

ASB Group Investments' Responsible Investment Policy

ASB Group Investments Limited ("ASB Group Investments") recognises that economic, social and governance (ESG) issues can be important when making investment decisions. In recognising these issues, responsible investment, including ESG considerations, is taken into account in the investment policies and procedures of the Global Sustainability Fund, available through the FirstChoice KiwiSaver Scheme ("FirstChoice KiwiSaver").

The Global Sustainability Fund is one of the ten investment funds available through FirstChoice KiwiSaver. Responsible investment is not taken into account in the other nine FirstChoice KiwiSaver investment funds.

FirstChoice KiwiSaver is provided and managed by ASB Group Investments.

Investment policy and process

ASB Group Investments adopts and implements an investment policy for the Global Sustainability Fund which incorporates ESG considerations.

Generation Investment Management ^{LLP} (Generation) is the underlying investment manager of the Global Sustainability Fund. Generation was co-founded by former US Vice President, Al Gore and former global CEO of Goldman Sachs Asset Management, David Blood and adopts the sustainable investment principles developed by them.

Generation integrates sustainability research and fundamental equity analysis into the one investment process. Generation's investment approach is based on the idea that sustainability factors – economic, health, environment, social and governance – will ultimately drive a company's ability to grow revenues, manage risk and costs, and ultimately deliver a competitive position and share price over the long-term. Generation invests in businesses whose securities are attractively priced, with strong management teams that they believe best understand and respond to sustainability factors and are capable of delivering superior long-term returns.

A crucial element of its sustainable investing strategy is to select companies that demonstrate practices and processes that will sustain their profits in a changing, challenging environment. The Global Sustainability Fund will invest in between 25 and 60 companies.

Responsible investment issues

Sustainable investing is fundamentally different to ethical or socially responsible investing. Ethical or socially responsible investing often applies the moral convictions of the investment manager by screening companies from industries such as tobacco, gaming and mining. For Generation, sustainable investing focuses on maximising the long term return for the investor. Sustainable investing involves looking beyond the short term to at least five years in the future and recognising that economic, health, environmental, social and governance factors will ultimately drive a company's long term profits.

Generation's Advisory Board, chaired by Al Gore, consists of some of the world's pre-eminent economic, political and environmental thinkers. The Advisory Board meets twice annually and assists the Generation investment team in understanding long-term sustainability issues that feed into their investment decision-making process. Generation

focuses on the material issues for each industry, being those that are likely to affect corporate profitability.

Some of the issues considered in Generation's sustainability analysis of companies are as follows:

- **Climate change** - the effect of global warming and associated regulation.
- **Pandemics** - how pandemics such as HIV, diabetes and obesity will affect a company's bottom line.
- **Human resources** – how a company attracts and retains employees including its culture and human resource practices.
- **Corporate governance** - a company's ability to manage checks and balances and the relationship between shareholders and management.
- **Stakeholder management** - how well a company engages its relationship with suppliers, clients and the community.
- **Future licence to operate** - ability to respond to future regulation changes.

Generation invests 90-100% in world shares and 0-10% in cash. Responsible investment is taken into account for the world share investments.

The Generation investment process

Generation's investment process is based on the fundamental belief that the best way to produce superior returns over the long-term is to integrate sustainability into every aspect of the investment process. The Generation investment process is broken down into three key phases:

1. Identifying companies for further analysis

- A series of global sustainability themes have been identified with the help of some of the world's pre-eminent thinkers. These include pandemics (e.g. HIV and diabetes), climate change, water and demographics.
- The investment team develops 'industry roadmaps' which build sustainability themes into different sectors of the economy. The roadmaps also incorporate traditional investment issues.
- The 'industry roadmaps' provide insights into which companies will profit from the changes associated with sustainability and those that will face greater risks over the long-term. For example, if fossil fuels are eventually going to run out, then it makes sense to start analysing car firms in terms of their carbon intensity.
- The 'industry roadmaps' serve as an idea generator for identifying companies for further analysis.

2. Company analysis and selection

- Generation takes great care to understand each company before considering it for inclusion in the portfolio.
- Each company is subject to rigorous scrutiny across qualitative and financial measures from both individual analysts and the entire investment team.
- Sustainability research plays an important role in the assessment of both business and management quality. For example, analysts of the automotive industry examined

the carbon intensity of manufacturers' cars and one company scored highly as a result of its investment in hybrid technology.

- The result of this analysis is inclusion on what Generation calls its 'focus list', which is a list of around 100 companies Generation would like to invest in if the price meets Generation's valuation target.

3. Constructing and maintaining the portfolio

- While there may be as many as 100 companies on the 'focus list', only 25-60 companies will be included in the portfolio at any one time.
- Generation will only invest when there is high conviction in the company. The process is not "benchmark driven", but instead follows a process to select a portfolio based on "best ideas".
- Companies that make the portfolio are those whose current share price is significantly less than Generation's valuation of the company.
- The weightings assigned to each stock within the portfolio are based on Generation's valuation of the stock. Sustainability research plays a major role in determining the valuation.
- Generation actively monitors the stocks they have invested in using their fundamental and sustainability analysis to ensure the stocks are the "best ideas" of Generation and appropriately sized within the portfolio. Generation sets target return levels based on its fundamental and sustainability analysis. Changes in its sustainability assessment normally result in the reassessment of the expected return and/or the position size of the stock within the portfolio.

ASB Group Investments will regularly monitor Generation's approach to sustainable investing.

This policy should be read in conjunction with the FirstChoice KiwiSaver Scheme Investment Statement. The underlying investment manager of the Global Sustainability Fund and its investment process may change from time to time. This is general information only and does not constitute specific advice to any person. You should consider talking to a financial adviser before making an investment decision. The information on this page is obtained from sources believed to be reliable and accurate at the time of preparation, but its accuracy and completeness is not guaranteed.