

SUSTAINABLE INVESTMENT POLICY - SHORT SUMMARY



December 2021.

Our sustainable investment policy in a nutshell.

This is a short summary of the Sustainable Investment Policy¹ for BT Funds Management (NZ) Limited (we, us, ours). We are the investment arm of Westpac in New Zealand.

It sets out how we embed sustainability within our investments. This means we think about investment opportunities from an environmental (E), social (S) and governance (G) perspective – together known as ESG. We believe by doing so that we can deliver positive environmental, social and economic outcomes.

Our approach to sustainable investment has four key pillars, which are positive outcomes, integration, stewardship and exclusions.

All our managed funds, including the Westpac KiwiSaver Scheme, Westpac Active Series, Westpac Retirement Plan and Westpac Premium Investment Funds are managed under our Sustainable Investment Policy.

Our approach to Sustainable Investment.

As one of New Zealand's largest fund managers where we invest has the potential to shape the future.

The four key pillars that guide our investment analysis and decisions, either directly or through our external underlying investment managers² are:

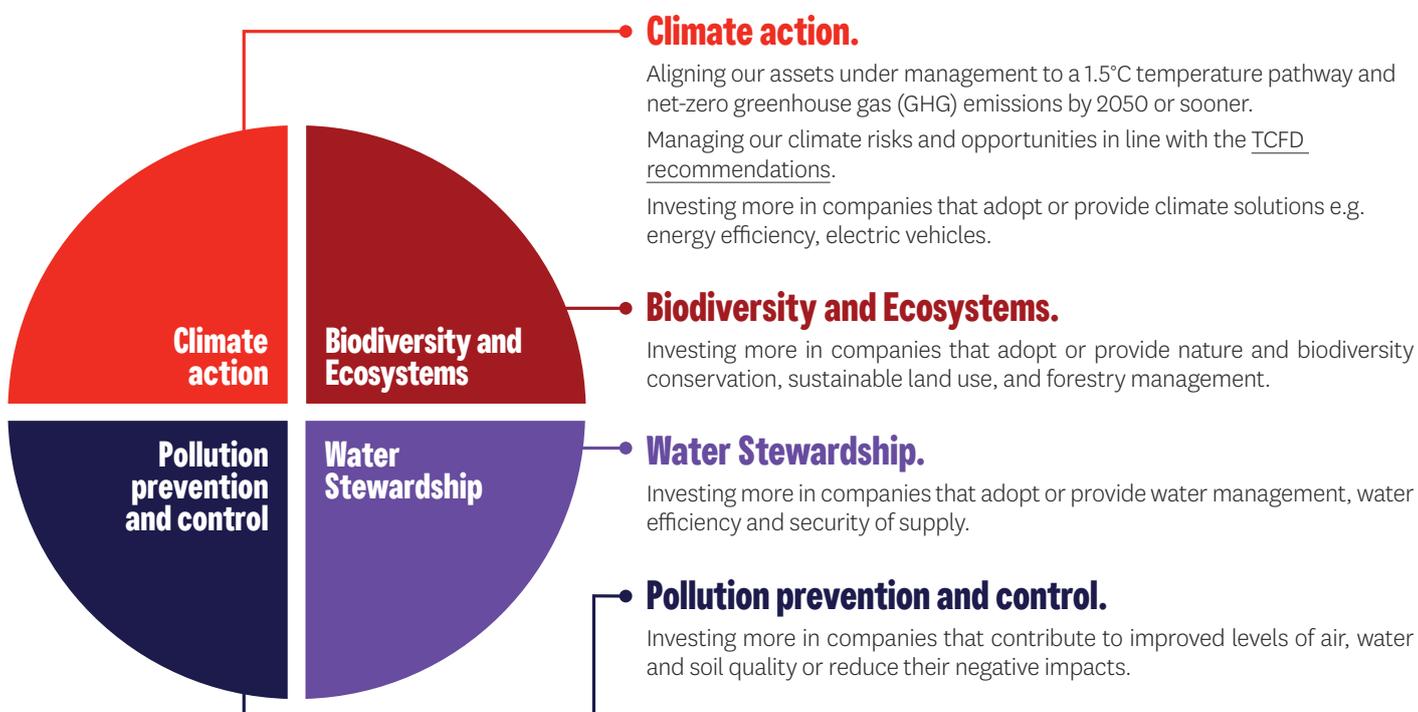


This results in a broader, more comprehensive approach to investment analysis and decision-making which covers asset allocation, security selection, external underlying investment manager selection and stewardship.

Positive outcomes.

We are working to align our investments with the environmental objectives described in the European Union's Sustainable Investment regulation (EU 2020/852)³. This regulation is recognised, in the absence of a global sustainable standard, as the most comprehensive and respected approach.

We are committed to aligning our assets under management to a 1.5°C pathway and net zero greenhouse gas emissions (GHG) by 2050 or sooner. This graph shows the four key areas of Positive Outcomes we are targeting as defined by the EU Regulation:



Circular economy frameworks.

We encourage the use of frameworks such as the Circular Economy framework (as defined in Article 13 of the EU Sustainable Investment Regulation) to reduce resource consumption and achieve the outcomes referred to above.

¹The full policy can be found on the website under <https://www.westpac.co.nz/kiwisaver-investments/investment-insights-hub/sustainable-investment-policy/>

²Details of our underlying investment managers can be found here [BT Funds Management \(NZ\) Ltd, Westpac NZ](https://www.btfundsmgmt.co.nz/).

³<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

Integration.

Integration refers to the way environmental, social and governance factors (ESG) are embedded into our investment decisions.

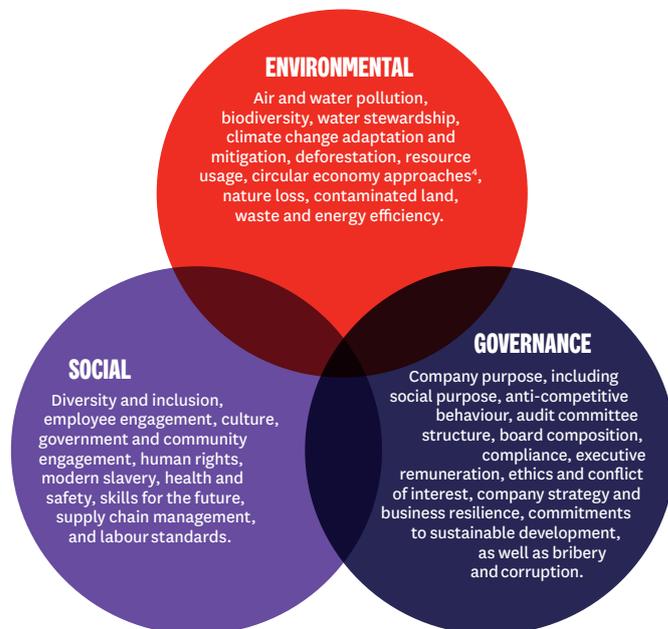
For example, tracking how the companies we invest in are managing climate change, or whether they are breaching international laws on human rights.

This graph shows examples of the key ESG factors that we consider, some of which are only relevant to specific industries or sectors:

We work to integrate ESG factors into our investment decisions by:

- Carefully selecting and also retaining underlying investment managers after assessing their approach to ESG factors – whether they are a leader, are committed, have fully integrated ESG consideration and are driving positive ESG outcomes.
- Requiring all underlying investment managers to be aware of, and observe, our Sustainable Investment Policy with clauses regarding this included in our agreements with them.
- Keeping our underlying investment managers fully aware of our Sustainable Investment Policy and commitments with regular reviews to assess their efforts to implement our Sustainable Investment Policy and other ESG commitments.

Our New Zealand fixed interest team integrates ESG factors throughout the investment lifecycle. They research key ESG factors, apply ESG ratings and check against our exclusions. We're always working to improve sustainability and governance (including addressing climate change), and other positive outcomes, through security selection, engagement, monitoring and review.



Stewardship.

Stewardship is about using our influence over investment managers, companies, issuers, policy makers, service providers and other stakeholders to maximise overall long-term value. Value for us includes environmental, social, and economic value.

We believe that stewardship helps promote higher standards of corporate governance, which contributes to sustainable value creation, thereby reducing risk and increasing the long-term return to our customers.

Engagement: We engage directly, or through our underlying investment managers, with the companies we invest in, focusing on:

- **Long-term business planning:** business model, purpose (including social purpose), strategy, and ongoing performance.
- **Approach to ESG:** identifying and managing the key ESG factors and how they are strengthening their ability to positively contribute to our targeted positive outcomes.
- **Governance and leadership effectiveness:** including quality of reporting against relevant codes.
- **Spending to address climate change:** increasing expenditure towards climate solutions.
- **Addressing climate change risks:** encouraging companies to set science-based targets and embrace the recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD).
- **Improving the environment:** measuring, reporting on, and reducing negative impacts on biodiversity, ecosystems and water quality aligned to article 9 EU 2020/852.
- **Quality of disclosures:** using recognised sustainable frameworks and standards for integrated disclosures, financial and non-financial reporting.

Voting: As a shareholder we have the right to vote at shareholder meetings. Voting is mainly undertaken through our underlying investment managers who are required to vote according to our voting principles (see Appendix in our full Sustainable Policy). We believe this can influence the sustainability and long-term prosperity of the companies we invest in.

Collaboration: We work with others in the industry to influence change. We are a signatory and a member of a range of groups outlined under Commitments and Collaborations.

If a company is not upholding the standards we expect, we will put them on a watchlist, and implement and monitor their performance through an engagement strategy with defined performance improvement objectives. If the objectives aren't met, we may then exclude the company.

* A circular (as opposed to linear) economy is one in which resources are built to be returned into new products and by-products are used to generate other products.

Exclusions

We do not invest in companies that operate outside of our sustainable investing criteria⁵:

Companies breaching International Conventions.

We exclude any company in breach of International Conventions to which New Zealand is a party⁶. We also do not invest in any NZ company not permitted under New Zealand law.

Companies not meeting minimum social safeguards.

We exclude any company breaching human, labour and environmental principles in line with the UN Global Compact.⁷

Controversial weapons.

We do not invest in any company that derives any revenue from controversial weapons manufacture. We don't invest in nuclear, biological, and chemical weapons, phosphorous mining, depleted uranium, anti-personnel mines and cluster munitions) or companies that both manufacture and sell assault weapons to civilians.

Fossil fuels.

We exclude any company where the primary activity is oil and gas drilling, exploration and production, equipment and services, or integrated oil and gas⁸; or which derives more than 10% of its revenue from oil and gas exploration, production or refining (incl. arctic exploration, oil sands extraction and shale energy exploration or production).

Coal mining and production.

We exclude any company where the primary activity is coal and consumable fuels⁹, or which derives more than 10% of its revenue from the extraction of thermal coal.

Coal electricity generation.

We do not invest in any company that derives more than 50% of its revenue from generating electricity from coal.

Whale meat.

We do not invest in any company that derives any revenue from the processing of whale meat.

Predatory lending.

We exclude any company that derives any revenue from predatory lending.¹⁰

Tobacco.

We do not invest in any company that derives any revenue from manufacturing tobacco products.

Other companies.

We exclude any company that we understand is not performing on ESG factors and expected to negatively impact our investments or has not responded positively to active engagement.

From time to time, we may exclude other companies not aligned with our sustainable values or beliefs.

About our exclusions: we rely on advice from our ESG research provider(s) for exclusion criteria, standards and assessments. Where we use derivative based instruments or (in the rare instance) third-party fund or exchange traded funds, we aim to align our exclusions as closely as possible, and for third-party or exchange traded funds at a minimum we apply our fossil fuel and weapons exclusions as required by our default KiwiSaver status. Implementation of this exclusion criteria can be affected by the accessibility and accuracy of data, or an error by an external research provider. This may result in inadvertent holdings in investments we are seeking to exclude. In this event, as soon as this has been identified, the investment manager is required to divest within ten business days. For details on how we manage our exclusions please refer to our full Sustainable Investment Policy.

Our commitments and collaborations.

We are proud members of or signatory to:



United Nations Principles for Responsible Investment.

This means we are committed to integrating ESG factors into our investment decisions.



Responsible Investment Association of Australasia.

This means we actively support the industry and its approach to responsible investment.



Investor Group on Climate Change (Australia and New Zealand).

This means we are committed to a 1.5 degree temperature rise and are committed to developing a climate change strategy to support this.



Net Zero Asset Managers Initiative.

This means we are committed align to a 1.5 degree path and achieve net zero greenhouse gas emissions by 2050 or earlier.



Climate Action 100+.

This means we are committed to working collaboratively with other investors to drive corporate climate change actions.



Toitū Taha Centre for Sustainable Finance.

We are founding member and are committed to supporting the implementation of the sustainable finance roadmap for New Zealand.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Supporter of the Taskforce on Climate-related Financial Disclosure.

This means we support robust TCFD aligned climate risk and opportunity assessment and action.

Aotearoa New Zealand Investor Coalition for Net Zero.

This means we support action on climate change through our climate commitment.

⁵ As defined by our third party ESG research provider(s).

⁸ As defined by the Global Industry Classification system.

⁶ As defined by our third party ESG research provider(s).

⁹ As defined by the Global Industry Classification system.

⁷ As defined by our third-party ESG research provider(s).

¹⁰ As defined by our ESG research provider(s).

Things you should know.

BT Funds Management (NZ) Limited (BTNZ) is the scheme provider and issuer, and Westpac New Zealand Limited is a distributor of, the managed investment schemes referred to above, including the Westpac KiwiSaver Scheme. You can get a copy of any applicable Product Disclosure Statement for these investments from any Westpac branch in New Zealand.

The information above is subject to changes to government policy and law, and changes to the applicable managed investment scheme, from time to time. Investments do not represent bank deposits or other liabilities of Westpac Banking Corporation ABN 33 007 457 141, Westpac New Zealand Limited or other members of the Westpac Group of companies. They are subject to investment and other risks, including possible delays in payment of withdrawal amounts in some circumstances, and loss of investment value, including principal invested. None of BTNZ (as manager), any member of the Westpac group of companies, The New Zealand Guardian Trust Company Limited (as supervisor), or any director or nominee of any of those entities, or any other person guarantees any scheme's performance, returns or repayment of capital. Westpac New Zealand Limited.