

BTNZ Proxy Voting, Trade Allocation and Execution policy

November 2019



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SECTION ONE: PROXY VOTING

Purpose and application

BTNZ seeks high levels of transparency, governance and social responsibility from the companies in which it invests. This is founded on the belief that good corporate governance and the exercise of voting power provides a structure to influence company policy likely to maximise returns to shareholders.

This policy sets out the proxy voting standards for all funds managed by BT Funds Management (NZ) Limited (BTNZ).

Approach

BTNZ's policy in relation to securities for which a voting right exists and where it has voting authority and responsibility to do so is to cast votes on company resolutions as appropriate. Decisions on how to vote are made on a company-by-company and resolution basis, however the overriding principle when voting on company resolutions is that votes will be cast in the best interests of investors.

BTNZ provides authority to investment managers appointed by BTNZ to exercise any right to vote that is attached to a security. In certain situations, BTNZ may direct investment managers as to how to vote under certain circumstances and may also restrict an underlying investment manager from voting. Investment managers are restricted from undertaking proxy voting in relation to Westpac Banking Corporation securities.

Where BTNZ undertakes an investment in a specialist fund alongside other investors, BTNZ will promote this policy to the investment manager(s) responsible for those vehicles.

If certain resolutions containing contentious issues are referred to BTNZ by any investment manager, then the recommended vote will be directed by the BTNZ Head of Investment Solutions (or their delegate), or the Head of Investments and Insurance (or their delegate). To assist in decision-making, BTNZ will consider the views of the investment manager and may conduct research internally and use the resources of independent external proxy advisory services. In the event that BTNZ provides direction to the investment manager in relation to the appointment of a proxy and the way in which the proxy should vote, the investment manager will use its best endeavours to implement the direction.

Engagement

Whilst this policy relates to proxy voting specifically, BTNZ seeks high levels of governance, transparency and environmental and social practices from the companies in which it invests. BTNZ therefore encourages investment managers to use their influence as a shareholder where appropriate to engage companies on matters where doing so allows for a stronger understanding of opportunities and risks associated with their investments, and in order to achieve stronger investment outcomes over the long term.

Record keeping

Investment managers appointed by BTNZ are required to provide a summary of their voting instructions on a regular basis. BTNZ maintains a register of all votes cast.

Policy review

This policy is reviewed and approved at least annually by the BTNZ Investment Committee.

Policy owner

This policy is owned and maintained by the Head of Investment Solutions, BTNZ. This policy (as amended from time to time) will be published on the website, www.westpac.co.nz.

SECTION TWO: SUMMARY OF TRADE ALLOCATION AND EXECUTION

BTNZ's Trade Allocation and Execution Policy ensures that all clients are treated fairly and equitably when trades are allocated across investment portfolios with respect to priority of execution of orders and in the allocation of trades.

All investment managers must act in good faith in determining any allocation of any trade on behalf of one or more funds or accounts and allocating parts of the trade among those funds or accounts before, at the time of, or after the trade has been entered into.

For specialist funds where the investment management functions are undertaken by BTNZ, the Trade Allocation and Execution policy incorporates a number of execution factors including price, cost, speed, likelihood of execution and settlement, size or any other considerations that are deemed relevant for the purposes of order execution.

The process by which BTNZ determines the importance of each of the factors outlined above is specific to each instrument type. For the New Zealand fixed interest and cash funds directly managed by BTNZ, the factors of price, liquidity, likelihood of execution and settlement size, credit risk, rating and maturity are important and the relative importance of each of them may differ depending on each individual order. BTNZ will utilise its dealing experience to determine the relative importance of each factor and will execute orders accordingly. Should conditions change or other considerations become evident in relation to any aspect of the order, BTNZ's Portfolio Managers may re-assess the situation and decide to re-prioritise the above considerations. BTNZ's Portfolio Managers will indicate which funds are to be involved in each trade prior to execution. In the instance where trades are partially complete, the trade will, to the extent practicable, be pro-rated across participating funds to ensure fair and equitable treatment of all funds and client portfolios.

Where the investment management functions for a Specialist Fund is not undertaken by BTNZ, BTNZ ensures that each investment manager has in place appropriate Trade Allocation and Execution policies.



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