

## WESTPAC NEW ZEALAND STAFF SUPERANNUATION SCHEME

### **Sustainable Investment Guideline: Role of Environmental, Social and Governance Factors and Sustainable Themes in the Westpac New Zealand Staff Superannuation Scheme**

#### **Background**

This document (**Guideline**) outlines how Westpac New Zealand Staff Superannuation Scheme Trustee Limited (**Trustee**), the Trustee for the Westpac New Zealand Staff Superannuation Scheme (**Scheme**), integrates environmental, social and governance (**ESG**) factors and sustainable themes into its investment decisions.

This Guideline is informed by:

- The Trustee's Statement of Investment Policy and Objectives (**SIPO**);
- The Sustainable Investment Policy (**SI Policy**) of the Scheme's Investment Implementation Manager (**IIM**), BT Funds Management NZ Ltd (**BTNZ**); and
- The Trustee's legal and fiduciary duties (in particular, the Trustee's duty to invest prudently).

In this Guideline, sustainable investing refers to managing assets by integrating ESG factors and contributing to sustainable themes such as climate action. There is more detail about sustainable investment in the SI Policy.

*The BTNZ SI Policy can be found [here](#), and will be updated from time to time.*

#### **Summary**

The Trustee believes that ESG factors and sustainable themes should be taken into account when investing the Scheme's assets and sets out its expectations and approach to achieving this in this Guideline.

The Trustee has appointed BTNZ as the Scheme's IIM (with overall responsibility for the management of Scheme investments). The Trustee endorses the BTNZ SI Policy (including the exclusion categories listed in the SI Policy) as being an appropriate way for BTNZ to give effect to this Guideline, and BTNZ:

- applies its SI Policy to the management of Scheme property that is invested in BTNZ funds; and
- includes information on alignment with the SI Policy when recommending investments not managed by BTNZ to the Trustee. The Trustee accepts that investments in this category will be subject to the relevant investment manager's policy (if any), which will not be identical to the BTNZ SI Policy. <sup>1</sup>.

#### **Investment beliefs**

The Trustee believes that ESG factors should be taken into account when investing the Scheme's assets, but recognises the need for these factors to be balanced against other considerations outlined in this Guideline (and in respect of funds managed by BTNZ, the BTNZ SI Policy).

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<sup>1</sup> The firms utilised for the investment mandates for the Scheme from time to time are detailed in the SIPO. Specialist underlying investment managers may be added to or removed without notification to members and are current as at the date of the Trustee's SIPO. This means that the identity and number of underlying investment managers may vary from time to time.

The Trustee's investment philosophy includes the following beliefs that are particularly relevant to the implementation of ESG factors in investment decisions:

- Investors with a true long-term horizon can outperform more short-term focused investors over the long run;
- A broadly diversified investment portfolio can improve return to risk ratio over time; and
- The integration of ESG factors in investment decisions helps to better manage investment risks and opportunities.

In line with this, the Trustee's relevant investment policies are that:

- Investments should be made by using the best manager(s) of relevant products, and combining the style and type of manager is generally desirable;
- The extent to which underlying investment managers integrate ESG into their investment processes and decisions should be considered when BTNZ is selecting and reviewing investments and any third-party funds, as well as the performance of those managers and funds; and
- BTNZ's pillars of sustainable investment as set out in the SI Policy contribute to responsible and sustainable investment, which is important for the management of investment risk.

### **Implementation**

While the Trustee believes that ESG and other responsible and sustainable investment factors should be integrated into its investment processes, it recognises that due to its chosen approach, it does not have direct influence over:

- the individual securities held (or excluded); or
- the responsible and sustainable investment policies, voting decisions or engagement activities, of the investment managers of the wholesale investment products in which the Scheme invests.

Instead, the Trustee requires BTNZ as IIM to give due consideration to this Guideline (and where applicable, the SI Policy) when selecting investments and other investment managers.

### **Selection and review processes**

When considering investing Scheme assets in a new fund, or when selecting or reviewing investments directly, the Trustee expects BTNZ to take into account the extent to which the funds align with and invest in line with, this Guideline and where BTNZ is managing the funds, the BTNZ SI Policy.

In addition to the above, the sustainable investment positions and activities of non-BTNZ investments are also monitored on an ongoing basis and regularly reviewed by BTNZ (and reported to the Trustee).

Because BTNZ believes that sustainable investment is important, for the funds that it manages, it does not arrange Scheme investments in companies and other issuers that fall outside of its sustainable investment criteria. Both the Trustee and BTNZ recognise that this could mean that there is a restriction on the number and type of investments that BTNZ and its underlying investment managers may choose from, and that good financial performance is considered alongside sustainable investment performance in terms of investment selection. Although there is a risk that a reduced investment universe could lead to a lower financial return, the Trustee believes integration of ESG factors into investment decisions supports the aim of creating long-term value

and/or avoid undue risks. The Trustee considers that this mitigates any financial risk created by the trade-off between the consideration of sustainable investment factors and financial return.<sup>2</sup>

## **Exclusions**

In respect of funds managed by BTNZ, the Scheme's assets will not be invested in companies or other issuers that are in BTNZ's exclusion categories as set out in the SI Policy, for the reasons explained in this Guideline and in the SI Policy. BTNZ implements this through defining exclusion categories in its SI Policy.

In respect of Scheme property investments not managed by BTNZ, BTNZ will consider alignment with its exclusion policy as one of the selection considerations. However, the Trustee accepts that such investments will not align completely with BTNZ's SI Policy and exclusion list.

BTNZ's exclusion criteria may change over time. The implementation of exclusion criteria may be impacted by the accessibility and accuracy of the data on which BTNZ relies to manage its exclusions. Adherence to exclusions cannot be guaranteed. For more information on how BTNZ manages its exclusions please refer to BTNZ's SI Policy.

## **Reporting, monitoring and review**

### *Investment review for BTNZ managed funds*

In respect of the funds that it manages, BTNZ reports to the Trustee quarterly on compliance with this Guideline and BTNZ's SI Policy (including in particular, the exclusion categories listed in the SI Policy).

To the extent practicable, BTNZ also reports on ongoing alignment with this Guideline in respect of the performance of the Scheme's non-BTNZ investments.

### *Guideline review*

The Trustee recognises that approaches to sustainable and responsible investment (and the implementation of ESG factors in investment decisions) are constantly evolving.

To this end, the Trustee will review this Guideline annually (or more frequently if required) to ensure that its commitments and processes align with best industry practice and consumer demand.

This Guideline will be implemented consistently at all times with the Trustee's fiduciary duty to invest prudently.

This Guideline is subject to change. Any changes to this Guideline will be approved by the Trustee in accordance with its policies and procedures. The most up to date version of this Guideline will be available at all times at the following link:

<https://www.westpacnzstaffsuper.co.nz/documents.html>

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<sup>2</sup> See section 3.2 of BTNZ's SI Policy.