

Responsible Investment Policy

Simplicity NZ Limited

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Introduction

Simplicity NZ Limited (Simplicity, SNZL, us, we, our) is licensed as a Managed Investment Scheme (MIS) manager by the Financial Markets Authority (FMA) and is the issuer of the Simplicity KiwiSaver Scheme and Simplicity Investment Funds registered schemes (the Schemes).

Simplicity Investment Management Limited (SIML), a wholly owned subsidiary of Simplicity, is the manager of the Simplicity Wholesale Funds scheme, which includes the First Home Mortgage Fund, Property Fund and Cash Fund. Simplicity performs certain management functions on behalf of SIML.

In accordance with the Statement of Investment Policies and Objectives (SIPOs) the Schemes may invest in the Simplicity Wholesale Funds to gain exposure to various asset classes.

Guiding principles

Simplicity is a non-profit company which is 100% owned by the Simplicity Foundation. We endeavour to conduct our business as a responsible corporate citizen. Our governing principles guide everything we strive to do. We believe in:

- Providing our investors with dignity in retirement.
- Offering New Zealanders effective, low-cost financial products.
- Giving the benefits of scale to investors.
- Being responsible investors.

Our purpose is to deliver market returns consistent with the risk profile of each Fund on a low-cost basis. Our investment philosophy is to take a primarily passive approach and pass on fee savings to members.

We consider the term 'responsible investment' to be interchangeable with other terms in common use including 'ethical', 'sustainable', and 'ESG' that describe a similar approach to investing.

Purpose

This policy describes Simplicity's approach to responsible investment. This policy is to be read alongside our Schemes' governing documents, including the SIPOs, Product Disclosure Statements (PDSs) and Other Material Information (OMI) documents.

Investment mandates provided to external investment managers are subject to this policy. Simplicity only invests in third-party manager products (for example, wholesale or private equity funds) that we are satisfied are consistent with this policy.

Investment approach

Simplicity is primarily a passive index investor. Our investment approach applies a negative screening (exclusion) methodology to implement this policy.

The negative screening approach has two main components:

- i. a list of excluded business activities (summarised in Schedule 1)
- ii. behaviour-related exclusions (summarised in Schedule 2)

The following outlines our approach to different portfolios.

Index-linked global portfolios managed by DWS

Simplicity has appointed an external investment manager, DWS International GmbH (DWS), to manage the international equity and fixed interest portfolios on its behalf. These portfolios track screened market indices provided and managed by Bloomberg:

- Bloomberg DM Ex NZ ESG Screened Index
- Bloomberg MSCI Global Aggregate Sustainability Select SRI Float Adjusted Index

The indices apply a negative screening (exclusion) methodology using data sourced by Bloomberg, including from MSCI and Sustainalytics. The indices are reconstituted by Bloomberg on a monthly or quarterly basis. A summary of exclusion criteria is provided in Schedules 1 and 2.

Simplicity acknowledges that a screened index may perform differently from (including underperform) a corresponding unscreened index¹ over any timescale. This policy applies a negative screening (exclusion) methodology as a non-financial factor to enable our funds' investments to represent our values and what we believe is important to our members.

The Bloomberg index methodology documents meet or exceed the requirements of this policy and are provided separately on our [Ethical Investment webpage](#). Simplicity receives quarterly portfolio performance and mandate compliance reporting from DWS.

Domestic portfolios managed by Simplicity

The Manager's Investment Management (IM) Team is responsible for management of the New Zealand equity, cash, fixed interest, unlisted property, first home mortgage, and private equity portfolios.

The unlisted property and first home mortgage portfolios are comprised of specific static assets that comply with the screening principles in this policy – these portfolios do not require ongoing screening.

The private equity portfolio is screened manually by Simplicity based on its knowledge of direct investment issuers, and investment agreements with third-party managers that require alignment with this policy.

¹ We believe the closest unscreened equivalent to the Bloomberg DM Ex NZ ESG Screened Index is the [FTSE Developed Ex-Australia Index](#), and for the Bloomberg MSCI Global Aggregate Sustainability Select SRI Float Adjusted Index is the [Bloomberg Global Aggregate Bond Index](#).

The New Zealand equity portfolio tracks an unscreened market index provided to the Manager by Morningstar. Simplicity's IM Team applies manual screening, consistent with Schedules 1 and 2, based on publicly available information on issuers. .

The New Zealand fixed interest portfolio is managed in accordance with a market benchmark provided by Bloomberg subject to credit rating, issuer concentration, and average instrument duration restrictions. To the extent that corporate issuers are included in the portfolio, Simplicity's IM Team applies manual screening, consistent with Schedules 1 and 2, based on publicly available information on issuers.

Direct investments selected and managed by Simplicity

The first home mortgage, unlisted property, and cash and cash equivalents portfolios are implemented through the Simplicity Wholesale Scheme, which is managed by SIML. SIML has appointed the Simplicity to perform portfolio management functions on its behalf.

Simplicity assesses each direct asset investment specifically on acquisition and on an ongoing basis to ensure that it complies with the exclusions summarised in Schedules 1 and 2.

Private equity investments managed by third party investment managers

Third party investment managers that are appointed by Simplicity are contractually bound to maintain a responsible investment policy which is consistent with this policy. Manager compliance with our policy is monitored by our IM Team with oversight from our Investment Committee. In addition to our monitoring Simplicity relies on continuous disclosure obligations in agreements with the managers to identify any exceptions.

The exclusion criteria in Schedules 1 and 2 may be updated from time to time at Simplicity's discretion.

Where Simplicity becomes directly aware of credible public information suggesting that a specific investment or investments held in any of the portfolios should be excluded under this policy, we may review this asset and take steps to exclude it, which may result in divestment. Where we take specific exclusion actions, we will communicate this decision and action to our members as appropriate. An overview of past decisions is included in Schedule 5.

Compliance with screening rules

Compliance with negative screening requirements is monitored by our IM Team with oversight from our Investment Committee.

If a company or issuer in our portfolio changes its business classification, business activities, conduct or revenue mix and this results in the investment becoming excluded by this policy (a 'passive breach'), the breach will be resolved at or before the next index reconstitution.

Where an excluded investment is accidentally purchased by Simplicity or a third-party investment manager (an 'active breach'), the security will be divested as soon as practicable following identification of the breach.

To promote transparency we provide a list of the investments in our funds via our website 'Where in the world is my money' tool which is refreshed on a quarterly basis.

Screening methodology limitations

As Bloomberg screened indices apply screening rules based on ESG research data sourced from different data providers, the index methodologies differ which can result in minor differences to the way exclusions under this policy are applied to the global equity and global bond portfolios. Where applicable these differences are identified in the notes to specific exclusions presented in Schedules 1 and 2.

Screening limitations apply to the Bloomberg MSCI Global Aggregate Sustainability Select SRI Float Adjusted Index due to the nature of and availability of ESG ratings and screening data for certain types of issuers and securities included in the index - a summary of screening coverage for this index is provided in Schedule 4. Companies for which ESG ratings and screening data is not available are excluded from the Bloomberg DM Ex NZ ESG Screened Index.

Due to the time taken by ESG data providers to capture, analyse, and transmit ESG research data to Bloomberg, and the fact that Bloomberg's screened indices are reconstituted periodically, there may be a delay between financial and other information being publicly released by global share and bond issuers, and application of this information to the Bloomberg screened indices.

The manual screening of the New Zealand portfolios relies on publicly available information being detected by Simplicity.

Proxy Voting

Where we have appointed an external portfolio manager, they are authorised to exercise voting rights in accordance with their proxy voting policy. An annual report is provided to our Investment Committee on the external manager's voting activity.

Where investments are directly managed by Simplicity, we may choose to exercise shareholder voting rights at our discretion in the interests of investors. Our Investment Committee evaluates whether and how to exercise shareholder voting rights on a case-by-case basis. Any notable proxy voting actions taken on our portfolios are communicated to our members as appropriate.

Simplicity KiwiSaver Default Fund

This policy meets or exceeds the requirements of the KiwiSaver Default Provider (Simplicity) Notice 2021 dated 2 August 2021. An extract of the relevant obligations under this notice is provided in Schedule 3.

Policy review and approval

This policy is owned by Simplicity's board and is reviewed annually and as required where there is any relevant and material change in circumstances or operating environment.

Simplicity's Investment Committee monitors compliance with this policy on a quarterly basis and escalates any material issues or breaches to the board.

Schedule 1a: Business Involvement Screening (Share Issuers)

The following is a summary of business involvement exclusions applied to share (equity) issuers.

Sector	Business Involvement exclusion	Threshold for Exclusion
Non-Renewable Energy	Nuclear Power Researched companies ³ that generate 5% or more revenue from the production of nuclear power.	5% or more of revenues
	Oil & Gas Researched companies that generate 5% or more revenue from the production or supporting products/services for the oil and gas industry, or electricity generation from oil and gas. Note: The exclusion of companies generating 5% or more revenue from electricity generation from oil & gas does <u>not</u> apply to the New Zealand Equity Portfolio / the Simplicity NZ Share Fund. Simplicity has made this exception as, due to the structure and limitations of electricity generation market in New Zealand, suppliers may not be able to meet market requirements by using predominantly renewable generation sources. This exception will be reviewed periodically by Simplicity based on local electricity supply dynamics, including the availability and commercial viability of alternative renewable power. References to Oil and Gas include Unconventional Oil and Gas.	5% or more of revenues
	Unconventional Oil & Gas Researched companies that generate 5% or more revenues from extracting oil sands, shale energy exploration, and production or oil and gas exploration in the Arctic regions.	5% or more of revenues
	Thermal Coal Researched companies that generate 5% or more revenue from the extraction or supporting products/services of thermal coal or generating electricity from thermal coal. Note: This exclusion does <u>not</u> apply to revenues generated from metallurgical coal (sometimes referred to as coking coal), which is a grade of coal that can be used to produce coke, an essential fuel and reactant in the blast furnace process for primary steelmaking.	5% or more of revenues

³ Reference to "researched companies" refers to companies where ESG business involvement data is available from the relevant ESG data provider. Companies that are not researched are excluded by the Bloomberg DM Ex NZ ESG Screened Index.

Sector	Business Involvement exclusion	Threshold for Exclusion
Vice Products	Adult Entertainment Researched companies that generate 5% or more revenues from production of adult entertainment and/or owns/operates adult entertainment establishments, or distribution of adult entertainment materials.	5% or more of revenues
	Alcoholic Beverages Researched companies that generate 5% or more revenue from manufacturing alcoholic beverages or supplying alcohol related products / services to alcoholic beverage manufacturers, or distribution and / or retail sale of alcoholic beverages.	5% or more of revenues
	Cannabis Researched companies that generate 5% or more revenue from development and/or cultivation of medical cannabis or cannabis for recreational purposes, or distribution and/or retail sale of medical cannabis or cannabis for recreational purposes.	5% or more of revenues
	Gambling Researched companies that generate 5% or more revenue from owning and/or operating a gambling establishment, or manufacturing specialized equipment used exclusively for gambling or providing supporting products/services to gambling operations.	5% or more of revenues
	Tobacco Products Researched companies that generate 5% or more revenue from the production of tobacco products or supplying tobacco-related products and services or the distribution and/or retail sale of tobacco products.	5% or more of revenues
Weapons	Controversial Weapons Researched companies that have any involvement, including through significant ownership, in the core weapon system or components and services of the core weapon system, whether tailor-made, and non-tailor made.	Any Involvement 10-50% ownership*
	Civilian Firearms Researched companies that have any involvement, including significant ownership, in the manufacture and sale of assault weapons to civilian customers, military and law enforcement, or manufacture and sell key components of small arms, or generate any revenue from the retail and/or distribution of assault weapons or small arms. Note: Key components of small arms includes triggers, grips, barrels, firing pins, gun sights, optical devices, and small arms ammunition of any calibre.	Any involvement 10-50% ownership*

Sector	Business Involvement exclusion	Threshold for Exclusion
Weapons	Military Contracting Researched companies that, in aggregate, generate any revenue from manufacturing military weapon systems and/or integral, tailor-made components for these weapons.	Any revenue
	Researched companies that own 10-50% of another company with involvement in manufacturing military weapon systems and/or integral, tailor-made components for these weapons	10-50% ownership*
	Researched companies that, in aggregate, generate 5% or more revenue from providing tailor-made products and/or services that support military weapons	5% or more of revenues
	Researched companies that, in aggregate, generate 5% or more revenue from providing non-weapons related tailor-made products and/or services to the military or defense industry.	5% or more of revenues
Other	Whale Meat Processing Researched companies that, in aggregate, generate any revenue from the processing of whale meat.	Any revenue
	Researched companies that own 10-50% of another company with involvement in processing whale meat.	10-50% ownership*
	Predatory Lending Activities Researched companies that, in aggregate, generate any revenue from predatory lending activities.	Any revenue
	Researched companies that own 10-50% of another company with involvement predatory lending activities.	10-50% ownership*

Notes: Where the policy exclusions are implemented by the Bloomberg DM Ex NZ ESG Screened Index the above summary should be read in conjunction with the index methodology provided on Simplicity’s ethical investment webpage, and to the extent that there is any inconsistency between this document and the index methodology, the latter takes precedence.

Reference to “researched companies” refers to companies where ESG business involvement data is available from the relevant ESG data provider. Companies that are not researched are excluded by the Bloomberg DM Ex NZ ESG Screened Index.

*Indirect business involvement through ownership means a researched company that has a minority shareholding in another researched company that is directly involved in the excluded business activity.

The ESG data provider determines involvement / the level of involvement of researched companies in various screened business activities based on information obtained from publicly disclosed annual reports and annual financial statements. The ESG data provider may supplement this information with industry classifications and other information obtained from public sources or directly from the company. There may be a delay between a company’s annual reports and annual financial statements being published / filed and research data being updated by the ESG data provider, delivered to the screened index provider, and applied to the screened index.

Schedule 1b: Business Involvement Screening (Bond Issuers)

The following is a summary of business involvement exclusions applied to bond (fixed income) issuers.

Sector	Business Involvement exclusion	Threshold for Exclusion
Non-Renewable Energy	<p>Nuclear Power Researched companies classified as Nuclear Power Utility, that own or operate nuclear power plants</p> <p>Researched companies classified as Nuclear Power Supplier, that provide essential products or services to active power plants.</p>	Involvement
	<p>Fossil Fuel Researched companies having an industry tie to fossil fuels (thermal coal, oil, and gas) – in particular, reserve ownership, related revenues, and power generation.</p> <p>Note: This exclusion does <u>not</u> apply to companies providing evidence of owning reserves of metallurgical coal (sometimes referred to as coking coal), which is a grade of coal that can be used to produce coke, an essential fuel and reactant in the blast furnace process for primary steelmaking.</p> <p>References to oil and gas include unconventional oil and gas.</p>	Involvement
Vice Products	<p>Adult Entertainment Researched companies classified as an Adult Entertainment Producer and deriving 5% or more aggregate revenue from production of adult entertainment material.</p> <p>Researched companies classified as Adult Entertainment Distributor or Retailer and deriving 10% or more aggregate revenue from the distribution or retail of adult entertainment materials.</p>	<p>5% or more of revenues</p> <p>10% or more of revenues</p>
	<p>Alcoholic Beverages Researched companies classified as an Alcohol Producer and deriving 5% or more aggregate revenue from the production of alcoholic products.</p> <p>Researched companies classified as an Alcohol Retailer, Distributor, Licensor or Supplier and deriving 10% or more aggregate revenue from the sale of alcoholic products, wholesale distribution of alcoholic products, licencing a brand name to alcoholic products, or produce and supply key raw materials and other products used specifically to produce alcoholic products.</p>	<p>5% or more of revenues</p> <p>10% or more of revenues</p>

Sector	Business Involvement exclusion	Threshold for Exclusion
Vice Products	<p>Gambling Researched companies classified as involved in Gambling Operations, and deriving 5% or more aggregate revenue from operating gambling facilities, online gambling websites, platforms, or mobile applications.</p> <p>Researched companies classified as involved in Gambling Support and deriving 10% or more aggregate revenue from providing products or support services fundamental to gambling operations.</p>	<p>5% or more of revenues</p> <p>10% or more of revenues</p>
	<p>Tobacco Products Researched companies classified as a Tobacco Producer, involved in the production of nicotine-containing products, including traditional and alternative tobacco smoking products.</p> <p>Researched companies classified as a Tobacco Distributor, Retailer, or Supplier and deriving 5% or more aggregate revenue from the wholesale of tobacco products to retailers and other distributors, selling tobacco products to consumers, or producing and supplying essential products for the production of tobacco products</p>	<p>Involvement</p> <p>5% or more of revenues</p>
Weapons	<p>Nuclear Weapons Researched companies involved in the production of nuclear weapons, exclusive and dual-use delivery platforms capable to delivery such products, intended and dual-use components of such products, services provided for such products.</p> <p>Researched companies that own 20% or more of a company or are 50% or more owned by a company with involvement in the above nuclear weapons business activities.</p>	<p>Involvement</p> <p>Ownership ties*</p>
	<p>Controversial Weapons Researched companies involved in the production of whole weapon systems, delivery platforms or components of cluster munitions; production of whole weapon systems or components of landmines and biological or chemical weapons; production of depleted uranium weapons, blinding laser weapons, incendiary weapons (not including producers of elemental white phosphorus or white phosphorus smokescreen/smoke bombs), or weapons with non-detectable fragments.</p> <p>Researched companies that own 20% or more of a company or are 50% or more owned by a company with involvement in the above controversial weapons business activities..</p>	<p>Involvement</p> <p>Ownership ties*</p>

Sector	Business Involvement exclusion	Threshold for Exclusion
Weapons	<p>Conventional Weapons: Researched companies that derive revenue from the production of conventional weapons and components.</p> <p>Researched companies that derive 5% or more revenue from conventional weapons support systems and services.</p> <p>Researched companies that own 20% or more of a company or are 50% or more owned by a company with involvement in the above conventional weapons business activities.</p>	Any revenue 5% or more of revenues Ownership ties*
	<p>Civilian Firearms: Researched companies that are involved in the production or retail of civilian firearms intended for civilian use or ammunition for such products.</p> <p>Researched companies that own 20% or more of a company or are 50% or more owned by a company with involvement in the above civilian firearms business activities.</p> <p><u>Note:</u> Firearms and ammunition intended for the military, government and law enforcement markets are not covered by this exclusion.</p>	Involvement Ownership ties*

Notes: Where the policy exclusions are implemented by the Bloomberg MSCI Global Aggregate Sustainability Select SRI Float Adjusted Index the above summary should be read in conjunction with the index methodology provided on Simplicity’s ethical investment webpage, and to the extent that there is any inconsistency between this document and the index methodology, the latter takes precedence.

Reference to “researched companies” refers to companies where ESG business involvement data is available from the relevant ESG data provider.

*Indirect ownership ties means a researched company that has a minority shareholding in or is owned by another researched company that is directly involved in the excluded business activity.

The ESG data provider determines involvement / the level of involvement of researched companies in various screened business activities based on information obtained from publicly disclosed annual reports and annual financial statements. The ESG data provider may supplement this information with industry classifications and other information obtained from public sources or directly from the company. There may be a delay between a company’s annual reports and annual financial statements being published / filed and research data being updated by the ESG data provider, delivered to the screened index provider, and applied to the screened index.

Schedule 2: Exclusions Related to Behaviour

Shares (equities) - Investments exclude researched companies* that are non-compliant with the UN Global Compact guidelines (www.unglobalcompact.org).

Behaviour	Exclusion	Threshold for Exclusion
ESG Risk Score	Researched companies that have an ESG Risk Score of 30 or above representing high and severe category based on Sustainalytics' ESG Risk ratings definition.	High or Severe ESG Risk
UNGC principles violations	<p>Human Rights Controversies related to Principles 1 and 2 of the UN Global Compact, which is derived from the Universal Declaration of Human Rights.</p> <ul style="list-style-type: none"> • Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and • Principle 2: make sure that they are not complicit in human rights abuses. 	Deemed non-compliant*
	<p>Labour Controversies related to Principles 3, 4, 5, and 6 of the UN Global Compact, which is derived from the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.</p> <ul style="list-style-type: none"> • Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; • Principle 4: the elimination of all forms of forced and compulsory labour; • Principle 5: the effective abolition of child labour; and • Principle 6: the elimination of discrimination in respect of employment and occupation. 	Deemed non-compliant*
	<p>Environment Controversies related to Principles 7, 8, and 9 of the UN Global Compact, which is derived from the Rio Declaration on Environment and Development.</p> <ul style="list-style-type: none"> • Principle 7: Businesses should support a precautionary approach to environmental challenges; • Principle 8: undertake initiatives to promote greater environmental responsibility; and • Principle 9: encourage the development and diffusion of environmentally friendly technologies 	Deemed non-compliant*
	<p>Anti-Corruption Controversies related to Principle 10 of the UN Global Compact, which is derived from the United Nations Convention Against Corruption.</p> <ul style="list-style-type: none"> • Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. 	Deemed non-compliant*

Note: Reference to “researched companies” refers to companies where conduct and controversies data is available from the relevant ESG data provider. Companies for which ESG ratings and screening data is not available are excluded from the Bloomberg DM Ex NZ ESG Screened Index. Screening

of the global shares portfolio may also include screening for high or severe violation of OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights (UNGPs), and their underlying conventions.

*Companies are deemed non-compliant based on ESG data provider research and assessment. Watch-listed companies are not excluded.

Bond (fixed income): Investments in the global bond portfolio are screened based on controversy scores, flags, and ratings as assessed by the ESG research data provider (MSCI).

Behaviour	Exclusion	Threshold for Exclusion
ESG controversies	Controversy scores and flags Excludes all researched companies involved in one or more very severe ESG Controversies (MSCI ESG Controversy Score = 0, Red Flags), which measures an issuer’s involvement in major ESG controversies and how well they adhere to international norms and principles. Note: Corporate issuers without ESG Controversy Scores from MSCI are automatically excluded.	Controversy Score = 0, Red Flags
	ESG Rating Securities from sectors with ratings (Treasuries, Government-Related, Corporate, Covered Bonds) must have a MSCI ESG Rating of BBB or higher. Note: Unrated issuers from sectors with ratings (Treasuries, Government-Related, Corporate, Covered Bonds) are excluded.	Lower than BBB if rated

Note: Reference to “researched companies” refers to companies where conduct and controversies data is available from the relevant ESG data provider. Screening limitations apply to the Bloomberg MSCI Global Aggregate Sustainability Select SRI Float Adjusted Index due to the nature of and availability of ESG ratings and screening data for certain types of issuers and securities included in the index - a summary of screening coverage for this index is provided in Schedule 4.

Schedule 3: Default KiwiSaver Provider obligations

The relevant provisions of the KiwiSaver Default Provider (Simplicity) Notice 2021 dated 2 August 2021 are summarised as follows:

9. ESG Policy

- (1) The default provider must have an ESG policy that reflects good industry practice.
- (2) The default provider must publish a description of the following information on a website maintained by or on behalf of the default provider-
 - (a) the default provider's investment practices, including any exclusions;
 - (b) the default provider's ESG policy; and
 - (c) certifications held by the default provider.
- (3) The default provider must lodge the ESG policy with the Registrar of Financial Service Providers to be included on the register of managed investment schemes kept under Schedule 2 of the FMC Act, as a general scheme document.
- (4) The annual report for the registered scheme that the default provider is required to prepare under regulations made under the FMC Act must include information on actions taken over the year in relation to the ESG policy, and any changes in the ESG policy since the last annual report.
- (5) The default provider must review the ESG policy once every two years to ensure that the ESG policy continues to reflect good industry practice.

11 Investment exclusion - weapons and devices

- (1) The default provider must exclude from the default product assets companies that are involved in the prescribed activities relating to-
 - (a) cluster munitions; or
 - (b) anti-personnel mines; or
 - (c) nuclear explosive devices.
- (2) The exclusion in subclause (1) applies to all investments-
 - (a) where the shares are held directly in companies that undertake the prescribed activities;
 - (b) in shares of majority owners of excluded companies (for example parent companies);
 - (c) in shares of subsidiary companies of excluded companies where that subsidiary has any involvement in the prescribed activity;
 - (d) in managed investment schemes that have any investments listed in (a) to (c).

12 Investment exclusion -fossil fuels

- (1) The default provider must exclude from the default product assets companies that-
- (a) own proved or probable reserves in coal, oil, or gas, and derive at least 15% of their revenue from exploration and extraction of coal, oil or gas; or
 - (b) has its primary business activity in any of the excluded subsectors prescribed in table 1 or table 2 of Schedule 5.
- (2) The exclusion in subclause (1) applies to-
- (a) all investments where the shares are held directly;
 - (b) investment in managed investment schemes that have any investments in the companies described in subclause (1).
 - (3) For the purposes of subclause (1) oil includes tar sands, gas includes shale (as a source of gas) and metallurgical coal is not included in the term coal.

KiwiSaver Default Provider (Simplicity) Notice 2021

Schedule 5

Investment exclusion - fossil fuels - Table 1

Industry Classification Benchmark		Simplicity Policy Reference
Subsector	Definition	
Integrated Oil and Gas (60101000)	Companies that engage in all three fields of petroleum production: Extraction (upstream), Transportation (midstream), and Refining and Marketing (downstream).	Oil & Gas Researched companies that generate 5% or more revenue from the production or supporting products/services for the oil and gas industry.
Oil: Crude Producers (60101010)	Companies engaged in the exploration for and drilling, production, and supply of crude oil on land.	Unconventional Oil & Gas Researched companies that generate 5% or more revenues from extracting oil sands, shale energy exploration, and production or oil and gas exploration in the Arctic regions.
Offshore Drilling and Other Services (60101015)	Companies that primarily explore and drill for oil and gas in offshore areas.	
Oil Equipment and Services (60101030)	Suppliers of equipment and services to oil fields and offshore platforms, such as drilling, exploration, seismic-information services, and platform construction.	Fossil Fuel Researched companies having an industry tie to fossil fuels (thermal coal, oil, and gas) – in particular, reserve ownership, related revenues
Coal (60101040)	Companies that mine, process, and market coal.	Thermal Coal Researched companies that generate 5% or more revenue from the extraction or supporting products / services of thermal coal or having an industry tie to fossil fuels (thermal coal)

KiwiSaver Default Provider (Simplicity) Notice 2021

Schedule 5

Investment exclusion - fossil fuels - Table 2

Global Industry Classification Standard (GICS)		Simplicity Policy Reference
Sub-industry	Definition	
Oil & Gas Drilling (10101010)	Drilling contractors or owners of drilling rigs that contract their services for drilling wells.	<p>Oil & Gas Researched companies that generate 5% or more revenue from the production or supporting products/services for the oil and gas industry.</p> <p>Unconventional Oil & Gas Researched companies that generate 5% or more revenues from extracting oil sands, shale energy exploration, and production or oil and gas exploration in the Arctic regions.</p> <p>Fossil Fuel Researched companies having an industry tie to fossil fuels (thermal coal, oil, and gas) – in particular, reserve ownership, related revenues</p> <p>Thermal Coal Researched companies that generate 5% or more revenue from the extraction or supporting products / services of thermal coal or having an industry tie to fossil fuels (thermal coal)</p>
Oil & Gas Equipment & Services (10101020)	Manufacturers of equipment, including drilling rigs and equipment, and providers of supplies and services to companies involved in the drilling, evaluation and completion of oil and gas wells.	
Integrated Oil & Gas (10102010)	Integrated oil companies engaged in the exploration and production of oil and gas, as well as at least one other significant activity in either refining, marketing and transportation, or chemicals.	
Oil & Gas Exploration & Production (10102020)	Companies engaged in the exploration and production of oil and gas not classified elsewhere	
Coal & Consumable Fuels (10102050)	Companies primarily involved in the production and mining of coal, related products and other consumable fuels related to the generation of energy. Excludes companies primarily producing gases classified in the Industrial Gases sub-industry.	

Schedule 4: ESG screening coverage matrix

Bloomberg MSCI Global Aggregate Sustainability Select SRI Float Adjusted Index (March 2024)

Index issuer / asset segment		ESG screening category			Notes
		MSCI ESG Rating	Business Involvement Screening*	MSCI ESG Research ESG Controversies or Red Flags	
Corporate Debt	Corporate Bonds	BBB or higher; non-covered issuers are removed.	Fully screened, non-covered issuers are removed.	Fully screened, non-covered issuers are removed.	Fully screened
Securitized Debt	Covered Bonds	BBB or higher; non-covered issuers are removed.	Screened, non-covered issuers are NOT removed.	Screened, non-covered issuers are NOT removed.	Business involvement screening not applicable to some of the issuers. MSCI ESG controversies / red flags data not available for some of the issuers.
	Asset Backed Securities (ABS)	Not screened	Not screened	Not screened	MSCI ESG data (rating and controversies / red flags) and financed business activity not available for this issuer segment.
	Commercial Mortgage-backed Securities (CMBS)	Not screened	Not screened	Not screened	MSCI ESG data (rating and controversies / red flags) and financed business activity not available for this issuer segment.
	Mortgage-backed Securities (MBS)	Not screened	Not screened	Not screened	MSCI ESG data (rating and controversies / red flags) and financed business activity not available for this issuer segment.
Treasury Instruments	Treasury Bonds	BBB or higher; non-covered issuers are removed.	Not screened	Not screened	Business involvement screening not applicable to sovereign / government sector issuers. MSCI ESG controversies / red flags data not available for this issuer segment

Index issuer / asset segment		ESG screening category			Notes
		MSCI ESG Rating	Business Involvement Screening*	MSCI ESG Research ESG Controversies or Red Flags	
Government-Related Instruments	Sovereign Bonds	BBB or higher; non-covered issuers are removed.	Not screened	Not screened	Business involvement screening not applicable to sovereign / government sector issuers. MSCI ESG controversies / red flags data not available for this issuer segment
	Supranational Bonds	BBB or higher; non-covered issuers are removed.	Screened, non-covered issuers are NOT removed.	Screened, non-covered issuers are NOT removed.	Business involvement screening not applicable to some of the issuers. MSCI ESG controversies / red flags data not available for some of the issuers.
	Local Authority Bonds	BBB or higher; non-covered issuers are removed.	Screened, non-covered issuers are NOT removed.	Screened, non-covered issuers are NOT removed.	Business involvement screening not applicable to some of the issuers. MSCI ESG controversies / red flags data not available for some of the issuers.
	Agencies, government owned not guaranteed	BBB or higher; non-covered issuers are removed.	Fully screened, non-covered issuers are removed.	Fully screened, non-covered issuers are removed.	Fully screened
	Agencies, government guaranteed or sponsored	BBB or higher; non-covered issuers are removed.	Screened, non-covered issuers are NOT removed.	Screened, non-covered issuers are NOT removed.	Business involvement screening not applicable to some of the issuers. MSCI ESG controversies / red flags data not available for some of the issuers.

* Business involvement screening is for ten specific industry classifications and revenue thresholds may apply, see the Index Methodology for more information

Note: This schedule provides a summary of the ESG screening approach and limitations for the Bloomberg MSCI Global Aggregate Sustainability Select SRI Float Adjusted Index and is not a supplement to or replacement for the Bloomberg MSCI Global Aggregate Sustainability Select SRI Float Adjusted Index methodology (the Index Methodology). For detailed information, please see the Index Methodology, and to the extent that there is any inconsistency between this document and the Index Methodology, the latter takes precedence.

Schedule 5: Overview of policy decisions

Date	Portfolio	Description of policy decision
November 2023	International Equity Portfolio	Divestment from Bank Hapoalim BM, Bank Leumi Le Israel BM, and Mizrahi Tefahot Bank Ltd, based on Simplicity's assessment regarding the companies' adherence to UN Global Compact Guidelines
September 2024	New Zealand Equity Portfolio	Exception to the electricity generation from fossil fuel exclusion for the New Zealand Equity Portfolio. Simplicity has made this exception as, due to the structure and limitations of electricity generation market in New Zealand, suppliers may not be able to meet market requirements by using predominantly renewable generation sources. This exception will be reviewed periodically by Simplicity based on local electricity supply dynamics, including the availability and commercial viability of alternative renewable power.
August 2025	International Fixed Income Portfolio	Exclusion of Israel treasury and non-supranational government-related bonds, based on Simplicity's assessment that the conduct of the Israeli government in Gaza is inconsistent with international standards, such as the UN Global Compact, particularly where conduct amounts to complicity in human rights abuses.
April 2026	International Equity Portfolio	Added exclusion of Whale Meat Processing and Predatory Lending Activities and expanded Military Contracting exclusions