

POLICY DOCUMENT

**BTNZ Proxy Voting, Trade Allocation and
Execution policy**

August 2014

SECTION ONE: PROXY VOTING

Overview

This policy sets out how BT Funds Management (NZ) Limited (**BTNZ**) exercises its voting power in relation to investment assets held on behalf of investors in its funds where that ownership provides a voting right.

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 likely to maximise returns to investors. Whilst not becoming involved in day-to-day management issues, BTNZ recognises that it may be able to influence company policy on matters of corporate governance by virtue of shareholdings under its management.

BTNZ's policy in relation to securities for which a voting right exists, is to vote on company resolutions as appropriate where it has voting authority and responsibility to do so. Decisions on how to vote proxies are made on a company-by-company and resolution basis, whilst preserving and increasing the value of the investment in the best interests of unitholders.

If securities are held in the name of BTNZ or its supervisor, but investment management functions undertaken by a specialist third party investment manager appointed by BTNZ, such investment managers are required to provide a summary of their participation in corporate actions and their voting instructions on a regular basis. In such situations, BTNZ provides a copy of this policy (as amended from time to time), seeking confirmation from the investment manager that their voting policy is in accordance with BTNZ's Statement of Significant Policy Positions. In these situations, BTNZ delegates authority to such investment managers to exercise any right to vote that is attached to any unit or share as they see fit. 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.

In many cases, BTNZ may also undertake an investment in specialist funds alongside other investors where BTNZ cannot instruct the manager as to how to vote. In such situations, BTNZ promotes this policy to the investment managers responsible for those vehicles.

Monitoring

Whilst this policy relates to Proxy voting specifically, where applicable, all investment managers are expected to exercise their duty to use their influence as a shareholder in order to achieve stronger investment outcomes over the long term. As such, BTNZ encourages investment managers, where appropriate to directly engage companies on all matters, including Environmental, Social and Governance (ESG) issues where doing so allows for a stronger understanding of opportunities and risks associated with their investments.

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 must use its best endeavours to implement the direction.

In relation to securities listed on exchanges outside of New Zealand for which a voting right exists, where appropriate, BTNZ will encourage appointed underlying managers to exercise voting rights in accordance with this policy.

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.

APPENDIX: STATEMENT OF SIGNIFICANT POLICY POSITIONS

All proxy voting is decided on a case-by-case basis, although the following list outlines a summary of BTNZ's views on items of significant importance.

BTNZ will undertake to ensure votes are generally cast as follows:

- For the separation of the Chairman and Chief Executive Officer roles;
- For resolutions for the appointment of sufficient independent directors with appropriate skills to serve as a majority on Audit and Remuneration Committees;
- For Employee share schemes, and Executive share schemes, which are structured to provide an incentive to improve upon current performance, and do not immediately translate into a benefit at the time of instigation, and which encourage long term shareholder value creation and, where appropriate are exposed to the same risks and opportunities as general shareholders;
- For the re-election of directors where financial performance has been acceptable and holding directors to account where performance has not been acceptable;
- For one share/one vote;
- For executive remuneration which is reasonable and transparent;
- For minimising the extent of conflicts of interest and continuous and full disclosure;
- For the formation of Nomination, Remuneration, and Audit committees comprised of Board members;
- For proposals that we consider are appropriate which request increased disclosure regarding the environmental impact of a company's operations and strategies to manage these risks and/or take advantage of opportunities;
- For votes concerning proposals requesting the issuance of corporate sustainability reports, as well as disclosure, where relevant, concerning the emission of greenhouse gasses and strategies to manage risks associated with climate change.

As indicated above, the overriding principle when voting on company resolutions is that votes will be cast in the best interests of investors in the funds managed by BTNZ. There may be exceptional circumstances where BTNZ believes it is in the best interests of investors in its funds to vote in a manner different to that outlined above or abstain from voting.