

07 September 2018

Neil Scott
Email: ngscott@orcon.net.nz

Dear Mr Scott

Thank you for your response to our letter dated 26 July 2018. I apologise for the time it has taken to address your requests.

We have decided not to exclude Israeli banks with operations in the Occupied Palestinian Territories (OPT). We have excluded a number of companies that are property developers directly involved in building Israeli settlements in the OPT. As mentioned in our last response, our decisions on whether or not to exclude a security from our portfolio are based on the clear process and principles outlined in our Responsible Investment Framework (which is available on our website). The factors that our decision-making process takes into account include:

- international conventions to which New Zealand is a party,
- New Zealand law,
- significant policy positions of the New Zealand Government,
- actions of our peers, and
- severity of breach/action.

In applying your concern to our Responsible Investment Framework, we note:

1. The United Nations has not imposed sanctions in relation to the Israeli banks, nor has the United States or the European Union.
2. We are not aware of any international proceedings which have determined that Israeli banks are acting contrary to international law.
3. We note that even if a company were to act in breach of international or national law, it does not automatically follow that holders of securities in that company are acting illegally. Our investments are in the main acquired via market exchange from other investors rather than new issues by the company.
4. New Zealand law does not prohibit investment in the securities of Israeli banks operating in the OPT.

We will of course continue to monitor developments in line with our Responsible Investment Framework.

Yours sincerely,



Matt Whineray
Chief Executive Officer

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