

FEBRUARY 2009

The Government Superannuation Fund Authority (**the Authority**), is required by the Government Superannuation Fund Act (Section 15 J(2)) to invest the Government Superannuation Fund (**GSF or the Fund**) on a prudent, commercial basis and, in doing so, must manage and administer the Fund in a manner consistent with avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

The Authority has developed Responsible Investment Policies, Standards and Procedures (**RI Policies**) which cover:

- ethical investment, including avoiding prejudice to New Zealand's reputation as a responsible member of the world community;
- environmental, social, and governance considerations; and
- the retention, exercise, or delegation of voting rights acquired through investments.

Under the RI Policies, the Authority has regard to serious infringements, by companies or countries, of relevant international standards relating to human rights, labour and employment, the environment, international security and disarmament, which are of such a nature that the Authority considers that ongoing investment may give rise to a risk of prejudice to New Zealand's reputation as a responsible member of the world community.

The Authority is also a signatory to the United Nations Principles for Responsible Investment (**UNPRI**). As long term investors, signatories to the UNPRI have a duty to act in the best long term interests of their funds and believe that environmental, social and governance issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). More information on the UNPRI can be found at www.unpri.org

Decision on tobacco and anti-personnel mines July 2008

At its meeting in July 2008 the Authority Board decided to exclude from its direct investments companies understood by the Authority to be actively involved in the production of tobacco and anti-personnel mines, on the basis that their activities are inconsistent with the Authority's RI Policies and with international conventions to which New Zealand is a party. Direct investment in securities accounts for more than 60% of the Funds assets.

Tobacco

The Board will not directly invest in the following tobacco companies:

- Altadis SA
- Altria Group
- Imperial Tobacco
- Japan Tobacco Inc
- Swedish Match AB
- Gudang Garam Tbk PT
- British American Tobacco
- Eastern Tobacco
- Vector Group Ltd
- UST
- Rothmans Inc
- ITC Ltd

- KT & G Corp
- Alliance One International Inc.
- Souza Cruz SA
- Loews Carolina Group (Part of Japan Tobacco Separate Listing)
- Philip Morris
- Reynolds American Inc
- Universal Corporation
- Gallaher Group (Part of Japan Tobacco Separate Listing).

These companies are included in the MSCI and are identified using the Global Industry Classification Standard (**GICS**). In future, this list could be supplemented with non-MSCI tobacco producers as these companies are identified.

The Authority Board noted that investment in tobacco, while legal, was seen as inconsistent with the World Health Organisation (**WHO**) Framework Convention on Tobacco Control, to which New Zealand is a party.

Anti-personnel mines (land mines)

The Board will not directly invest in the following companies:

- Alliant Techsystems
- Textron Systems
- General Dynamic Corporation
- Singapore Technologies.

These companies are understood to be actively involved in the development and production of anti-personnel mines, which is incompatible with the 1997 Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel mines and on their Destruction (Ottawa Convention). Investing in these companies may negatively affect the reputation of the Authority and potentially the Crown.

In making the decision to exclude direct investment in these four companies the Board relied on external advice as to which companies are engaged in the manufacture of anti-personnel mines. If other companies are subsequently identified, this list could be supplemented in the future.

Decision on nuclear weapons and cluster munitions February 2009

At its meeting in February 2009 the Authority Board decided to exclude from its direct investments companies understood by the Authority to be actively involved in the manufacture or testing of nuclear weapons and/or the management of facilities used to assemble or refurbish nuclear weapons, and companies understood to be involved in the development or production of cluster munitions. Exclusion is on the basis that the activities of these companies are inconsistent with the Authority's RI Policies and with international treaties and conventions to which New Zealand is a party.

Nuclear Weapons

The Authority will not directly invest in the following companies:

- McDermott International Inc
- Lockheed Martin Corp
- Honeywell International Inc
- Serco Group Plc.

The Authority Board noted that investment in these companies is inconsistent with the Treaty on Non-Proliferation of Nuclear Weapons and the Nuclear Free Zone, Disarmament and Arms Control Act 1987.

Cluster Munitions

The Authority will not directly invest in the following companies:

- Alliant Techsystems
- General Dynamics
- Hanwha
- Honeywell International
- L-3 Communications
- Lockheed Martin
- Northrop Grumman
- Poongsan Corporation
- Raytheon
- Singapore Technologies Engineering
- Textron Systems.

These companies are understood to be actively involved with the development and production of cluster munitions, which is incompatible with the Convention of Cluster Munitions (Oslo Agreement). In making the decision to exclude direct investment in these companies the Authority Board relied on external advice as to when companies are engaged in the development and production of cluster munitions. If other companies are subsequently identified this list could be supplemented in future.

Collective Investment Vehicles

The Authority also invests in a number of collective investment vehicles (**CIVs**), which are a practical and cost effective way of achieving exposure to some markets and managers. The Authority has little or no influence or control over the structure of the CIVs, the corporate securities held or individual voting decisions. In such cases the managers of pooled products will be made aware of the Authority's RI Policies and any decisions made by the Authority with respect to its RI Policies, and encouraged to consider whether these are appropriate for the CIV.