



NZSF 2022

New Zealand Superannuation Fund

Pillar 1: Legal

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.

The New Zealand Superannuation Fund ('Fund' or 'NZ Super Fund') is a pool of assets on the New Zealand Government's balance sheet managed by an independent body, the Guardians of New Zealand Superannuation ('Guardians', 'we', 'our'), with explicit commercial objectives and clear accountability. The legal framework for the Fund and the Guardians is clearly and publicly disclosed in the New Zealand Superannuation and Retirement Income Act 2001 ('Act'). [The Act is available in full online.](#)

The Fund has a specific purpose, as outlined in our response to GAPP 2. The Fund will be used to help pay for the cost of making New Zealand Superannuation payments in the future.

The Guardians is an autonomous Crown entity, which is a type of statutory body corporate established to carry out functions in respect of the Fund at 'arm's length' from the Government. As a Crown entity, the Guardians is subject to the Crown Entities Act 2004, an umbrella Act covering all New Zealand Crown entities that operates alongside individual entities' empowering Acts. The Crown Entities Act prevails over entities' Acts in the event of any conflict, unless the entity's Act expressly provides otherwise. The Crown Entities Act [is available in full online.](#)

Further information about the Crown Entities Act is available on the Public Service [Commission's website.](#)

An explanation of the Guardians' operational independence from the New Zealand Government, our governance arrangements and responsibilities is available in the [Governance section of our website.](#) They are also explained in detail in our [Annual Reports.](#)

Our legislative mandate gives us considerable freedom to invest the Fund how we see fit. There are, however, some important constraints and restrictions in place. These are detailed on our website at Constraints.

The Guardians also manages an additional mandate - a domestically-focused venture capital fund, the 'Elevate NZ Venture Fund'. The Elevate NZ Venture Fund currently consists of \$259.5 million of Crown capital commitments, redirected from the NZ Super Fund.

The Elevate NZ Venture Fund is entirely separate to, and segregated from, the NZ Super Fund. While the Elevate NZ Venture Fund is not the subject of this assessment, we briefly summarise the mandate below.

The Guardians has responsibility for the Fund's governance and oversight, and under the policy design the Elevate NZ Venture Fund is managed externally by New Zealand Growth Capital Partners Limited (NZGCP), another Crown entity, with a fund-of-funds model. The fund-of-funds model means that NZGCP makes investment decisions for the Elevate NZ Venture Fund, which invests into venture capital funds alongside other investors. The legal framework for the Elevate NZ Venture Fund is publicly disclosed in the Venture Capital Fund Act 2019, also available online. The legislation for the Elevate NZ Venture Fund was developed so as to specifically preserve the operational independence of the Guardians vis-à-vis the NZ Super Fund.

We don't believe that the Elevate NZ Venture Fund meets the criteria for a sovereign wealth fund from the Santiago Principles, in particular the requirement for investment in foreign financial assets and the investment for financial objectives (given the additional objective of domestic venture capital market development included in the Venture Capital Fund Act 2019). As a result, this assessment focuses only on the NZ Super Fund. References to the Elevate NZ Venture Fund are included where it impacts on the governance structure of the NZ Super Fund.

Principle 2

The policy purpose of the SWF should be clearly defined and publicly disclosed.

The policy purpose for the NZ Super Fund was clearly articulated at the time that it was established and is reflected in its enabling legislation. New Zealand has an ageing population, which means funding the national superannuation scheme – a public pension currently paid to all New Zealanders over the age of 65 - falls on a proportionally shrinking group of working age New Zealanders. The purpose of the NZ Super Fund is to partially pre-fund the cost of New Zealand Superannuation to help smooth its cost between today's taxpayers and future generations. Doing so will reduce the taxation burden imposed on future New Zealand taxpayers.

The Guardians invests Government contributions – and returns generated from these investments – in New Zealand and internationally, in order to grow the size of the Fund over the long term. This intergenerational purpose is explained in the [Purpose and Mandate](#) section of our website and in a [Treasury paper "Golden Years – Understanding the New Zealand Superannuation Fund"](#). Comprehensive explanations of the purpose of the NZ Super Fund, the Elevate NZ Venture Fund, the differences between the funds, and the Guardians, as well as details of the Guardians' strategic objectives, are provided in the [Statements of Intent, Statements of Performance Expectation](#) and [Annual Reports for the Guardians and the Funds](#).

Principle 3

3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

The size of the NZ Super Fund and the returns generated by the Fund have no direct domestic macroeconomic implications for New Zealand from year to year. (See also our response to GAPP 4 for key dates relating to flows into and out of the Fund.) The Fund does, however, constitute a substantial and

growing proportion of the assets on the Financial Statements of the Government of New Zealand.

These assets are intended to fund a portion of the Government's future New Zealand Superannuation expenses. As such, the Government sets overall fiscal policy for the medium-term by adopting a comprehensive perspective on the various components of its balance sheet.

The Guardians provides monthly financial data to the Treasury (the Government's lead economic and financial advisor), which contributes to The Treasury's production of the Government's accounts and economic data.

Meanwhile, the Fund's investment decisions and other activities are commercially-oriented, and made independently of the stance of prevailing fiscal and monetary policy.

Principle 4

<https://treasury.govt.nz/publications/model/new-zealand-superannuation-fund-contribution-rate-model-befu-20194>. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

A key design feature for the Fund was to be very clear about the arrangements for its funding, withdrawal and use. These are spelt out in the Act.

Contributions

The Act sets out a formula for calculating the level of capital contribution required from the Government year to year in order to achieve the policy objective, based on a forty-year rolling horizon. Prior to the start of each financial year, Treasury (the Government's lead adviser on economic, financial and regulatory policy) must calculate the amount of required capital contribution implied by this formula and publish it in the Budget Economic and Fiscal Update, along with a statement of assumptions. The model used to calculate the contribution is publicly available on the New Zealand Treasury website [here](#).

Recognising that the Government must adhere to the "principles of responsible fiscal management" set out in the Fiscal Responsibility Act 1994, the Act does permit the Government to contribute less than the amount calculated by the formula. However, if the Government does this it is required to publicly explain the reasons for doing so.

As at 30 June 2022, the Government had contributed \$22.4 billion to the Fund. From 2022/23 annual capital contributions will be calculated as per the legislated formula (set out in Section 43 of the Act).

Withdrawals

Withdrawals from the NZ Super Fund are only permitted up to the amount determined by the contribution formula. Withdrawals are currently forecast to begin in or about financial year 2035/36. Withdrawals may only be used to pay for New Zealand Superannuation and the Act precludes the Government from directing the Guardians to invest the Fund in Government securities (which would amount to a tacit withdrawal).

Principle 5

<https://nzsuperfund.nz/performance/investment/monthly-returns>⁵. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where

appropriate in macroeconomic data sets.

Financial data for the NZ Super Fund is supplied direct to Treasury on a monthly basis for incorporation into New Zealand's Government Accounts, which are published on the New Zealand Treasury website.

Monthly information on Fund performance and six-monthly information on Fund holdings is publicly available on the Fund's website.

Pillar 2: Institutional

Institutional Framework and Governance Structure.

Principle 6

6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

[The New Zealand Superannuation and Retirement Income Act 2001](#) establishes clear operational independence for the Guardians in its management of the NZ Super Fund and, in conjunction with the Crown Entities Act, establishes standards of public accountability.

As an autonomous Crown entity, the Guardians is legally separate from the Government. This means that in respect of the NZ Super Fund, although we are still accountable to the Government, we have operational independence regarding investment decisions, with explicit commercial objectives as set out in the Act. The Guardians is not required to give effect to Government policy in respect of the NZ Super Fund. The Minister of Finance's powers of direction concerning the NZ Super Fund are limited to giving directions regarding the Government's expectations as to the NZ Super Fund performance which must not be inconsistent with the Guardians' statutory investment objective.

The Guardians is overseen by an independent Board. Board members are required by legislation to have substantial expertise in investment management and are appointed by the Governor General on the recommendation of the Minister of Finance. The Minister's recommendation follows nominations from an independent nominating committee and consultation with representatives of other political parties in Parliament. Essentially, this means that the Guardians operates at 'double-arm's-length' from the Government.

Principle 7

7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.

Investment objectives

The investment objectives for the NZ Super Fund are embodied in the legislation that created the Fund.

Under the Act, the Guardians must invest the NZ Super Fund on a prudent, commercial basis and, in doing so, must manage and administer the Fund in a manner consistent with:

best practice portfolio management;

maximising return without undue risk to the Fund as a whole; and avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

Board member appointment

Procedures for appointing Board members are set out in the Act and are published on our website here (See also GAPP 6 as to procedures for ensuring that Board members are independent and suitably qualified).

Under the Act, Board members hold office for five years or any shorter period stated in the notice of appointment. Board members may be reappointed for further terms. The Governor-General may, on the advice of the Minister, remove a member from office for a reason that in the Minister's opinion justifies the removal. The Governor-General removes a member by sending written notice to the member and a copy to the entity.

Oversight

The Government exercises oversight over the NZ Super Fund and the Guardians through the Minister of Finance, Treasury, Parliamentary select committees and the Auditor General. The Minister of Finance is responsible for overseeing and managing the Government's interest in, and relationship with, the Guardians. The Treasury supports the Minister with this engagement.

There are various reporting documents that the Guardians is required to produce in relation to itself and the Fund (see our response to GAAP 10) which are tabled in Parliament and the Guardians is periodically required to appear before Parliamentary select committees.

The financial statements for the Fund are audited by the New Zealand Auditor General. The Act also provides for a five-yearly independent review of the Guardians' performance in relation to the Fund, against specified criteria. Copies of the Fund's financial statements and the five-yearly reviews are published on our website.

The framework for this oversight is set out in the Act and the Crown Entities Act.

Principle 8

8. The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

The Guardians has sole responsibility for managing the NZ Super Fund in accordance with an explicit statutory mandate (see our response to GAPP 7). There are limited restrictions on the Guardians' powers to invest the Fund, which are specified in the Act.

The Guardians' Board has broad powers under the Act to establish the NZ Super Fund's management infrastructure.

The roles and responsibilities of the Board and its Committees are set out in statute and in the Board Charter which is published [on our website](#). These responsibilities include a requirement for Board members to act in the best interests of the Guardians.

Board members are required under the Act to have substantial experience, training, and expertise in the management of financial investments so the Board has the necessary competency to carry out its functions. At the organisational level, there is an ongoing focus on the capabilities needed to deliver our desired investment style and strategies.

Board members are required to disclose interests that could give rise to an actual or potential conflict of interests and a Board member with a conflict of interest is not permitted to participate in relevant deliberations and decisions.

An independent review of how effectively and efficiently the Guardians is performing its functions in relation to the NZ Super Fund is undertaken at least every five years (see our response to GAPP 10). Copies of the reviews undertaken to date, most recently over 2018/19, are available on our [website here](#).

Principle 9

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

Responsibility for the management of the NZ Super Fund in accordance with an explicit commercial investment objective is vested in the Guardians, which operates independently from the Government (see our response to GAPP 1 and 6).

The [Guardians' Board Charter](#) and [Delegations Policy](#) provides for clear separation, within the constraints of our enabling legislation, of governance (the Board) and management (the Executive) responsibilities.

The Board is responsible for setting the overall risk and return profile for the NZ Super Fund. Responsibility for the individual investment decisions and operational decisions of the NZ Super Fund has been delegated by the Board to management. Management are required to operate within a policy framework including risk appetite and investment constraints approved by the Board.

Principle 10

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

Accountability for the Guardians and the NZ Super Fund is established in the [New Zealand Superannuation and Retirement Income Act](#), the [Crown Entities Act](#), the [Public Finance Act](#) and the [Public Audit Act](#) which are available publicly.

The Guardians is accountable to the Minister of Finance (and, through the Minister, to Parliament). It is required to produce a range of reporting documents including a three-yearly Statement of Intent, an annual Statement of Performance Expectations and an Annual Report with audited financial statements and a Statement of Performance, all of which are public (and are tabled in Parliament – see GAPP 2). The financial statements for the Guardians and the Fund are audited by the Auditor-General.

The Guardians is subject to an annual review by a Parliamentary Select Committee and ongoing monitoring from Treasury.

The Guardians also reports quarterly to the Minister of Finance (and as required on a 'no surprises' basis).

The Minister of Finance writes an annual "Letter of Expectations" to the Guardians. The Letter of Expectations is a formal but not legislative tool that provides an opportunity for the Minister to consider and set out in a timely manner his or her expectations of the Guardians over the coming year. The Guardians' Board must consider the Minister's expectations in the course of developing the [Guardians' Statement of Intent and annual Statement of Performance Expectations](#). The Minister may also write an enduring "Letter of Expectations" which again is a formal but not legislative tool for the Minister to set out expectations of the Guardians that go beyond the coming year. These letters and the Guardians' responses are published on our [website](#).

The Guardians is required to establish, and adhere to, a Statement of Investment Policies, Standards, and Procedures (SIPSP) for the NZ Super Fund which is published on our website. This provides a basis by

which the public can judge the Board's management of the Fund. The SIPSP is reviewed annually and the Board and Chief Executive must certify annually whether or not the SIPSP has been complied with.

The Guardians is also required to publicly disclose information under the Official Information Act 1982, unless there are statutory grounds for withholding the information.

Board members have statutory duties and are accountable to the Minister of Finance for the performance of those duties. Management are accountable to the Board.

The Guardians' performance must be periodically reviewed by an independent person appointed by the Minister of Finance. The objective of the review is to assess how effectively and efficiently the Guardians are performing their functions. The review report must be presented to Parliament and copies of the reports are published on our website. Copies of the four independent reviews to date, including the independent review undertaken by advisory firm Willis Towers Watson in 2018/19, are available on our website [here](#).

Our Board Charter and Delegations Policy clearly set out accountabilities between Board and Management.

Principle 11

11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

An [Annual Report](#) for the Guardians is published annually to a deadline set by statute. The Annual Report includes financial statements for the Guardians (prepared in accordance with New Zealand Public Benefit Entity Accounting Standards) and for the NZ Super Fund (prepared in accordance with International Financial Reporting Standards).

The Guardians also publishes an annual Climate Change Report including a carbon footprint of the NZ Super Fund. This Report is prepared in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The Guardians also produces a [Global Reporting Initiative](#) index to support its Annual Reports and other public reporting.

Principle 12

12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

The financial statements for the NZ Super Fund and the Guardians are audited by the Office of the Auditor-General acting through its agent. The current auditor is a partner of EY. The audit is carried out in accordance with the Auditor-General's Auditing Standards which incorporate the Professional and Ethical Standards and International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Unaudited prospective financial statements for the NZ Super Fund are published in our annual Statement of Performance Expectations. Both our Annual Reports and Statements of Performance Expectations are tabled in Parliament and published on the Fund's website (see our response to GAPP 2 for links to these documents).

The annual carbon footprint of the NZ Super Fund is subject to a limited assurance, currently by KPMG. The assurance is carried out in accordance with International Standard on Assurance Engagements (New Zealand)

3000 (Revised) Assurance Engagements other than audits or reviews of historical financial information and International Standard on Assurance Engagements (New Zealand) 3410 Assurance Engagements on Greenhouse Gas Statements (“ISAE (NZ) 3410”).

The Guardians’ internal audit process is independent of operational management and reports direct to the Chair of the Audit Committee. The process is regularly reviewed by the Guardians’ Audit Committee and internal audit reports are presented to each meeting of the Committee.

Principle 13

13. Professional and ethical standards should be clearly defined and made known to the members of the SWF’s governing body(ies), management, and staff.

Ethical standards

The Board of the Guardians has adopted a Board Charter (which includes a Board Code of Conduct), and the Guardians’ Human Resources Policy includes an Employee Code of Conduct. The Codes of Conduct set out the Guardians’ expectations for appropriate ethical and professional behaviour by Board members and staff on various matters including conflicts of interest, political participation, gifts and hospitality, and confidential information.

The Employee Code of Conduct includes a Securities Trading Procedure. To reinforce awareness and understanding of our Securities Trading Procedure, these guidelines are covered in our induction programme for new employees, contractors and Board members. There is also periodic refresher training for all staff.

To instil a culture of ethical behaviour and transparency, each person receives a copy of the Code and refresher training on core Code of Conduct topics is provided to employees and contractors and there is a six-monthly attestation process covering conflicts of interest, gifts and hospitality, health and safety, authorities and responsibilities and personal securities trading.

The Guardians’ policy framework also includes policies on Procurement and Outsourcing, Communications and Travel & Sensitive Expenditure.

All staff members have job descriptions which set out a requirement for the individual to take responsibility for compliance with all Guardians’ policies and procedures.

A register of potential and actual conflicts of interests for Board members and staff is maintained. Details of these conflicts are disclosed publicly as part of the Guardians’ annual Parliamentary Select Committee Review, available on our [website](#). Registers of gifts and hospitality are also maintained and published on our [website](#). Analyses of gifts and hospitality received over time are prepared for the Leadership team and staff are regularly reminded of their disclosure obligations.

Professional standards

Board members are required by legislation to have substantial expertise in investment management and candidates are nominated by an independent Nominating Committee (see our response to GAPP 6). The skills, experience and professional qualifications for Board members are professional qualifications of Board members are detailed in their biographies on our [website in the Governance section](#).

There is a well-developed induction and ongoing education and development programme for Board members to ensure that they are able to continue to effectively perform their role. Performance of the Board and Board members is regularly evaluated.

The Guardians' frameworks for staff recruitment and selection framework and for performance review and individual development are set out in our Human Resources Policy (which is published on our website). The recruitment process includes psychometric testing for all staff.

There is a structured induction process for new staff, and staff regularly receive refresher training on topics such as fraud awareness, cyber-security, ethics and health and safety requirements.

To ensure that staff members maintain their professional competence, there is a structured programme under which each staff member has an individual development plan which focuses on their ability to perform their duties in their current role and on maintaining and developing skills needed to ensure the Guardians is operating in line with global best practice. The Guardians also supports continuing professional development for specific functions (as required, for example, by the CFA Institute, NZ Law Society and Chartered Accountants ANZ).

Individual development plans and associated training decisions are aligned with the Guardians' strategic plan. This process is supported through development discussions at all levels of management with key information being shared with the Employee Policy and Remuneration Committee of the Board.

The percentage of operating expenditure that is spent on training is disclosed in the Annual Report.

Biographies including professional qualifications of the Guardians' Leadership Team, Investment Committee and Risk Committee are detailed on our [website in the Management section](#). Data on staff members' academic qualifications is disclosed annually in the Guardians' Annual Reports.

Professional memberships of the Guardians and staff, which frequently involve member codes of conduct or similar membership requirements, are disclosed as part of the Guardians' annual Select Committee Review, available on our [website](#).

Adequate legal protection is provided for Board members and staff acting in the good-faith conduct of their official duties through indemnification and insurance as well as statutory immunity from civil liability.

Copies of all Guardians' policies are published on our website here.

Principle 14

14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

Under the Act, the Board is required to ensure that the Guardians operates efficiently and effectively and in a financially responsible manner.

All dealings with third parties (e.g. commercial fund managers, counterparties, custodians, portfolio companies, co-investors and external services providers) are based on economic and financial grounds. The Guardians has a number of internal policies setting out how we interact with third parties all of which are published on the Guardians website. These include our [Externally Managed Investments Policy](#), which sets out how we evaluate, appoint and monitor investment managers and our [Procurement & Outsourcing Policy](#), which provides a framework for ensuring that procurement and outsourcing is managed effectively and fairly. Also relevant is the [Direct Investment Policy](#) which governs where the Guardians invests the NZ Super Fund directly, and the [Portfolio Completion and Internal Investments Policy](#) which includes selection and management of counterparties and portfolio completion agents.

Principle 15

15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

The Guardians does not conduct day-to-day operations or activities in foreign countries. Local legal and tax advice is obtained when the NZ Super Fund is making investments in overseas entities to ensure compliance with local laws. Through third-party sources, the Guardians actively monitors legislative developments in jurisdictions in which the NZ Super Fund makes/manages investments.

Principle 16

16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

Information on our governance framework, objectives, how we invest and our operational independence from the New Zealand Government is set out in our enabling legislation and published on our website and within our Annual Report and Statement of Intent.

Links to the legislation, the controls on and independence of the Board, and to our Annual Reports, Statements of Intent and Statements of Performance Expectations are provided in responses to preceding GAPPs.

Principle 17

17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

Audited financial accounts for the NZ Super Fund are published in our Annual Report (which is tabled in Parliament), and unaudited prospective financial statements in our Statement of Performance Expectations. These are public documents and links to them have been provided under preceding GAPPs.

Our website includes detailed information on NZ Super Fund performance, including explanations of our two investment performance benchmarks:

Passive Reference Portfolio benchmark – against which we measure the value added to the Fund by the Guardians' active investment strategies; and

Treasury Bills - a measure of the cost to the Government of contributing capital to the Fund, instead of using the money to pay back debt.

Our Statement of Intent sets out our expectation that the [NZ Super Fund](#) will outperform the Treasury Bill benchmark by at least 2.8% p.a. averaged over rolling 20 year periods.

We provide a breakdown of the drivers of value add annually, in our Annual Reports, along with an overview of portfolio activity during the year.

Investment performance information since inception, and over the last one, five and ten year periods, is updated on our website on a monthly basis [here](#).

Our website also includes detailed information on 'how we invest' (including on our investment beliefs and endowments, balancing risk and return, our portfolio, investment managers and responsible investment)

A list of the NZ Super Fund's portfolio holdings is also published six-monthly.

Pillar 3: Investment

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Principle 18

18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

Our legislation requires us to establish and adhere to a Statement of Investment Policies, Standards and Practices (SIPSP) for the NZ Super Fund that is consistent with the statutory objective of investing the Fund on a prudent, commercial basis and in a manner consistent with best practice portfolio management, maximising return without undue risk and avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

The SIPSP is reviewed annually and is publicly available on our [website](#).

This link also provides access to the various policies that sit beneath the SIPSP and are referred to within it. The matters covered by the NZ Super Fund SIPSP include: the classes of investments in which the Fund is to be invested and the selection criteria for investments within those classes; the determination of benchmarks against which the performance of the Fund as a whole, and classes of investments and individual investments will be assessed; the balance between risk and return in the overall Fund portfolio; and the use of derivatives.

Our Investment Risk Allocation Policy (which is publicly available at the above link) includes the investment constraints (risk appetite) set by the Board. Our governing legislation does not permit borrowing in respect of the Fund except with the consent of the Minister of Finance.

Our Externally Managed Investments Policy covers how we invest with external managers, including, manager selection, appointment, monitoring and reporting. Our Portfolio Completion and Internally Managed Securities Policy covers our use of internal mandates. These policies are publicly available at the above link.

We have also published to our website a series of white papers and informational videos and commentary, explaining various aspects of our investment process (including our Reference Portfolio, diversification, selection of asset managers, and our view of long-term investing). The in-depth commentary and videos on how we invest are [here](#) and the White Papers (and other disclosures) are [here](#).

Principle 19

19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

Our legislative mandate requires us to invest the NZ Super Fund on a prudent, commercial basis and, in doing so, to manage and administer the Fund in a manner consistent with:

Best-practice portfolio management;

Maximising return without undue risk to the Fund as a whole; and

Avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

In 2019/20 we undertook a cross-team review of our Responsible Investment Strategy, consistent with our mandate. The review found that best practice portfolio management globally is moving towards a sustainable finance approach, a development from the responsible investment approach which has been best practice for the past 20 years.

Following the review, in 2021 we committed to shifting from a responsible investment approach to one of sustainable finance.

In particular, we see our sustainable finance activity as consistent with best practice portfolio management, and avoiding prejudice to New Zealand's reputation as a responsible member of the world community. Separately, we have an [investment belief](#) that environmental, social and governance factors, including climate change, are fundamental to long-run risk and returns.

In 2022, we updated our Responsible Investment Framework to reflect the move to sustainable finance, which is available [here](#). We are a founding signatory to the United Nations Principles for Responsible Investment and our regional and global leadership position in implementing the standards is discussed [here](#) and [here](#).

We have published a number of documents which set out how we invest, including how we incorporate Responsible Investment within our overall approach. We have also adopted a climate change investment strategy with the goal of making the NZ Super Fund more resilient to climate-related risk. Information about this strategy can be found [here](#).

In limited cases, we exclude companies from the NZ Super Fund's portfolio where they are directly involved in certain types of activity (e.g. the manufacture of cluster munitions). Government bonds of states subject to United Nations sanctions are also excluded. The categories of excluded activity and the companies excluded are published on our website. Our process for considering exclusions is set out in our Responsible Investment Framework.

The Minister of Finance can issue a direction to the Guardians regarding the Government's expectations as to the Fund's performance provided that this is not inconsistent with the investment mandate outlined above. The Guardians must have regard to such directions. To date only one direction has been issued (in 2009). The direction notes that "it is the Government's expectation, in relation to [NZ Super] Fund performance, that opportunities that would enable the Guardians to increase the allocation of New Zealand assets in the Fund should be appropriately identified and considered by the Guardians." The direction is not considered to be inconsistent with the Guardians' duty to invest the Fund on a prudent, commercial basis, and the direction remains subject to that duty. We report on performance against this direction in our Annual Reports.

In December 2021, the Ministers responsible for the Guardians and other large Crown Financial Institutions (CFIs) issued a letter to the CFIs outlining expectations in relation to measuring, reducing and influencing the transition to zero carbon investment portfolios by 2050. A copy of that letter and our response can be found on our [website](#)).

A requirement to manage the NZ Super Fund in a manner consistent with best practice portfolio management is explicitly included in the Guardians' statutory investment mandate. An independent view of how effectively and efficiently the Guardians is managing the Fund is provided through the five-yearly independent review required under the Act. The overall assessment of the most recent independent review of the Guardians by Willis Towers Watson in 2018/19 rated the Guardians' governance model as AAA, an "exceptional rating shared by at most three or four peer funds globally."

We report annually to the Board on the NZ Super Fund's investment costs relative to peers as reported in the annual CEM Benchmark's investment management cost survey. The performance metrics that we report on in our annual Statement of Performance (included in the Annual Report) include achieving a rating of 'median cost, value adding' or better relative to peers in the CEM survey.

Principle 20

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

The Guardians is an autonomous Crown entity, legally separate from the Government with an independent board. Our governance framework is designed to ensure that we operate at arms' length from the Government (for example, Board members are required to have substantial expertise in investment management and are selected by an independent nominating committee). Consequently, we do not have privileged access to market sensitive information from the Government, nor seek to have the Government intervene on our behalf in competing with private entities.

Our code of conduct for staff including contractors and the Board requires that information only be used for proper purposes and clear protocols are in place for engagement with central and local government.

Principle 21

21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

Exercise of ownership rights is covered in our Statement of Investment Policies, Standards and Procedures, which is published on our website (see link under our response to GAPP 19 which also discussed our approach with reference to our Responsible Investment Framework).

We regard voting rights as important for maintaining shareholder oversight of directors, boards and company policies. They are therefore central to our practice of responsible investment and to meeting our obligations under our governing legislation.

Our voting policy is available on our website [here](#).

We disclose all NZ Super Fund votes in respect of listed entities via a voting reporting platform available [here](#). Data is available from 1 July 2018.

Principle 22

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

Principle 23

23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

Overall investment performance for the NZ Super Fund is measured by the Guardians' performance reporting software, PEARL. The Statement of Investment Policies, Standards and Procedures sets out the standards for performance reporting, and our Investment Valuation Policy establishes the approach taken to measure the fair value of all assets held by the NZ Super Fund.

On an annual basis, we report:

- absolute performance of the NZ Super Fund relative to both our passive Reference Portfolio benchmark and to our long-term performance expectation of New Zealand Treasury Bills plus 2.8% p.a. over time;
- the value added to the Fund by active management;
- the external managers we have engaged (and terminated); the strategies and asset classes relevant to each; and the value of the assets each manager is managing on behalf of the Fund as at 30 June;

our internal mandates;

- all of our holdings in listed equities;
 - our New Zealand external investment mandates and their underlying portfolio companies;
 - our direct investments, where the information is not commercially sensitive; and
 - our return expectations for the next financial year.
- Our Annual Reports contain the first four reports. The next three are available on our website here. Our annual Statement of Performance Expectations contains the final report. Links to both documents are provided in our responses to previous GAPPs.

In our Statements of Intent we set out our equilibrium expectations of the Reference Portfolio as the basis for expected Fund returns over 1, 10 and 20 year periods.

- On a quarterly basis we report to the New Zealand Minister of Finance, and to the Treasury:
- absolute performance of the Fund relative to the Reference Portfolio and to New Zealand Treasury Bills;
- the value added to the Fund by active management including a breakdown of the drivers of value add;
- notable investment activities; and
- other contextual and operational activity of note.

Investment performance information since inception, and over the last one, five and ten year periods, is updated on our website on a monthly basis [here](#).

As stated above, each year we measure and publish the carbon footprint of the NZ Super Fund's portfolio based on its carbon emissions intensity and its exposure to fossil fuel reserves. The carbon footprint tracks

our performance against our whole-of-Fund carbon reduction targets. More information is available [here](#).

Principle 24

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

We self-assess our implementation of the Santiago Principles annually. Copies of each such self-assessment are available [here](#). We note external reviews of our implementation of the Santiago Principles have been positive. Copies of these reviews are available through the same link. Since 2016 we have also engaged EY to provide an independent limited assurance report on our self-assessment. EY's report is also available on our website.