

A high standard of
responsible investing

NZFUNDS

A HIGH STANDARD OF RESPONSIBLE INVESTING

Why does NZ Funds manage money responsibly?

NZ Funds wishes to build sustainable long-term relationships with all parties in its community. We believe that supporting positive environmental, social and governance behavior will improve the duration and quality of our relationship with clients, advisers, employees, owners and the companies in which we invest.

There is also an increasing body of evidence that managing money responsibly improves, rather than detracts from, long-term investment returns. Finally, investing in some categories of securities (such as controversial weapons) is prohibited under New Zealand law, so having a responsible investment policy also helps us meet our legal obligations.

How does NZ Funds' approach differ from other managers?

A number of investment managers in New Zealand choose not to adopt a widespread socially responsible investing approach and have instead opted to launch a small number of socially responsible investment products. We do not believe a manager should be able to promote themselves as being socially responsible when only a fraction of the funds they are responsible for are managed responsibly.

Who does NZ Funds partner with to ensure it invests responsibly?

NZ Funds oversees globally diversified portfolios on behalf of its clients. To ensure clients are invested in a socially responsible way, NZ Funds has contracted with an independent third-party expert, ISS ESG.

ISS ESG is a globally recognised expert on a wide range of sustainability and responsible investing issues, including climate change, Sustainable Development Goals-linked impact, human rights, labour standards, corruption, controversial weapons, and many more.

Who gives NZ Funds the "tick of approval"?

In 2005, the UN Secretary-General, Kofi Annan, invited a group of the world's largest institutional investors to develop the Principles for Responsible Investment (PRI). A 20-person group was drawn from institutions in 12 countries who were supported by 70 experts from the investment industry and intergovernmental organisations. The Principles were launched in April 2006 at the New York Stock Exchange.

Today, PRI is a United Nations supported international network of investment signatories who collectively oversee more than US\$70 trillion in funds. Its goal is to support and ensure six aspirational ESG principles are put into practice by those signatories. NZ Funds has been a PRI signatory since 2019 and is required to report to PRI annually for assessment.

What are some of the actions NZ Funds has taken under this policy?

The following examples highlight a few of the ESG issues that have come to our attention since we first implemented a responsible investment approach in 2017. If you have an ESG concern, please do not hesitate to contact NZ Funds' investment research and management team.

Samsung Electronics	Failure to prevent bribery.
Deutsche Telecom	Failure to respect union rights.
SkyCity Entertainment	A provider of gambling services.
Z Energy	Engaged in distributing fossil fuels.
BHP Group	Failure to remediate environmental damage following a dam collapse.
Vale	Failure to remediate environmental damage following a dam collapse.
Phillips 66	Failure to respect indigenous rights at Dakota Access Pipeline Project.
Posco	Unsustainable Palm oil production and failure to prevent depletion of biodiversity and deforestation.
Facebook, Twitter, Alphabet	NZ Funds joined the New Zealand Super Fund and others to encourage social media companies to strengthen controls to prevent the live streaming and distribution of objectionable content.
Climate Action 100+	NZ Funds joined an investor initiative to engage with the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate related financial disclosures and improve governance on climate change.
Sanford	NZ Funds met with Sanford CEO to ask it to immediately stop set netting and trawling in the critically endangered Maui dolphin habitat. When management refused, NZ Funds co-ordinated an industry-wide discussion on the issue.
Commonwealth Bank of Australia	In August 2018, an ISS ESG update received by NZ Funds reported that CBA had received a penalty for having contravened certain provisions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006.

RESPONSIBLE INVESTMENT POLICY

Purpose

1. NZ Funds has adopted this policy to ensure it invests responsibly.
2. NZ Funds believes that environmental, social and governance (ESG) factors are material to long-term investment returns and global sustainability.
3. NZ Funds also wishes to ensure it does not invest in any category of securities (such as controversial weapons) which is prohibited under New Zealand law.

Scope
































































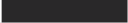
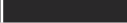
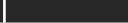


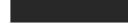




























































































1. This policy applies to NZ Funds' investment research and management team.
2. This policy applies to all funds directly managed by NZ Funds.
3. This policy applies to all products managed by NZ Funds and is not restricted to a smaller number of socially responsible products.

Principles

1. NZ Funds' investment research and management team will consider environmental, social and governance (ESG) matters.
2. NZ Funds' investment research and management team have contracted with an independent third-party expert (ISS ESG) to provide ESG research.
3. NZ Funds' investment research and management team may supplement independent third-party ESG research with its own internally generated research.
4. NZ Funds' investment research and management team aims to ensure that no fund it manages owns securities issued by a company identified by its ESG research to be:
 - i. directly involved in the manufacture or deployment of nuclear weapons.
 - ii. directly involved in the manufacture or deployment of controversial weapons (cluster munitions, anti-personnel mines, chemical weapons).

- iii. materially contravening global norms (human rights abuses, labour rights violations, child labour, slavery, environmental destruction, corruption).
 - iv. a producer of civilian firearms.
 - v. a producer of tobacco-related products.
 - vi. a producer of pornography.
 - vii. engaged in unsustainable palm oil production.
 - viii. a producer of alcohol (10% or more of revenue).
 - ix. a producer of armaments (10% or more of revenue).
 - x. a provider of gambling services (10% or more of revenue).
 - xi. engaged in exploration or production of fossil fuels (10% or more of revenue).
 - xii. engaged in power generation from fossil fuels (10% or more of revenue).
 - xiii. engaged in providing services to the fossil fuels industry (50% or more of revenue).
 - xiv. engaged in distributing fossil fuels (50% or more of revenue).
5. NZ Funds' investment research and management team will ensure that this policy is communicated to external investment managers.
- i. Where an external investment manager is appointed to manage a discrete mandate, where NZ Funds is the only investor, the manager will be instructed to follow clause 4.
 - ii. Where an external investment manager is appointed to manage a pooled mandate, where NZ Funds is one of many investors, the manager will be requested to consider clause 4.
 - iii. Investors should be aware that NZ Funds cannot obligate the manager of a pooled mandate, where NZ Funds is one of many investors, to follow this policy.
6. This policy does not cover derivatives, including futures and options of any kind, as they do not fund companies in the same way as issued securities.
7. Lawful exemptions to this policy may be granted from time to time at the discretion of the Board.

RESPONSIBLE INVESTMENT COMPARISON

MANAGER*	TOTAL	 CONTROVERSIAL WEAPONS ¹	 TOBACCO	 CIVILIAN FIREARMS	 GAMBLING	 ADULT MATERIAL	 FOSSIL FUELS	 ALCOHOL
NZ FUNDS	100%							
CARESAVER	100%							
SIMPLICITY	100%							
AMANAH	86%							
CHRISTIAN	86%							
JUNO / PIE FUNDS	71%							
KOURA WEALTH	71%							
BNZ²	57%							
MAS	57%							
ANZ	43%							
ASB³	43%							
BOOSTER³	43%							
FISHER FUNDS⁴	43%							
MERCER³	43%							
MILFORD	43%							
WESTPAC	43%							
GENERATE	29%							
KIWI WEALTH⁵	29%							
QUAYSTREET³	29%							
SUMMER / FORSYTH BARR	29%							
AMP³	14%							
FANZ / SBS	14%							
AON	-	Exclusions not disclosed						
CIVIC / SUPEREASY	-	Exclusions not disclosed						
CRAIGS³	-	Exclusions not disclosed						
NIKKO⁶	-	Exclusions not disclosed						
SUPERLIFE³	-	Exclusions not disclosed						

*Source: the public website of each manager as at 21 April 2020.

1. Includes nuclear weapons. 2. BNZ excludes companies that generate more than 20% of their revenue from oil and gas projects within the Arctic or Antarctic or from tar sands oil extraction or from thermal coal. 3. These managers have specific funds which have additional exclusions. 4. Fisher Funds excludes companies if a significant proportion of their core business is in thermal coal production. 5. Kiwi Wealth identifies defence and firearms, gambling services and thermal coal as areas of sensitivity but does not exclude investments in these areas. 6. Nikko do not exclude particular asset types, industry sectors or securities wholly on moral or ethical grounds, unless this is expressly built into the product's investment strategy or client agreement.

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