

**FIDELITY KIWISAVER SCHEME
RESPONSIBLE INVESTMENT POLICY**

(a) General

While responsible investment, including environmental, social and governance considerations, is not specifically taken into account in the investment policies and procedures of the scheme with the exception of the Ethical Kiwi Fund, all Fidelity KiwiSaver funds adhere as far as is practicable to responsible investment.

- The funds are subscribed by members of the general public for their retirement. The money is invested with established fund managers who maintain good ethical standards.
- There are no hidden fees or double dipping. There is separation of traders from the back-office. Assets are ring fenced not commingled. Custody of assets is with an independent trustee. Fund management staff are prohibited from insider trading, forward pricing or day trading.
- No companies that are involved in activities blacklisted by the UN (e.g. manufacture of land mines) are included in any NZ mandates.
- We do not invest or issue options on any government bonds for countries outside the OECD. This means that undemocratic regimes or countries with a high degree of corruptions are not supported.
- We use a structured passive approach for overseas investment in corporate bonds and shares. This approach seeks to minimise fees and hence maximise returns for members. There is no negative screening within global assets because we invest in the whole market. However, we invest in listed securities. This means the firms adhere to minimum accounting and disclosure standards required by stock exchanges.

(b) Fidelity KiwiSaver Scheme – Ethical Kiwi Fund

| <i>THE FUND</i> | |
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| <i>What is an ethical fund?</i> | A type of fund that excludes, or favours, certain types of investments on environmental, social or governance (“ESG”) grounds. Most exclude aspects of alcohol, tobacco, gambling and armaments – the so-called ‘sin stocks’. Also known as SRI (socially-responsible investing). |
| <i>Type of fund</i> | Unlike many ethical funds which usually invest only in one part of the investment spectrum, the Ethical Kiwi Fund is a diversified (balanced) fund investing in a mix of NZ cash, fixed interest, domestic and global shares. Over time a diversified approach should minimise volatility (ups and downs). |
| <i>Where invested?</i> | The benchmark allocation is: cash 5%, fixed interest 35%, NZ/Australian shares 20%, international shares 40%. The actual mix will range around these values. |
| <i>Investment management</i> | <p>The Ethical Kiwi Fund invests in the Tyndall Wholesale SRI Balanced Fund, a fund managed by Tyndall Investment Management (NZ) Ltd (Tyndall). Tyndall has been managing a trans-tasman ethical equity fund for six years, the first ethical fund in New Zealand. The Ethical Kiwi Fund is leveraging off this accumulated knowledge and expertise.</p> <p>In terms of the various asset classes:</p> <ul style="list-style-type: none"> • Tyndall manages NZ & Australian assets. • Global equities are managed by Foreign & Colonial Investment (F&C). Founded over 140 years ago, F&C manages over \$270 billion of assets (as at 31/12/07) and is one of the oldest investment houses in the world. Its 17-strong SRI team is the largest in Europe, and manages about NZ\$9 billion in SRI investments. |
| <i>Objective</i> | To provide investors with a performance return of 1.5% more than 10-year government bonds over a rolling 5-year period. |
| <i>How are investments chosen?</i> | FIRST they must pass a conventional evaluation on purely investment grounds. THEN Tyndall and F&C apply an ‘ethical overlay’ screen to those investments. |
| <i>Step 1: CONVENTIONAL EVALUATION</i> | |
| <i>Process</i> | <ol style="list-style-type: none"> 1. Identify the relevant index to out-perform, looking at weightings, themes etc. 2. Undertake quantitative modelling to rank and rate investments 3. Undertake in-depth analytical research of the better-ranked investments |
| <i>Criteria</i> | <ul style="list-style-type: none"> • Cash and fixed interest: chosen as per existing guidelines |

- NZ/Australian shares: This is based on Tyndall's existing "core" strategy, which uses the NZX50 as a benchmark, and is broadly representative of the NZ market. Stock weights can vary up to 5% either way from the index. Tyndall uses a 4 stage process: choose index – quantitative evaluation – research – take position. Aim: to outperform NZX by 3% pa.
- The Australian exposure can be up to 20%.
- Global shares (F&C): benchmark against the unscreened MSCI World Index. Seek stocks believed to have both valuation support and attractive upside potential. can be growth and value stocks.

Step 2: ETHICAL GUIDELINES

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| <i>Types of screens</i> | Negative screens avoid certain investments (eg gambling), while positive screens favour certain investments (eg fair trade, renewable energy). The Ethical Kiwi Fund uses both types: <ul style="list-style-type: none"> • The Tyndall-managed assets apply negative screens only. • F&C has a mix of positive and negative screens |
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(a) Negative screens

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| <i>Negative screens - absolute vs relative exclusion</i> | <ul style="list-style-type: none"> • Some activities are automatic exclusions, generally the production of certain goods (absolute exclusion). Companies with any of these are excluded no matter how small their share of sales. • Other activities may be subject to a relative exclusion test, ie permitted up to a certain percentage of a company's revenues. |
| <i>Absolute exclusions (Production)</i> | Overall, the Fund will exclude companies involved in any way in: <ul style="list-style-type: none"> • alcohol production • tobacco production • gambling • armament production <p>There is no minimum threshold.</p> |
| <i>Relative exclusions</i> | <p>NZ/Australian investments passing the 'absolute exclusion' test are subject to a second screen by Tyndall, excluding firms/investments deriving revenues from sale of alcohol, tobacco, gambling and armaments where:</p> <ul style="list-style-type: none"> • it is the firm's principal business, AND • the firm earns more than 20% of its revenues from those activities <p>(There are some companies (eg supermarkets) which sell alcohol and tobacco products, and it is possible the revenues from these activities may exceed 20%, but such sales are clearly not a supermarket's principal business.)</p> <p>Global investments (via F&C):</p> <ul style="list-style-type: none"> • also avoid firms involved in pornography, exploitation of animals, nuclear power generation, poor environmental practices, human rights abuses and poor stakeholder relations. • are subject to a stricter 10% hurdle <p>(The more stringent 10% level reflects the fact that there are more conglomerates overseas, whereas most businesses in NZ are "single-line" businesses which are easier to monitor.)</p> |

(b) Positive screens

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| | <p><i>Applies to global equities via F&C:</i></p> <ul style="list-style-type: none"> • Providing the basic necessities of life eg healthy food, housing, clothing, water, energy, communication, healthcare, public transport, safety, personal finance, education • Offering customers ethical product choices eg. fair trade, organic • Improving quality of life through the responsible use of new technologies eg internet access, energy efficiency • Meeting sustainable development challenges eg clean energy, low carbon technologies • Good environmental management • Actively addressing climate change e.g. renewable energy, energy efficiency • Promotion and protection of human rights • Good employment practices • Positive impact on local communities • Good relations with customers and suppliers • Effective anti-corruption controls • Transparent communication. |
| <i>Independent review</i> | F&C has a 3-person independent committee of reference which evaluates companies meet the screening criteria. They rate stocks as Acceptable or Unacceptable. |

MONITORING/REVIEW

Investments are regularly monitored to ensure they meet both the financial and ethical guidelines.

15 May 08

Note: This document is not an offer for securities. Applications can be made only on the Investment Statement, available free of charge from your adviser or from Fidelity Life, PO Box 37275, Parnell, Auckland 1151.