

26 July 2018

Neil Scott
Email: ngscott@orcon.net.nz

Dear Neil

Thank you for taking the time to write to us with your concerns in your letter dated 18 June 2018.

You are correct in that the Fund does have holdings in a number of Israeli banks. These investments are held passively in the global equity portfolio, which is managed externally and includes shares in more than 6,500 companies around the world. Like many institutional investors, a sizeable proportion of the Fund tracks global equity indices in order to gain cost effective, diversified exposure to share markets around the world. Investments in these companies move in and out of the Fund primarily in line with their market capitalisation rather than through active stock picking.

In deciding whether a company is in breach of the Fund's responsible investment standards and how material that breach is, we take account of the proximity and importance of the company's actions. We draw a distinction between being materially involved in, and responsible for, the activity, versus being a supplier of materials or services in the normal course of business. We will also consider if engagement with the company would be able to influence an end to the activity before making an exclusion decision.

We have excluded development and construction companies directly involved in constructing settlements in the Occupied Palestinian Territories (OPT). These companies seek the permits, source the funding (primarily bank loans), manage the projects, and derive returns based on the sale of these newly constructed properties. Our exclusion decision followed findings by the United Nations that the West Bank Separation Barrier and settlement activities were illegal under international law. The decision also considered New Zealand's position, reflected in voting on UN Security Council resolutions that demand the cessation and dismantling of the Separation Barrier, the cessation of Israeli settlement activities in the OPT and support a lasting two-state solution. We are satisfied that our previous exclusion decisions should continue to apply to these companies.

Whilst financial accompaniment for any property development project is always necessary, our focus is on the company with primary responsibility for the activity. Extending the boundaries of our exclusion policy to companies whose involvement is less direct, including the provision of bank financing, given the range of activities to which our exclusions apply, would increase the number of companies captured to such an extent as to make our exclusion policy unworkable.

In your letter you request assurance that none of the Israeli banks the Fund is invested in are involved in pillage, or in any other contravention of international conventions or law. We do not provide legal assurances regarding the activity of companies. We do monitor legal suits and outcomes against companies on the issue of human rights, bribery and corruption, and severe environmental damage through various research providers which helps us with our assessments.

For further information about our approach to responsible investment please see <https://www.nzsuperfund.co.nz/how-we-invest/responsible-investment>.

We do note your views and thank you, again, for the information that you have provided. We will continue to monitor the situation in the OPT and involvement of companies against our responsible investment standards.

Your sincerely

A handwritten signature in blue ink, appearing to read 'Whineray', with a stylized, cursive script.

Matt Whineray
Chief Executive Officer