



Responsible Investment Policy

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1. Background and governance

Kiwi Wealth Investments Limited Partnership (KWILP) manages investments for financial products and services offered by itself and its subsidiaries (the Kiwi Wealth Group). KWILP is principally an active investment manager of global investments.

This document sets out the Kiwi Wealth Group's policy for Responsible Investing (RI), which is currently limited to specification of investment exclusions. This policy is intended to cover other relevant RI policy commitments in future.

The Investment Governance Committee (IGC) is a subcommittee of the Board of the General Partner of KWILP. Its role is to provide governance oversight in respect of KWILP investment management activities and to bring material issues to the attention of the KWILP Board.

This policy will be reviewed at least annually by the IGC and approved by the Boards of the Kiwi Wealth Group.

2. Objective

The objective of the RI Policy is to set out how the Kiwi Wealth Group will incorporate RI principles and practises into its investment decisions. This includes decisions to invest in securities and decisions to appoint investment managers.

The RI Policy is provided to relevant staff who are responsible for managing, monitoring or implementing the investment processes of the Kiwi Wealth Group; such staff are responsible for implementing the policy under the guidance of the CIO. The policy will be made readily accessible to all staff and clients.

3. Purpose

As an active investment manager, KWILP has the discretion to actively choose individual securities and investments and exclude companies who act significantly against its investment principles. KWILP seeks to create risk-efficient portfolios through allocating to a range of investment opportunities.

KWILP believes that RI principles can be used in the investment process to enhance performance in the long term, and that investment opportunities involving highly unethical products and services or unethical corporate behaviour, where engagement does not offer a viable option, should be excluded from investment regardless of the strength of the investment case.

This policy sets out the ethical principles, and identifies grounds for excluding companies from funds managed by the Kiwi Wealth Group.

4. Investment exclusions

a. Background

Companies who act significantly against the principles of the Kiwi Wealth Group, our clients and our shareholders, and where engagement does not offer the potential of a viable resolution, will be excluded.

KWILP will identify companies for exclusion on behalf of the Kiwi Wealth Group based on significantly unethical products and/or services and/or corporate behaviour.

KWILP will attempt to identify industries and/or companies:

- to be excluded for both direct and indirect investment, deemed “zero tolerance”.
- to be excluded from direct holdings on the basis of poor ESG behaviour, including under an investment management agreement (IMA).
- industries and/or companies where enhanced sensitivity is appropriate in direct investment decisions are made by KWILP.

KWILP will ensure that when active investment management delegations are made through the use of collective fund vehicles or IMAs, that the delegated manager uses this policy or has their own policy of similar standard in place. When passive delegations are made, only the zero tolerance exclusions need be observed.

This policy recognises that identifying product involvement and unethical behaviour is an inexact science, requiring appropriate measures and thresholds to be defined and proper disclosure by companies or investigative reports. In addition, the magnitude of these issues may vary through time, and evidence may not be available until after the fact. The policy also recognises that limited exceptions may be made to certain areas of exclusion, for example relating to immateriality or significant mitigating circumstances, through referring to the underlying principles.

b. Exclusion criteria

(i) Zero tolerance exclusions

Companies which are involved in any of the following product areas will be excluded for both direct and indirect investment:

- Tobacco – the tobacco industry’s products are both highly addictive and highly deleterious to health. In addition, their products are aggressively marketed in emerging economies, amounting to widespread human victimisation. We exclude companies where tobacco is the primary industry.
- Controversial and nuclear weapons – controversial and nuclear weapons are characterised by being particularly likely to cause civilian casualties either due to their intended usage or due to unintended casualties. This category covers weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, nuclear weapons. We exclude any company identified as being involved in this category.

- Whaling and whale meat processing – the whaling industry has decimated many whale populations. The New Zealand government is strongly committed to anti-whaling efforts and whaling remains a deeply unpopular industry in New Zealand. We exclude any company identified as being involved in this category.

(ii) ESG exclusions

KWILP will identify a list of companies, if any, exhibiting highly unethical behaviour, particularly in the context of:

- abuse of the environment
- human rights abuses
- endemic illegal activities, whether by New Zealand or local law.

These companies will be excluded from directly held investments only, including where such investments may be made by another investment manager under an IMA.

(iii) Areas of sensitivity

The following industries will be treated as areas of sensitivity in respect of decisions for direct investments made by KWILP. These industries are identified as having high propensity to victimise people and/or the environment:

- defence and firearms
- gambling services
- thermal coal
- nuclear power
- palm oil.

Investments may be made in these sensitive areas in special cases where the general ethical concerns for the industry in question have been sufficiently mitigated by the company.

5. Integration of ESG issues

a. Motivation

Companies which do not meet the criteria for investment exclusion may still face ESG-related risks. Kiwi Wealth Group believes such risks should be taken into account in investment decisions, but also recognises that investment creates a valuable opportunity to positively influence ESG issues through engagement and proxy voting.

b. Consideration of ESG issues in investment decisions

KWILP will integrate the consideration of ESG issues into their investment processes. At a minimum, KWILP will take significant ESG issues into account when investing in the securities of specific companies.

6. External managers

In appointing an investment manager under an IMA, or investing in a collective investment vehicle, the Kiwi Wealth Group will:

- for active managers, ensure such manager has an appropriate RI Policy in place of at least similar standard to this Policy.
- prefer to use managers who are committed to Responsible Investment evidenced by having an RI policy, being a PRI signatory or similar.

7. Asset class scope

The policy applies to the ownership of securities issued by or specific to excluded companies, including but not limited to equities, bonds, options, contracts for difference, total return swaps, convertible bonds.

The policy does not apply to widely-traded index derivatives, short positions in excluded companies, or investments where hedging positions create an immaterial or negative net exposure to excluded companies.

8. Divestment

If an entity in the Kiwi Wealth Group has chosen to invest in a security or collective investment vehicle that is subsequently deemed excluded under this policy, the holding will be divested from the relevant fund within six months of becoming an exclusion, or as soon as is practical and cost-effective to do so.

If an entity in the Kiwi Wealth Group has chosen to engage another manager under an IMA that is subsequently deemed unsuitable under this policy and no resolution is possible, the contract will be terminated within six months of becoming unsuitable, or as soon as is practical and cost-effective to do so.

9. Decisions, monitoring and reporting

The CIO of KWILP is responsible for decisions, monitoring and updates related to the Exclusion List and related processes on the basis of this policy, and for demonstrating that such policy has been observed. KWILP portfolio managers under the guidance of the CIO are responsible for implementing the policy.

Exclusion lists will be reviewed on a regular basis, being at least annually. Existing portfolios will be reviewed against exclusion lists whenever there is an update and on a regular basis, being at least annually. Relevant statistics related to exclusion lists and portfolio compliance will be reported to the IGC.