) of the Anti-Personnel Mines Prohibition Act 1998; and c) Nuclear explosive devices, the activities described in section 5, 6 and 7 of the New Zealand Nuclear Free Zone, Disarmament, and Arms Control Act 1987. <p>For the avoidance of doubt, this exclusion applies to all investments:</p> <ul style="list-style-type: none"> d) Where the shares are held directly in companies that undertake the activities listed above. e) In shares of majority owners of excluded companies (e.g. parent companies). f) In shares of subsidiary companies of excluded companies where the subsidiary has any involvement in the activities listed above. g) In managed investment schemes that have any investments listed in (d) to (f).
Tobacco	Companies that are involved in: <ul style="list-style-type: none"> a) The manufacture of tobacco or tobacco products and vaping products; b) Specialised tobacco or tobacco products wholesaling and retailing; c) Specialised vaping products wholesaling and retailing; d) Specialised packaging of tobacco and tobacco products. 	Any exposure >10% Revenue >10% Revenue >10% Revenue	
Assault weapons	Companies that are involved in the manufacture of assault weapons for civilian use.	Any exposure	
Whaling	Companies that are involved in hunting whales for commercial purposes, or the processing of whale meat.	Any exposure	

Product	Description of exclusion	Materiality threshold	Comments
Gambling	Companies that are involved in:		
	<ul style="list-style-type: none"> a) Owning and/or operating gambling establishments (including online gambling); b) Manufacturing or importing specialised equipment used exclusively for gambling; and/or supporting products and services supplied to gambling operations. 	<ul style="list-style-type: none"> >10% Revenue >10% Revenue 	
Adult Entertainment	Companies that are involved in the production and/or distribution of adult entertainment material, products and services.	>10% Revenue	For the purposes of this Appendix 1, "adult entertainment" includes pornography, X-rated films, sexually explicit video games, adults-only material on the internet, adults-only live entertainment, and books or magazines with adult content.
Fossil fuels	Companies that own proved or probable reserves in coal, oil, or gas and derive at least 15% of their revenue from exploration and extraction of coal, oil, or gas.	>15% Revenue	For the avoidance of doubt, this exclusion applies to: <ul style="list-style-type: none"> a) All investments where shares are held directly. b) Investment in managed investment schemes that have any investments in the companies caught by this exclusion.
	Companies that have their primary business activity in the following subsectors listed in Appendix 2.	Any exposure	For the purposes of this exclusion, "oil" includes tar sands, "gas" includes shale (as a source of gas), and metallurgical coal is not included in the term "coal".

Appendix 2 – Fossil Fuel Subsectors

Industry Classification Benchmark

Subsector	Definition
Integrated Oil and Gas 60101000	Companies that engage in all three fields of petroleum production: Extraction (upstream), Transportation (midstream), and Refining and Marketing (downstream).
Oil: Crude Producers 60101010	Companies engaged in the exploration for and drilling, production and supply of crude oil on land.
Offshore Drilling and Other Services 60101015	Companies that primarily explore and drill for oil and gas in offshore areas.
Oil Equipment and Services 60101030	Suppliers of equipment and services to oil fields and offshore platforms, such as drilling, exploration, seismic -information services and platform construction.
Coal 60101040	Companies that mine, process and market coal.

Global Industry Classification Standard

Sub-industry	Definition
Oil and Gas Drilling 10101010	Drilling contractors or owners of drilling rigs that contract their services for drilling wells.
Oil & Gas Equipment and Services 10101020	Manufacturers of equipment, including drilling rigs and equipment, and providers of supplies and services to companies involved in the drilling, evaluation and completion of oil and gas wells.
Integrated Oil and Gas 10102010	Integrated oil companies engaged in the exploration and production of oil and gas, as well as at least one other significant activity in either refining, marketing and transportation, or chemicals.
Oil & Gas Exploration & Production 10102020	Companies engaged in the exploration and production of oil and gas not classified elsewhere.
Coal & Consumable Fuels 10102050	Companies primarily involved in the production and mining of coal, related products and other consumable fuels related to the generation of energy. Excludes companies primarily producing gases classified in the Industrial Gases sub-industry.

