



A high standard of
responsible investing

NZFUNDS

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A HIGH STANDARD OF RESPONSIBLE INVESTING

NZ Funds manages money responsibly for sustainable, long-term returns

We strive to be number one in New Zealand for responsible investment. How? By investing responsibly across all our portfolios. Asset managers can't call themselves responsible if they continue to invest irresponsibly across their portfolios while providing one 'sustainable' option, just for the sake of appearances.

How does NZ Funds invest responsibly?

ISS-Ethix (part of Institutional Shareholder Services Inc, the world's leading provider of corporate governance and responsible investment solutions for asset owners and managers) helps us screen for the usual culprits — landmines, cluster munitions and nuclear weapons. But we go further by also excluding sectors we don't consider sustainable. ISS-Ethix also monitors companies' adherence to global principles on human rights, labour standards, environmental protection, and anti-corruption.

Independent verification – don't take our word for it

NZ Funds is a member of the Responsible Investment Association Australasia and a signatory to United Nations-supported Principles of Responsible Investment. We are applying for Responsible Investment Association Australasia certification for our KiwiSaver Scheme, Managed Portfolio Service, Trust Investment Series and Managed Superannuation Service.

NZ Funds incorporates ESG research into every investment decision

NZ Funds' own in-house investment team screens each new investment for environmental, social and governance (ESG) factors as well. Where we identify an area of concern our first step is always to engage with management to understand what steps they are taking. If we are unsatisfied with the company's progress, we are willing to take a public stance or as a last resort, sell the investment.

Responsible investment is not an attempt to combine a financial return with an ethical or moral one. Instead, responsible investment recognises that environmental, social and governance (ESG) factors have a material impact on sustainable, long-term returns.

The following examples highlight a few ESG issues that have come to our attention since 2017.

BHP Group	Failed to remediate environmental damage following a dam collapse.
Samsung Electronics	Failure to prevent bribery.
Deutsche Telecom	Failure to respect union rights.
Commonwealth Bank of Australia	Failure to prevent money laundering.
Sanford	NZ Funds met with Sanford CEO to ask them to cease all set netting and trawling in the Maui dolphin habitat.
Facebook, Alphabet, Twitter	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.

RESPONSIBLE INVESTMENT POLICY

Purpose

1. NZ Funds has adopted this policy to help ensure it invests responsibly and does not invest in any controversial weapons prohibited under New Zealand law.

Scope

1. The policy applies to NZ Funds' Investments team.

Principles

1. Investments' research and management shall include consideration of environmental, social and governance (ESG) matters.
2. NZ Funds shall contract a third party to provide ESG research. Investments may supplement this ESG research with its own.
3. Investments shall ensure that no fund it manages owns securities issued by any company identified by its ESG research to be:
 - directly involved in the manufacture or deployment of nuclear weapons; or
 - directly involved in the manufacture or deployment of controversial weapons; or
 - materially contravening global norms (includes human rights abuse, labour rights violations, child labour, slavery, environmental destruction and corruption); or
 - a producer of civilian firearms; or
 - a producer of tobacco related products; or
 - a producer of gambling services, or
 - a producer of pornography, or
 - engaged in unsustainable palm oil production, or
 - generating 10% or more of its revenue from oil sands, or
 - generating 10% or more of its revenue from thermal coal.
4. Investments will ensure that it is communicated to each external investment manager appointed to manage a discrete mandate that it must invest in accordance with clause 3 above.
5. Investments will communicate to each external investment manager appointed to manage a non-discrete (or pooled) mandate that it is NZ Funds' wish for it to invest in accordance with clause 3 above, but that NZ Funds cannot obligate it to do so.
6. Any exemption to this policy must not be unlawful and must be approved by the Chief Investment Officer, Head of Risk, Chief Executive and a Director who is not also a member of Investments.

NZFUNDS

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To view our Affiliated Advisers, please see www.nzfunds.co.nz/AdviceSolutions/AffiliatedAdvisers/

