GOVERNMENT SUPERANNUATION FUND AUTHORITY

Statement of Investment Policies, Standards and Procedures

19 August 2026

Contents

1 Introduction

1.1 The Authority

1.1.1 The Government Superannuation Fund Authority (the **Authority, we**) was established in 2001 to manage and administer the assets of the Government Superannuation Fund (the **Fund, GSF**) and its related schemes in accordance with the Government Superannuation Fund Act 1956 (the **Act**).

1.1.2 The Authority's investment responsibilities under the Act are to:

- invest the Fund on a prudent, commercial basis, in a manner consistent with best practice portfolio management
- maximise returns without undue risk to the Fund as a whole
- avoid prejudice to New Zealand's reputation as a responsible member of the world community.

1.2 Purpose of this document

1.2.1 Section 15L of the Act requires the Authority to establish investment policies, standards, and procedures (**SIPSP**) that are consistent with its duty to invest the Fund on a prudent, commercial basis.

1.2.2 This SIPSP records the arrangements set by the Authority's Board (the **Board**) for the governance and management of the investment assets held by the Fund.

1.3 How we manage the Fund

1.3.1 This section provides a simplified overview of the key steps in managing the Fund. It introduces core concepts used throughout the rest of the document. Terms in bold are expanded on later in the report.

1.3.1.1 The Board first establishes governance arrangements that support prudent, commercial management of the Fund in accordance with best-practice portfolio management. These arrangements define decision-making responsibilities and determine which activities the Board will perform itself or outsource.

1.3.1.2 The Board then sets the Fund's return objectives. Because the Government guarantees all GSF scheme benefits, the Board has long defined the primary return objective relative to New Zealand Government bond returns.

1.3.1.3 After setting the Fund's primary objective, the Board determines the level of risk needed to maximise returns—and therefore outperformance of Government bonds—without taking **undue risk**. As the Act does not define "undue risk", the Board must exercise judgement by balancing a range of factors.

1.3.1.4 The Authority can set either a target risk level or a target return, but not both. If the Board sets the risk level, market performance determines the Fund's return, which can be estimated but remains highly uncertain and variable. Alternatively, setting a target return requires accepting the level of risk needed to achieve it, which could be undue. Because market risk is generally more stable and controllable than market returns, the Board focuses primarily on the amount of risk taken.

1.3.1.5 After determining the level of risk required to maximise returns, the Board sets a **Reference Portfolio**. This simple, low-cost notional portfolio invests only in major, liquid public markets and is designed to achieve the primary investment objective within the agreed risk appetite. It also establishes a secondary objective: the Fund's return should at least match the Reference Portfolio's return.

1.3.1.6 Using the Reference Portfolio as its starting point, the Authority relies on Annuitas Management Limited (**Annuitas**), which provides executive services to the Authority, to develop investment strategies designed to outperform it. Because these strategies introduce additional risks, the Authority constrains how the Fund may be managed in order to constrain those risks.

1.3.1.7 Based on the Reference Portfolio and the Authority's additional risk constraints, Annuitas sets a **Target Portfolio** to communicate its intended strategy. Because strategies cannot always be implemented immediately and market movements affect asset values, the Fund's composition will generally remain close to, but not exactly match, the Target Portfolio.

1.3.1.8 While Annuitas advises on strategy, most day-to-day decisions about which securities to buy or sell are outsourced to third party specialist managers. Annuitas has a key role in evaluating, recommending and monitoring those specialist managers.

1.3.1.9 Once implemented, strategies are continuously monitored for compliance with applicable risk limits and reviewed regularly to confirm that they remain likely to deliver the expected outcomes.

1.4 Definitions

1.4.1 The Act does not define the terms "policies", "standards" or "procedures". To provide clarity in the interpretation of this document we do that below.

- **Policies** are the governing principles and Board-approved positions that set the Authority's intentions, requirements and decision-making parameters for the management of the Fund. They describe what must be achieved, or complied with, and provide the basis for standards and procedures.

- **Standards** are the measurable criteria, limits, benchmarks, expectations or minimum requirements used to give effect to the policies. They describe the level of performance, control or conduct required and provide a basis for monitoring compliance and assessing whether policies are being met.
- **Procedures** are the processes, responsibilities, reporting arrangements and operational steps used to implement the policies and standards. They describe how the Authority, Annuitas, investment managers, custodians and advisers carry out, monitor and review the required activities.

1.4.2 Similarly, the Act does not define the terms "undue risk" or "avoiding prejudice". Our working definitions are as follows:

- **Undue risk** is a greater than acceptable chance that the Fund will fail to meet its primary objective.
- **Avoid prejudice** means to take reasonable steps to ensure that the Authority's investment activities do not create a material risk of damaging New Zealand's reputation as a responsible member of the world community, having regard to relevant New Zealand law, international obligations, government policy and generally accepted international norms.

1.5 Structure

1.5.1 Section 15M of the Act specifies what must be contained (at a minimum) within the SIPSP. We structure this SIPSP in a way that reflects how we approach managing the Fund.

1.5.2 The table below aligns the approach we adopt with the requirements of section 15M of the Act.

Section of this SIPSP	Relevant clause(s) of Section 15M of the Act
1 Introduction	
2 Governance & Operating Model	(f) the Fund's management structure
3 Risk	(e) the balance between risk and return in the overall Fund portfolio (h) the management of credit, liquidity, operational, currency, market, and other financial risks (k) prohibited or restricted investments or any investment constraints or limits

4 Implementation	(a) the classes of investments in which the Fund is to be invested and the selection criteria for investments within those classes (d) ethical investment, including policies, standards, or procedures for avoiding prejudice to New Zealand's reputation as a responsible member of the world community (g) the use of options, futures, and other derivative financial instruments (i) the retention, exercise, or delegation of voting rights acquired through investments
5 Review and monitoring	(b) the determination of benchmarks or standards against which the performance of the Fund as a whole, classes of investment, and individual investments will be assessed (c) standards for reporting the investment performance of the Fund (j) the method of, and basis for, valuation of investments that are not regularly traded at a public exchange

1.5.3 Each section of the SIPSP starts with a preamble sub-section. This is intended to provide supporting contextual information. The preamble should not be read as either policies, standards or procedures. Each of those are clearly shown in the sub-sections that follow.

1.5.4 Each section of the SIPSP ends with a matrix setting out decision rights with respect to the matters dealt with in that section. The matrix is structured to identify who:

- **Is consulted:** aligns on proposal and (if necessary) gives preliminary approval
- **Performs:** implements the decisions once they are made
- **Provides inputs:** offers insights or expert feedback
- **Decides:** makes the final call and sets actions in motion

In all cases, Annuitas Management Limited (**Annuitas**, see section 2.1.5) makes the recommendation for the matter that must be decided upon.

The matrix also sets out (where required) the minimum frequency at which the action must be reviewed.

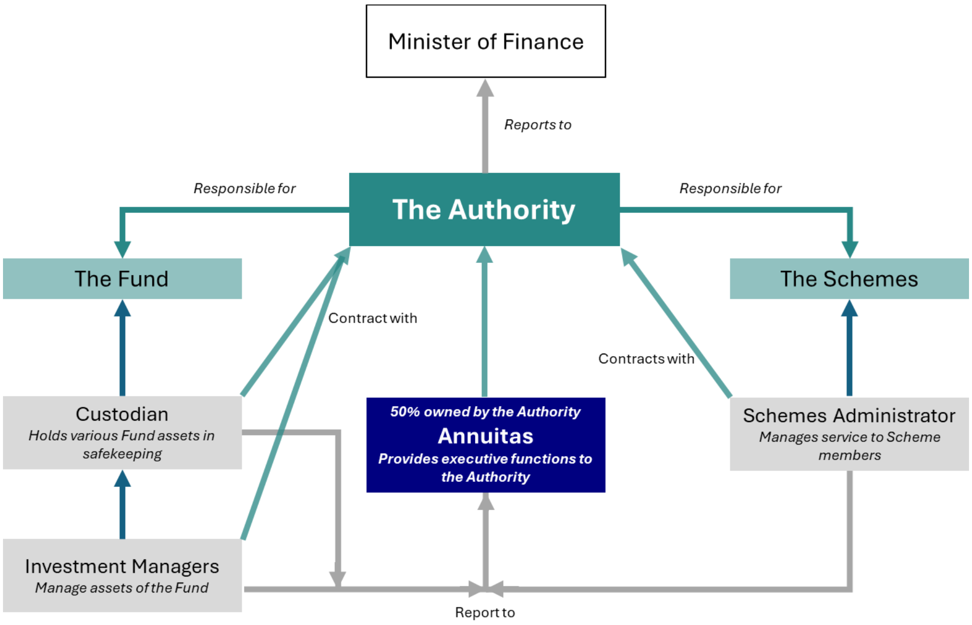
2 Governance and Operating Model

2.1 Preamble

2.1.1 The Authority's investment powers and discretions are described in the GSF Act. As it is an autonomous Crown Entity, its broader powers are further described in the Crown Entities Act 2004.

2.1.2 The Board is the governing body of the Authority and is responsible for all decisions relating to the Fund. It has all the necessary powers for managing, directing and supervising the management of the business of the Authority and the Fund.

2.1.3 Our high-level organisational structure is set out in the diagram below:



2.1.4 The Board can delegate any of the functions or powers of the Authority or the Board, except:

- the power to grant a power of attorney
- the power to appoint investment managers, custodians or scheme administrators.

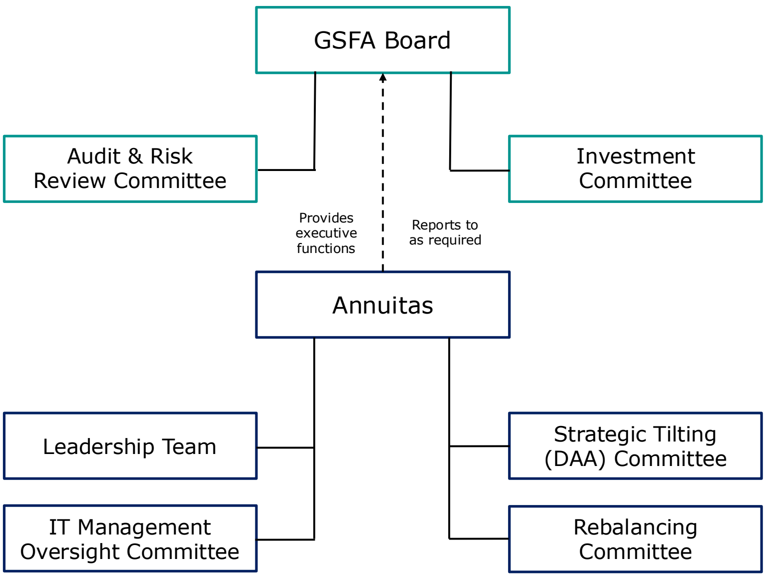
2.1.5 The Board has established two standing committees, with their respective Terms of Reference, to assist it in fulfilling its oversight functions:

- An Investment Committee (IC) with delegated authority to:
  - review, and approve minor changes to, this SIPSP and compliance with it;
  - approve capital markets assumptions used in the formulation of strategies and forecasts and the methodology to determine those;
  - review the performance of investment strategies;

    - engage expert independent advice with respect to investment strategy performance reviews and SIPSP compliance; and
    - review the performance of the Board's investment consultant.
- An Audit and Risk Review Committee (ARRC) with delegated authority to review:
    - the financial reports of the Fund;
    - the reporting and performance monitoring systems developed with the Fund's administration manager and custodian;
    - and ensure the independence of the external audit process;
    - the processes established by Annuitas to identify and respond to key risks;
    - the assurance programme; and
    - approve policy changes that are of a minor, or procedural, nature.

2.1.6 In conjunction with the Board of Trustees of the National Provident Fund (**NPF**), the Authority established a joint venture company, Annuitas Management Limited (**Annuitas**) to provide executive functions to both entities. Annuitas has management level committees that are of relevance to how we manage and administer the Fund.

2.1.7 The committee structures of the Board and of Annuitas are as follows:



2.1.8 For the Authority as an investing organisation a key governance foundation is having a clear understanding of:

a) what areas of competitive advantage it possesses and

b) beliefs about the factors that influence investment success

Together these shape how the Authority develops organisational and investment strategy.

2.2 Governance arrangements

2.2.1 Policy

2.2.1.1 The Board will maintain governance arrangements designed to enable it to fulfil its statutory duties with respect to managing and administering the Fund.

2.2.2 Standards

2.2.2.1 The Board has developed various documents that govern managing and administering the Fund. These include:

- This SIPSP, which, in all matters relating to the Fund, takes precedence over other documents listed here
- A Management Services Agreement with Annuitas that sets out the services Annuitas is expected to provide, the authority delegated to them and the matters on which it must report to the Authority, and at what frequency.
- A Board Charter that sets out the role, responsibilities, composition and procedures of the GSFA Board. The Charter includes the Terms of Reference for each of the IC and the ARRC.
- Various other organisational policies including:
    - Risk Management: this focuses on enterprise risk for the Authority, but not investment risks of the Fund, which are covered in this SIPSP.
    - Procurement and Outsourcing: this applies to the selection of advisors and custodians, but not the selection of investment managers, which is covered in this SIPSP.
    - Tax Governance: this outlines the framework for managing tax governance within the Authority.
- A Board Governance Manual that acts as an umbrella document to link together the Authority's various governance documents in a way that is consistent with the expectations of the Minister of Finance.

2.2.2.2 Annuitas has developed an Investment Management Framework that sets out in some detail how if gives effect to the policies, standards and procedures contained in this SIPSP.

2.2.3 Procedures

2.2.3.1 Each of the documents described in the Standards section above is reviewed at a frequency set out in that document. Frequencies range from one to three years depending on the nature of the document.

2.3 Competitive advantages and investment beliefs

2.3.1 Policy

2.3.1.1 The Board will identify, and periodically review, a list of areas in which it believes it has a competitive advantage relative to the average investor.

2.3.1.2 The Board will establish, and periodically review, a set of investment beliefs to assist it in how it develops and oversees investment strategy for the Fund.

2.3.1.3 The Board expects Annuitas to establish, and periodically review, a set of management principles to guide it in how it gives effect to the Board's investment beliefs.

2.3.2 Standards

2.3.2.1 The Board has identified the following areas, with supporting rationale, in which it believes it has a competitive advantage relative to the average investor:

Area of advantage	Rationale
Ownership	GSFA has an advantage through its NZ Government ownership, which brings: • single client / single mandate / focus. • acting on behalf of highly rated entity (i.e., the NZ Govt). • tax treaty advantages from being on the Crown balance sheet. • positive perception (esp. from managers) of having a sovereign fund as a client
Time horizon	GSFA has a relatively long horizon and can look through short term volatility, enabling investments and strategies that deliver value over a more extended time frame than many other investors.
	GSFA can avoid short-term actions that some market participants have to take because of business imperatives or legislated requirements.
	The long horizon helps enable illiquid and mean reversion strategies; but these also depend on robust governance and risk tolerance.
Fund stability	Alongside the Ownership and Time Horizon endowments, GSFA enjoys a relatively stable capital base – slowly shrinking but stable. This helps enable long-term commitments, illiquid opportunities, and potentially helps in fee negotiations.
Partnering	GSFA has an opportunity within Partnering to leverage CFI relationships, particularly with the CFI's that are larger and more resourced: i.e., GSF can to an extent lean on the resources of funds significantly larger.
	GSFA actively utilises this advantage through the Annuitas joint venture with NPF, which reduces costs for both entities. Via Annuitas, GSFA also engages with CFI peers across RI, DAA and other operational aspects.
	Beyond the CFI peers, GSFA has international partnering opportunities through ICPM and other industry connections. These are knowledge-sharing based rather than outright investment collaboration.

2.3.2.2 The Board has established the following investment beliefs:

Topic	Belief statement
Governance	The quality of our governance and decision-making has a direct bearing on our investment outcomes.
Risk	As a longer horizon investor, we are better able to absorb the volatility associated with higher returns than short-term investors.
	Our primary investment risk is failing to meet our long-term financial objectives, rather than experiencing short-term losses.
	Investment returns are not normally distributed: therefore, we manage them accordingly.
	Our investment strategy should be robust to a wide range of economic conditions rather than optimised for a single outlook.
	When considering "undue risk" we should take account of reputational issues as well as financial ones.
Active management	Definitions matter: we define active management as any deviation away from the Fund's Reference Portfolio.
	Adding value through active management is possible, but difficult to achieve: we should be selective in how we apply it, giving most weight to our highest conviction strategies.
Stewardship	Climate change and other ESG issues present significant investment risks and opportunities.
Alignment	Managing alignment of interests, fees and costs is a critical component of Fund outcomes.

2.3.2.3 Annuitas sets out its management principles with respect to investment of the Fund in its Investment Framework for GSFA.

2.3.3 Procedures

2.3.3.1 The Board reviews its areas of competitive advantage as needed but no less frequently than 3-yearly.

2.3.3.2 The Board reviews its investment beliefs as needed but no less frequently than 3-yearly.

2.3.3.3 Annuitas reviews its management principles as needed but no less frequently than when the Board reviews its investment beliefs.

2.3.3.4 Before finalising its management principles, Annuitas socialises them with the Board and has regard to any feedback provided.

2.4 Operating Model

2.4.1 Policy

2.4.1.1 Annuitas will be the Board's primary advisor with respect to the formulation of investment strategy for the Fund and its implementation, and day-to-day oversight of the Board's other advisors, investment managers and the custodian.

2.4.1.2 A custodian will be appointed to separate investment decision making (undertaken by the investment managers) from the holding of assets and securities, transaction settlement, recording and reporting of investment activities (undertaken by the custodian).

2.4.1.3 All the assets of the Fund, apart from cash holdings required for operational liquidity purposes, collective investment vehicles, derivatives, and limited partnership holdings, are to be held in custody by the custodian unless specifically authorised by the Board.

- Where assets are not held in custody by the custodian the Fund's interest in them must be registered in the name of the Fund or the Authority as manager and administrator of the Fund.

2.4.2 Standards

Annuitas

2.4.2.1 The day-to-day relationship between the Authority and Annuitas is governed by a Management Services Agreement (MSA).

- Schedule 2 of the MSA sets out the services the Authority requires from Annuitas. Except as noted in Schedule 4 of the MSA, the Authority delegates to Annuitas all the powers necessary to deliver those services.
- Schedule 4 of the MSA sets out those matters that the Authority has reserved to itself (i.e. that are not delegated).
- Schedule 5 of the MSA sets out what reports, and at what frequency, Annuitas must provide to the Authority.

Other advisors

2.4.2.2 Other advisers relevant to managing and administering the Fund include:

- Investment Consultant: provides advice, on an as requested basis, to the Investment Committee and Board focusing on providing constructive challenge to investment proposals and reviews and assurance regarding adherence to agreed policy and strategy. The Investment Consultant also provides insights into global developments in investment best practice.
- Legal Advisor: provides advice about third party contracting arrangements and any relevant legislative change.
- Tax Advisor: provides advice on tax treatment of investments held by the Fund.

- Specialist: from time to time the Authority will need specialist advice beyond what the advisors listed above can provide. Examples would include:
  - actuarial advice with respect to the Fund and its Schemes;
  - operational due diligence of investment managers; and
  - setting the Custodian's fees and services.

2.4.2.3 The contractual arrangements with each advisor specify the services required from them.

Investment Managers

2.4.2.4 The standards applying to the selection and ongoing review of investment managers are set out in sections 4 (Implementation) and 5 (Review and Monitoring) respectively.

Custodian

2.4.2.5 The standards applying to the selection and ongoing review of custodians are set out in sections 4 (Implementation) and 5 (Review and Monitoring) respectively.

2.4.3 Procedures

Annuitas

2.4.3.1 Annuitas reports quarterly to the Board on how it is performing against the services required under the MSA.

Advisors

2.4.3.2 As required, Annuitas will recommend to the Board a candidate for appointment as a key advisor. Key advisors are the Board's primary advisors with respect to investment, legal and tax advice and may include (depending on the cost and duration of any appointment) other specialists advisors.

2.4.3.3 The appointment process that Annuitas and the Board must follow for key advisors is set out in the Authority's Procurement Policy.

2.4.3.4 Key advisors are subject to periodic review by the Board or one of its committees, at the frequency set out in the MSA. Annuitas prepares the review and recommends any action required.

2.4.3.5 Secondary advisors are occasionally used for smaller pieces of work. Annuitas generally has the authority to appoint secondary advisors provided the cost of the advisor(s) is within the annual budget agreed by the Board.

Investment Managers

2.4.3.6 Annuitas is the investment manager responsible for:

- ensuring that overall Fund settings remain consistent with Board strategy and this SIPSP
- any value adding strategy approved for internal management
- managing the Authority's external investment managers.

2.4.3.7 The procedures applying to the selection and ongoing review of investment managers (other than Annuitas) are set out in sections 4 (Implementation) and 5 (Review and Monitoring) respectively.

Custodian

2.4.3.8 The procedures applying to the selection and ongoing review of custodians are set out in sections 4 (Implementation) and 5 (Review and Monitoring) respectively.

2.5 Key responsibilities

2.5.1 Responsibilities for decision making with respect to this section of the SIPSP are as follows:

	Consulted	Performs	Provides input	Decides	Review frequency
• **Board Charter**	-	-	-	Board	3-yearly
• **Board Governance Manual**	-	-	-	Board	3-yearly
• **SIPSP (material changes)**	-	-	Investment consultant	Board	Annual
• **SIPSP (minor changes)**	-	-	Investment consultant	IC	Ad-hoc
• **Other policies (material changes)**	-	-	-	Board	2-yearly
• **Other policies (minor changes)**	-	-	-	ARRC	Ad-hoc
• **Authority competitive advantages**	IC	-	-	Board	3-yearly
• **Board investment beliefs**	IC	-	-	Board	3-yearly
• **Annuitas management principles**	-	-	IC	Annuitas	3-yearly
• **MSA with Annuitas**	-	Annuitas	-	Board	3-yearly
• **Appointment of key advisors**	-	Annuitas	-	Board	3-yearly
• **Review of investment consultant**	-	-	-	IC	Annual
• **Review of tax advisor**	-	-	-	ARRC	Annual
• **Review of legal advisor**	-	-	-	Board	Annual
• **Appointment of secondary advisors**	-	Annuitas	-	Annuitas	-
• **Appointment of investment managers**	-	Annuitas	Investment consultant	Board	-
• **Appointment of custodian**	-	Annuitas	Specialist advisor	Board	5-yearly

2.5.2 In most cases, Annuitas is delegated to work with appointed advisors to finalise the terms and conditions of appointment of advisors, investment managers and the custodian.

3 Risk appetite

3.1 Preamble

3.1.1 The Authority is required to maximise the returns of the Fund without undue risk. It takes a long-term view when developing its investment strategy because the Fund is expected to pay entitlements for approximately 50 years.

3.1.2 As the Crown is the guarantor of the GSF Schemes, and in the absence of legislative guidance, the Board interprets "maximise returns" as the Fund delivering returns that are better than the Crown's cost of funding its obligations with respect to the schemes.

3.1.3 Risk and return are closely related. All else being equal, delivering higher returns involves taking on more risk. To "maximise returns" the Authority must take risk in the Fund. "Undue risk" is not defined in the Act. The Board must therefore make a judgment call balancing the two dimensions.

3.1.4 The judgment call the Board makes reflects its risk appetite. This can be broken down into different types of risk as follows. Note that these risks are not independent and overlap to varying degrees, also that the list below is not exhaustive.

- **Market risk** arising from adverse movement in the value of the Fund's investments arising from movements in inflation, equity values (whether listed or unlisted), interest rates, credit quality or currencies.
- **Active risk** arising from asset class or security selection decisions that differ from those of the Fund's Reference Portfolio.
- **Liquidity and valuation risk** arising from holding assets that are not readily traded. Liquidity risk is the Fund being unable to meet its cashflow obligations. Valuation risk arises from being unable to accurately value assets.
- **Concentration risks** arising from the Fund having too much exposure to any one asset, type of asset, currency, sector, country or manager.
- **Derivatives risk** arising from the use of derivatives causing losses or unintended exposures, including through leverage, adverse market movements, counterparty default (credit risk), collateral demands, or operational failure.
- **Climate risk** arising from the economic effects of climate change and the transition to a lower carbon economy adversely affecting investment values.
- **Legal and reputational risk** arising (especially) from investments that are contrary to New Zealand law or that would prejudice New Zealand's reputation as a responsible member of the world community.

- **Operational risk** arising from financial loss due to inadequate or failed internal processes, people or systems. This risk extends to the operations of Annuitas and the Authority's investment managers and Custodian.

3.2 Investment objective and risk appetite

3.2.1 Policy

3.2.1.1 The Authority will adopt an investment objective for the Fund to improve the Crown's position by delivering a higher Fund return compared with investing solely in New Zealand Government Bonds.

3.2.1.2 The Authority will establish a risk appetite that enables it to maximise returns to the Fund without taking undue risk. The Board defines undue risk as a higher than acceptable probability of failing to meet the investment objective set out above.

3.2.1.3 The Authority will establish a Reference Portfolio that reflects a low-cost implementation of its risk appetite.

3.2.2 Standards

3.2.2.1 The Authority's primary investment objective is to maximise the Fund's return above New Zealand Government Bonds over rolling ten-year periods, while avoiding undue risk of underperforming those bonds.

- New Zealand Government Bond returns are benchmarked by the S&P NZX NZ Government Bond Total Return Index.

3.2.2.2 The Authority's Fund-level investment risk appetite, including the maximum acceptable probability of failing to meet the Authority's primary investment objective, is set out in Table 1 of the Appendix.

3.2.2.3 The Authority's secondary investment objective is for the Fund to outperform its Reference Portfolio over rolling 10-year periods.

3.2.2.4 The Reference Portfolio is set out in Table 2 of the Appendix.

3.2.3 Procedures

3.2.3.1 On the advice of Annuitas, the Board formally reviews the Authority's investment objective for the Fund, fund-level risk appetite and Reference Portfolio for the Fund at least every 3 years.

3.2.3.2 In preparing its advice to the Board, Annuitas uses short-term and long-term risk metrics to gauge undue risk, including volatility, value-at-risk, sensitivity to global equity market returns, macro-economic scenario analysis and severe market stress periods.

3.2.3.3 Annuitas estimates the capital markets assumptions behind long-term risks and returns at least annually and presents these to the Investment Committee for approval. These assumptions feed into the risk analysis described above.

3.2.3.4 The Authority documents its long-term risk and return assumptions, including the expected excess return of the Reference Portfolio relative to the return on New Zealand Government Bonds, in its three-yearly Statement of Intent and annual Statement of Performance Expectations.

3.3 Managing market risk

3.3.1 Policy

3.3.1.1 The Board will govern the Fund's market risk exposure by specifying the asset classes to which the Fund can be exposed and the maximum and minimum exposure to each asset class and to the Fund's foreign currency exposure.

3.3.2 Standards

3.3.2.1 Approved asset classes together with maximum and minimum exposures are set out in Table 3 in the Appendix.

- Permitted securities within each approved asset class are set out in Table 3A in the Appendix.

3.3.2.2 The Fund may invest in these asset classes through direct ownership of the assets, through collective investment vehicles (CIVs)[1] that hold the assets (subject to section 15K of the GSF Act which prohibits the Fund having a controlling interest), through exchange traded funds or through derivative securities, such as futures, forward contracts, options and swaps.

3.3.3 Procedures

3.3.3.1 Annuitas will from time to time analyse the impact of different asset class mixes on Fund risk and return and make recommendations to the Board accordingly.

3.3.3.2 The selection of individual investments within the various asset classes is delegated by the Authority to investment managers selected for their expertise in particular investment disciplines.

3.4 Managing active risk

3.4.1 Policy

3.4.1.1 The Board must approve any active strategy intended to enable the Fund to outperform, or lower the risk of the Fund, relative to the Reference Portfolio.

3.4.1.2 The Board must approve the maximum active risk allowable relative to the Reference Portfolio.

[1] Collective investment vehicles are pooled investment arrangements in which money from multiple investors is combined and managed collectively under a common investment strategy. Each investor holds an interest in the vehicle rather than directly owning the underlying assets. Examples include managed funds, unit trusts, mutual funds and limited partnerships.

3.4.1.3 The Board may specify the maximum share of active risk apportioned to any strategy approved under 3.4.1.1 above or to any part of such strategy.

3.4.2 Standards

3.4.2.1 Approved value-adding strategies together with maximum active risk limits are set out in Table 4 in the Appendix.

3.4.3 Procedures

3.4.3.1 Annuitas will from time to time analyse the impact of different value-adding strategies on Fund risk and return and make recommendations to the Board accordingly.

3.5 Managing liquidity and valuation risk

3.5.1 Policy

3.5.1.1 The Authority will maintain and adhere to a liquidity test to ensure that it is always able to meet its cashflow obligations with respect to the Fund or the Schemes.

3.5.1.2 The Authority will limit its exposure to assets whose value is not based on observable market data (level 3 values).

3.5.2 Standards

3.5.2.1 The Fund must have sufficient assets realisable within 10 business days to meet each of the following tests, whether measured separately or together:

- Meet foreign exchange hedging losses arising from a 30% decline in the New Zealand dollar; and,
- Enable the Fund to be rebalanced, if required, to within the parameters specified within Table 3 of the appendix following a 30% decline in the New Zealand dollar or a 30% decline in listed equity values or both; and
- Fund one year of expected calls on private equity commitments, where the expected call is the average annual call over the preceding five years; and
- Fund two months of expected cashflow to the Scheme Administrator to cover net cashflows to scheme members. The expected monthly cashflow is the average monthly cashflow of the preceding financial year.

3.5.2.2 Constraints on exposure to assets whose value is not based on observable market data (level 3 values under the IFRS 13 fair value hierarchy) are set out in Table 3 of the Appendix.

3.5.3 Procedures

3.5.3.1 Annuitas calculates, on a quarterly basis, the total 10-day available liquidity of the Fund and the total cashflow requirement arising from application of the liquidity test in 3.5.2.1 above. Annuitas calculates the ratio of the former to the latter and reports this to the Board.

3.6 Managing manager mandate concentration risk

3.6.1 Policy

3.6.1.1 The Authority may apply further concentration limits in respect of allocations to individual managers or to individual countries, sectors or companies.

3.6.2 Standards

3.6.2.1 Concentration limits applicable to exposures within an investment manager's mandate will be set out in the relevant investment management agreement (or equivalent documentation).

3.6.3 Procedures

3.6.3.1 Annuitas will negotiate with each manager mandate specific concentration limits that are appropriate given the manager's investible universe and implementation style.

3.7 Managing derivatives, counterparties and leverage

3.7.1 Policy

3.7.1.1 The Authority's use of derivatives and leverage must be consistent with any conditions set by the Minister of Finance.

3.7.1.2 Derivatives may only be used for risk management, approved value adding investment strategies and transactional efficiency.

3.7.2 Standards

3.7.2.1 The conditions imposed by the Minister of Finance are those set out by the Minister in a letter dated 7 June 2018.

3.7.2.2 Approved derivatives include exchange traded and over-the-counter contracts. If an investment manager is permitted to use them, authorised derivatives, collateralisation requirements and counterparty limits must be specified in the relevant investment management agreement.

3.7.2.3 Where the Authority is a counterparty to a derivative, the terms and conditions of the derivative must be specified in appropriate industry standard documentation.

3.7.2.4 Effective exposures arising from leverage or derivatives (including any within a CIV) must be considered when determining compliance with prescribed exposure limits (3.3.2 and 3.4.2 and individual investment mandates).

3.7.2.5 Derivatives held directly by the Fund must be adequately collateralised with cash or corresponding securities, valued at current market prices.

3.7.3 Procedures

3.7.3.1 When recommending managers for appointment by the Authority, Annuitas will identify whether derivatives are necessary for effective management of the mandate and advise the Board accordingly.

3.7.3.2 Annuitas will negotiate with each manager mandate specific derivative limits and, as required, collateralisation requirements and counterparty limits, that are appropriate given the manager's investible universe, implementation style and risk management capabilities.

3.8 Managing climate risk

3.8.1 Policy

3.8.1.1 Consistent with the Crown Responsible Investment Framework (CRIF)[2], the Authority intends that the Fund will have a net zero carbon footprint by 2050 and will develop strategies, including interim reduction targets, accordingly.

3.8.1.2 The Authority will look to actively identify positive investments that generate additionality to the transition to a low carbon economy, without compromising the requirement to maximise return without undue risk.

3.8.2 Standards

3.8.2.1 The Crown Responsible Investment Framework (CRIF) sets the overarching standard for the Authority's climate commitments. The CRIF is set out in Table 5 in the Appendix.

3.8.2.2 The Authority's carbon reduction targets, to be achieved by 30 June 2030, are set out in Table 5A in the Appendix.

3.8.2.3 Carbon footprint is measured for both scopes 1 and 2 and scopes 1, 2 and 3 (fossil fuels) basis and the reduction targets set out above apply across both measures.

- Scopes 1, 2, and 3 in this context relate to the classification of emissions attributable to the companies that the Fund invests in.
- Scopes 1, 2 and 3 are as defined by the Greenhouse Gas (GHG) Protocol.
- For the purposes of these standards, measured Scope 3 emissions are limited to the following sectors: coal and consumable fuels; diversified metals and mining; integrated oil and gas; and oil and gas exploration and production, all as defined by the Global Investment Classification Standard.

3.8.3 Procedures

3.8.3.1 Annuitas monitors the Fund's carbon footprint on a quarterly basis and reports this to the Board.

[2] As set out in an Enduring Letter of Expectations, dated 26 October 2021, from the Minister of Finance.

3.8.3.2 Where the Board determines that there is a conflict between its duty to maximise returns without undue risk and the net zero ambition of the CRIF it will advise the Minister of Finance accordingly.

3.8.3.3 Annuitas advises the Authority's investment managers that they are expected to have regard to both the immediate risks surrounding transition to a lower-carbon world, through changes in consumer preferences and government policies to limit emissions, and the longer-term risks of global warming.

- The Authority can instruct investment managers to limit exposure to carbon-intensive investments to align with this policy on an as required basis.

3.8.3.4 Annuitas investigates potential positive investments (as per 3.8.1.2) and reports on progress to the Board. Where a sufficiently attractive opportunity is identified, Annuitas will recommend that to the Board.

3.8.3.5 The Board reports annually to the Minister of Finance on the Authority's progress against the CRIF. It then publishes that report on its website.

3.9 Managing legal and reputational risk

3.9.1 Policy

3.9.1.1 The Authority will exclude investments in any companies that are engaged in activities that would be illegal under New Zealand law or that are contrary to clearly established New Zealand Government policy positions ("product exclusions").

3.9.1.2 The Authority will exclude investments in the government bonds of any nation state where New Zealand has imposed meaningful sanctions aimed at that government.

3.9.1.3 The Authority will consider whether to engage with, or exclude from the Fund, companies whose actions fall materially short of generally accepted practices of corporate behaviour ("poor ESG practice").

3.9.1.4 To the extent reasonably possible given the differences between the two organisations, the Authority will align its approach to the policies set out in 3.9.1.1 to 3.9.1.3 above to the equivalent policies of the Guardians of New Zealand Superannuation (GNZS).

3.9.2 Standards

3.9.2.1 In determining which companies to exclude, the Authority considers whether an activity a company engages in is contrary to New Zealand law, international conventions to which New Zealand is a party or significant Government policy positions.

3.9.2.2 The Authority has excluded companies involved in the activities set out in Table 6 of the Appendix.

3.9.2.3 The Authority has excluded the sovereign debt of the Russian Federation and countries subject to UN sanctions[3].

3.9.2.4 In determining otherwise whether to engage with or exclude a company, the Authority accepts that a balanced judgment call will be required. The Authority's first point of reference will be the CFI Focus List developed and maintained by GNZS[4]. GNZS considers companies for inclusion on the CFI Focus List, which is built from two principal sources:

- Investee companies that receive a Red Controversy Flag or an Orange Controversy Flag on an ESG priority issue using MSCI[5]'s Controversies and Global Norms Methodology.
- Additional research undertaken by GNZS.

3.9.2.5 The Authority will have further regard to the severity of the breach and the materiality of the activity to the revenues of the company.

3.9.2.6 Engagement with companies is always the Authority's preferred first course of action. Where engagement has not effected change, or is unlikely to, the Authority will then consider exclusion of the company.

- In determining the likely effectiveness of engagement the Authority may have regard to engagement undertaken by other investors.

3.9.2.7 When considering poor ESG practice exclusions, the Authority will have further regard to the impact of the exclusion on the Fund's risk and return profile and the actions of peer funds.

3.9.3 Procedures

3.9.3.1 On behalf of the Authority, GNZS identifies companies engaged in activities that are excluded under 3.9.2.2 above.

3.9.3.2 On behalf of the Authority, GNZS identifies companies that breach the standards set out in 3.9.2.4 to 3.9.2.5 above.

3.9.3.3 GNZS will instruct a third-party engagement service provider, contracted to provide services to both GNZS and the Authority, to engage with those companies identified in step 3.9.3.2 above. GNZS will advise the Authority on the progress of that engagement and whether that engagement (or further engagement as the case might be) is likely to lead to meaningful change by the company in question.

[3] The Ministry of Foreign Affairs and Trade maintains the list of countries subject to sanction here: [UN sanctions | New Zealand Ministry of Foreign Affairs and Trade]

[4] More information of GNZS's methodology can be found in their Sustainable Investment Procedures [NZ Super Fund - Policies]

[5] MSCI is a global research company that provides an ESG Manager Service. For reference, the MSCI Controversies and Global Norms Methodology assesses company practices for potential inconsistency with the OECD Guidelines for Multinational Enterprises, UN Global Compact, ILO Fundamental Conventions and ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.

3.9.3.4 Where Annuitas, on the advice of GNZS, reaches a view that engagement is unlikely to lead to meaningful change by the company in question, it will recommend to the Board whether or not the company should be excluded after considering the standards set out in 3.9.2.5 and 3.9.2.7 above.

3.9.3.5 Annuitas maintains a list of all excluded companies and sovereign issuers and updates this six-monthly. Once updated, it is circulated to all the Authority's listed equities and fixed income investment managers and to the custodian with instructions that those companies on the list are not to be held.

- The Authority publishes its exclusion list on its website.

3.9.3.6 A minority of the Fund's investments are in collective investment vehicles (i.e. managers' funds) where the Authority cannot apply its exclusions. In those cases, Annuitas advises the managers of the exclusions for their information and encourages them to consider whether the exclusions are appropriate for their fund.

3.10 Managing operational risk

3.10.1 Policy

3.10.1.1 The Authority will develop and maintain a framework for managing operational risks.

3.10.1.2 Any proposal for the appointment of an investment manager or custodian must include an assessment of the operational risks and operational risk management capabilities of that manager or custodian.

3.10.1.3 Any proposal for the appointment or termination of an investment manager or custodian must include an assessment of the operational risks arising from that appointment or termination process.

3.10.2 Standards

3.10.2.1 The operational risk framework is that set out in the Authority's Risk Management Policy.

3.10.3 Procedures

3.10.3.1 The Authority's Risk Management Policy is subject to review at least every two years.

3.10.3.2 The Board maintains a risk register that describes key risks, their potential impacts and tested and untested risk controls and mitigants.

- The ARRC reviews the key risk register at least quarterly.
- The Board reviews key risks at least annually.

3.11 Key responsibilities

3.11.1 Responsibilities for decision making with respect to this part of the SIPSP are as follows:

	Consulted	Performs	Provides input	Decides	Review frequency
• **Investment objective and benchmark**	-	-	Investment consultant	Board	3-yearly
• **Fund-level risk appetite**	-	Annuitas	Investment consultant	Board	3-yearly
• **Reference Portfolio and benchmark**	-	Annuitas	Investment consultant	Board	3-yearly
• **Capital Markets Assumptions**	-	-	Investment consultant	IC	Annual
• **Permitted asset classes**	-	-	Investment consultant	Board	3-yearly
• **Asset class min – max ranges**	-	-	Investment consultant	Board	3-yearly
• **Permitted value adding strategies**	-	Annuitas	Investment consultant	Board	3-yearly
• **Active risk limits**	-	Annuitas	Investment consultant	Board	3-yearly
• **Set liquidity test**	-	-	-	Board	3-yearly
• **Adherence to the liquidity test**	Board	Annuitas	-	-	Quarterly
• **Concentration limits**	-	Annuitas	Investment consultant	Board	3-yearly
• **Manager specific concentration limits**	-	Investment manager	-	Annuitas	As required
• **Conditions on use of derivatives**	Board	-	-	Minister of Finance	As required
• **Derivatives documentation**	-	Annuitas	Legal advisor	Annuitas	3-yearly
• **Derivatives compliance**	Board	Custodian	Investment consultant	-	Ongoing
• **2050 Net zero commitment**	-	-	Investment consultant	Board	5-yearly
• **Net zero interim targets**	-	-	Investment consultant	Board	5-yearly
• **Climate positive investments**	-	Annuitas	Investment consultant	Board	-
• **Carbon footprint measurement**	Board	Annuitas	-	-	Quarterly
• **CRIF progress report**	ARRC	-	-	Board	Annual
• **Activity based corporate exclusions (product exclusions)**	-	Annuitas	GNZS	Board	-

• **Sovereign bond exclusions**	-	Annuitas	GNZS	Board	-
• **Poor ESG behaviour based corporate exclusions**	-	Annuitas	GNZS	Board	Ongoing
• **Corporate engagement**	-	Annuitas	GNZS	-	Ongoing
• **Risk Management Policy**	-	-	-	Board	2-yearly
• **Key risks review**	ARRC	Annuitas	-	Board	Annual
• **Key risk register review**	-	Annuitas	-	ARRC	Quarterly

4 Implementation

4.1 Preamble

4.1.1 This section deals with how the Authority and Annuitas give effect to the Authority's investment responsibilities set out in 1.1.2 and subject to the risk policies and standards set out in section 3.

4.1.2 The Authority has a range of strategies open to it to achieve its objective of outperforming the Reference Portfolio. These include diversifying the Fund into asset classes not represented in the Reference Portfolio, country, sector or security selection within asset classes, and other strategies that can add value independently of exposure to a particular asset class (e.g. dynamic asset allocation, mean reversion or arbitrage positions).

4.1.3 Having set high-level risk parameters and other constraints, it's typical for boards to delegate implementation decisions to their executive or third-party managers.

4.1.4 The Authority maintains the concept of a Target Portfolio, which is Annuitas' expression of the portfolio that is most likely to outperform the Reference Portfolio while remaining consistent with the risk limits and other constraints imposed by the Authority.

4.1.5 The Authority is required to maintain ethical investment policies, standards, or procedures including those for avoiding prejudice to New Zealand's reputation as a responsible member of the world community. The Authority uses the term "responsible investment" rather than "ethical investment" and there is a significant overlap between its risk management policies regarding both climate and engagement with, and exclusion of, issuers of assets the Fund might invest in.

4.1.6 The Authority is also subject to an enduring Letter of Expectations from the Minister of Finance that requires it to measure progress against the Crown's Responsible Investment Framework (CRIF).

4.1.7 Effective engagement with companies on ESG issues requires a substantial commitment of time and resources. Aside from relying on its investment managers, who typically represent a much larger investor clientele, the Authority has a collaborative agreement with the Guardians of New Zealand Superannuation (GNZS) and the Accident Compensation Corporation, which have similar responsible investment obligations.

4.1.8 As in any endeavour, cost management is a critical exercise in managing the Fund. As the Fund's objectives are set on an after-cost basis, it's not costs per se that matter but rather costs relative to the expected value that a strategy offers.

4.2 Strategy selection

4.2.1 Policy

4.2.1.1 Any strategy intended to add value over and above the returns of the Reference Portfolio must be approved by the Board.

4.2.2 Standards

4.2.2.1 Board approved investment strategies are those set out in Table 4 of the Appendix.

4.2.3 Procedures

4.2.3.1 From time-to-time Annuitas will present to the Board an analysis of an existing strategy or a potential strategy to help the Board determine whether the strategy will improve the Fund's likelihood of meeting the objective set out in 3.2.2.3.

4.2.3.2 When preparing its analysis of an existing or potential strategy, Annuitas will consider:

- Its risk and return expectations for the strategy and whether those are (or remain) consistent with improving the likelihood of the Fund meeting its objective.
- The proposed weight and, where appropriate, weight range for the strategy.
- The consistency of the strategy with the Authority's competitive advantages (2.3.2.1) and investment beliefs (2.3.2.2) above.
- The consistency of the strategy with the risk limits set out in 3.4 to 3.10 above.
- How the strategy would be implemented in practice.

4.3 Target Portfolio

4.3.1 Policy

4.3.1.1 Annuitas must maintain and adhere to a Target Portfolio that reflects its view of the best mix of approved strategies to achieve the Fund's objective of outperforming the Reference Portfolio.

4.3.2 Standards

4.3.2.1 The Target Portfolio must include intended operating ranges for strategies and must be consistent with the limits and constraints set out in this SIPSP.

4.3.2.2 Annuitas must review the Target Portfolio at least annually.

4.3.3 Procedures

4.3.3.1 Annuitas prepares an at-least-annual review of the Target Portfolio and provides this to the Investment Committee for noting.

4.3.3.2 Annuitas considers the position of the Fund on an at-least-monthly basis and determines whether, having regard to cashflows expected in the month ahead, any transactions must be initiated to rebalance the Fund so that all strategies sit within the ranges set out in the Target Portfolio.

4.3.3.3 Implementation of significant asset allocation changes or the addition of new asset classes may include staged entry or exit to limit risk.

4.3.3.4 From time-to-time Annuitas may move allocations in response to relative valuation signals to add returns. Such deviations must be consistent with the Target Portfolio operating ranges.

4.4 Manager and custodian selection

4.4.1 Policy statements

4.4.1.1 The Board must approve the appointment, or material changes to the terms of appointment, or termination of any investment manager.

4.4.1.2 The Board may authorise Annuitas to manage any part of a value adding strategy.

4.4.1.3 The Board must approve the appointment, or material changes to the terms of appointment, or termination of any custodian.

4.4.1.4 The Board must approve any assets being held outside the custody of the Fund's custodian.

4.4.2 Standards

4.4.2.1 Investment managers include those appointed through an investment management agreement, subscription agreement, limited partnership agreement or any equivalent documentation.

4.4.2.2 Each recommendation to appoint, or terminate, a manager must be accompanied by due diligence analysis consistent with Annuitas' manager selection framework as set out in its investment framework and an analysis of the appropriate implementation strategy (i.e. whether through segregated mandate under an investment management agreement, or CIV through a subscription agreement or limited partnership agreement).

4.4.2.3 In line with the powers delegated through the MSA, Annuitas may:

- subscribe to a new fund issued by one of the Authority's existing managers provided that:
  - the strategy and terms and conditions of the new fund is materially aligned with the strategy and terms and conditions that the Board has previously approved for that manager; and
  - addition of the strategy is consistent with the then current Target Portfolio, including any considerations of Fund active risk or liquidity.
- approve minor changes to the governing documents of a manager's appointment.

- Approve changes that reduce the fees payable to a manager, provided that such changes are not part of an otherwise material change to the terms of appointment of that manager.

4.4.2.4 Each recommendation to appoint, or terminate, a custodian must be accompanied by detailed due diligence analysis.

4.4.2.5 Investment management agreements with investment managers shall include guidelines setting out eligible investments, performance criteria, constraints and exposure limits, use of derivatives, responsible investment and stewardship expectations, and reporting requirements.

4.4.3 Procedures

4.4.3.1 Annuitas prepares a detailed analysis of its rationale for the appointment, or material change to the terms of appointment, or termination of a manager or custodian and presents this to the Board for approval.

- Where Annuitas proposes to manage an investment strategy internally it will present a detailed business case and strategy mandate to the Board for approval.

4.4.3.2 Annuitas must follow the provisions of the Authority’s Procurement Policy when identifying and evaluating candidates for appointment as the Authority’s master custodian.

- From time to time the Authority may need to appoint a sub-custodian to hold assets in a particular jurisdiction. This is usually on the advice of the master custodian and does not require a full procurement process.

4.4.3.3 Investment managers (including Annuitas) require specific written authorisation from the Authority to invest outside of the prescribed permitted investments. Annuitas will advise the Board on any such request for authorisation and the Board will approve or decline it.

4.4.3.4 Annuitas will advise the Board, as soon as it becomes aware of the possibility, if an investment is to be held outside custody and will seek the Board’s approval for this.

- Annuitas will advise the Board of alternative custody arrangements where applicable.
- A report summarising assets held outside custody is presented annually to the Board.

4.5 Responsible investment

4.5.1 Policy statements

4.5.1.1 The Authority’s climate policies are set out in 3.8.1 above.

4.5.1.2 The Authority’s engagement and exclusion policies are set out in 3.9.1 above.

4.5.1.3 The Authority will give effect to its obligations as a signatory to the Principles for Responsible Investment (PRI).

4.5.2 Standards

4.5.2.1 The Authority's climate standards are set out in 3.8.2 above.

4.5.2.2 The Authority's engagement and exclusion standards are set out in 3.9.2 above.

4.5.2.3 Being a signatory to the PRI requires the Authority to:

1. incorporate ESG issues into investment analysis and decision-making processes;
2. be active owners and incorporate ESG issues into our ownership policies and practices;
3. seek appropriate disclosure on ESG issues by the entities in which the Fund invests;
4. promote the acceptance and implementation of the Principles within the investment industry;
5. work together (with other signatories) to enhance our effectiveness in implementing the Principles;
6. report on our activities and progress towards implementing the Principles.

4.5.3 Procedures

4.5.3.1 The Authority's climate procedures are set out in 3.8.3 above.

4.5.3.2 The Authority's engagement and exclusion procedures are set out in 3.9.3 above.

4.5.3.3 The collaborative agreement among with GNZS and ACC encompasses policy development, identification and analysis of responsible investment risks, co-ordination of engagement and exclusion activities, engagement of research providers, research sharing and communications. The parties to the agreement meet regularly to review current engagements and exclusions, high-risk securities, research and policy development.

4.5.3.4 Annuitas gives effect to the Authority's PRI obligations by:

1. setting ambitious climate targets for the Fund, and engaging with its investment managers on their ESG practices and considering those practices when evaluating the fitness of investment managers to manage assets on behalf of the Authority;
2. instructing its investment managers to actively exercise all proxy votes for the securities they manage on behalf of the Authority and engaging with companies either directly (through a contracted third-party engagement service provider) or through collaborative action with other investors.

3. encouraging targeted companies, either directly (through a contracted third-party engagement service provider) or through collaborative action with other investors, to make, or improve, material disclosures on ESG issues relevant to the companies in question.
4. incorporating, wherever possible, ESG requirements into investment manager mandates and mandate monitoring, and supporting, through collaborative action with other investors, regulatory or policy developments that enable implementation of the Principles.
5. working together with other investors, particularly Crown Financial Institutions within New Zealand, to advance management of ESG issues.
6. completing the annual PRI survey of progress towards implementing the Principles.

4.5.3.5 The Authority's investment managers are charged with maximising investment returns relative to a representative market benchmark. We expect our active managers to integrate material ESG and climate-related factors in their investment decision-making. How that is done varies but should be consistent with the manager's investment style.

4.6 Managing costs

4.6.1 Policy statements

4.6.1.1 The Authority will manage the Fund in the most cost-effective manner having regard to its approved value adding strategies.

4.6.2 Standards

4.6.2.1 The Authority focuses on the return of the Fund net of all costs. It does not set a limit for the maximum costs of the Fund, whether expressed in dollar or percentage terms.

4.6.2.2 Annual independent benchmarking of investment costs versus peers finds costs to be comparable when measured like for like in terms of size and risk.

- "Comparable" with respect to investment cost benchmarking means "total excess cost" is within +/- 5 basis points of the peer median as measured by CEM benchmarking after deducting differences for 1) how much active management (in this context: security, sector or country selection within asset classes) is used within the implementation style and 2) global active equities performance fees (which are closely linked to 1 and are highly variable).

4.6.2.3 Where performance-based fees are used they must be set having regards to an appropriate hurdle over a benchmark return representative of the investment manager's style, and with high water provisions that require the manager to make up any cumulative shortfall relative to the benchmark before being eligible to receive a performance fee.

4.6.3 Procedures

4.6.3.1 With each recommendation to appoint a new manager, Annuitas includes the fee structure that will be used for that manager and the maximum fee (as a % of funds managed) for that manager.

- Annuitas is encouraged by the Board, and has discretion, to negotiate lower fees than the approved maximum fee schedule.

4.6.3.2 The procedure for monitoring total Fund costs is set out in section 5 (Review and Monitoring).

4.7 Key responsibilities

4.7.1 Responsibilities for decision making with respect to this part of the SIPSP are as follows:

	Consulted	Performs	Provides input	Decides	Review frequency
• **Value adding strategies**	-	-	Investment consultant	Board	3-yearly
• **Target Portfolio**	-	-	IC	Annuitas	Annual
• **Fund rebalancing**	-	-	-	Annuitas	Monthly
• **Manager appointment**	-	-	Investment consultant	Board	Ongoing
• **Material change to terms of manager appointment**	-	-	Investment consultant	Board	-
• **Manager termination**	-	-	Investment consultant	Board	-
• **Subscription to new fund offered by existing manager**	-	-	-	Annuitas	Ongoing
• **Minor change to terms of manager appointment**	-	-	-	Annuitas	-
• **Change to terms of manager appointment to reduce fees**	-	-	-	Annuitas	-
• **Maintaining status as a PRI signatory**	-	-	-	Board	-
• **Annual PRI report**	-	-	-	Annuitas	Annual
• **Total Fund cost benchmark**	-	-	-	Board	3-yearly
• **Individual manager fee structures (maximum)**	-	Annuitas	-	Board	As required

5 Review and monitoring

5.1 Preamble

5.1.1 Having set the Fund's objectives, risk appetite and approach to implementation, the final stage is to review strategy implementation and monitor adherence to this SIPSP and the contractual arrangements between the Authority and its implementation agents: Annuitas, investment managers and the Custodian.

5.2 Performance and investment risk monitoring

5.2.1 Policy

5.2.1.1 The Authority will establish performance benchmarks for the Fund and for each asset class and value adding strategy.

5.2.1.2 The performance of the benchmark and actual performance of the Fund and each asset class, value adding strategy or investment manager, must be calculated independently of Annuitas or any investment manager.

5.2.1.3 Annuitas must report quarterly to the Board on the performance of the Fund, each asset class and value-adding strategy.

5.2.1.4 Annuitas must report quarterly to the Board on compliance with the risk measures set by the Board.

5.2.2 Standards

5.2.2.1 The primary benchmark for the Fund, as described in 3.2.2.1, is the return on New Zealand Government Bonds (before NZ tax) benchmarked by the S&P NZX NZ Government Bond Total Return Index.

5.2.2.2 The secondary benchmark for the Fund, as described in 3.2.2.3, is the return on the Reference Portfolio (before NZ tax, after fees) benchmarked by the weighted average return on the benchmarks of its constituent parts as set out in Table 2 of the Appendix.

5.2.2.3 The key measurement period for the Fund's primary and secondary benchmarks is the 10 years up to the latest performance measurement date.

5.2.2.4 The benchmark for each approved asset class will be as set out in Table 6 of the Appendix.

5.2.2.5 The benchmark for each approved strategy will be as set out in Table 7 of the Appendix.

5.2.2.6 The benchmark for each approved investment manager will be as set out, where applicable, in the investment management agreement (or equivalent governing document) between the Authority and that manager.

5.2.2.7 The actual performance of the Fund, each asset class, investment strategy or investment manager will be measured before New Zealand tax, but net of fees and other costs.

5.2.2.8 Benchmark and actual performance at all levels will be calculated at least quarterly by the Custodian.

5.2.2.9 The risk measures set by the Board will be as set out in Tables 1 and 4 of the Appendix.

5.2.3 Procedures

5.2.3.1 The Custodian calculates performance for the Fund, each asset class and investment manager on a monthly basis and reports this to Annuitas. The Custodian also calculates performance on a quarterly basis and reports this, through Annuitas, to the Board.

- Annuitas reviews the Custodian's performance calculations and works with the Custodian to resolve any differences in calculated values.
- Where an interim (estimated) calculation is required, Annuitas will prepare the calculation and notate it as an interim result.

5.2.3.2 Annuitas prepares a quarterly investment report covering all required investment performance and risk reporting requirements.

5.2.3.3 Recognising that investment returns may not meet expectations from year to year, Annuitas assesses, and reports to the Board, investment performance by comparing:

- the Fund's pre-tax, post-fee returns with New Zealand Government Bonds and the Reference Portfolio
- the pre-New Zealand tax, post-fee returns of individual asset classes or strategies with their respective benchmarks
- the pre-New Zealand tax, post-fee returns of investment managers with the benchmarks relevant to their respective mandates, plus any excess return target expected for active investment managers (reflecting the active risk taken by the investment manager).

5.2.3.4 While 10 years is the primary performance horizon, performance is also measured over 3-months' 1, 3 and 5 years and longer periods where applicable.

5.2.3.5 The Authority reports the Fund's investment performance annually in the Fund's Annual Report, which is tabled in the House of Representatives. It also publishes a forecast for investment performance each year in its Statement of Performance Expectations.

5.2.3.6 For reference, the Treasury also reports to the Minister of Finance quarterly, following consultation with the Authority, on the Fund's investment performance and significant operational issues.

5.3 Fund positioning

5.3.1 Policy

5.3.1.1 Annuitas must report quarterly to the Board on the position of the Fund relative to the Target Portfolio.

5.3.1.2 Annuitas must report quarterly to the Board on the position of approved value adding strategies.

5.3.2 Standards

5.3.2.1 The matters on which Annuitas must report quarterly to the Board are set out in Table 9 of the Appendix.

5.3.3 Procedures

5.3.3.1 Using data prepared by the Custodian, Annuitas reports on Fund and value-adding strategy positioning in its quarterly investment report to the Board. Annuitas' Chief Investment Officer will add additional contextual narrative as appropriate in his or her quarterly report to the Board.

5.4 Manager and custodian monitoring

5.4.1 Policy statements

5.4.1.1 Annuitas must maintain a framework for monitoring its conviction in, and the performance of, each appointed investment manager.

5.4.1.2 Annuitas must maintain a framework for monitoring the performance of the custodian.

5.4.1.3 Annuitas must report quarterly to the Board on the performance of each appointed investment manager.

5.4.2 Standards

5.4.2.1 Annuitas Manager conviction framework, which must contain, at a minimum, how the following factors are assessed:

- Organisational factors
- Philosophy
- Process and portfolio construction
- Style and mandate consistency
- Performance evidence
- Approach to sustainable investment
- Culture and decision making

5.4.2.2 Annuitas Custodian performance framework, which must contain, at a minimum how Annuitas' tracks the Custodian's service delivery on an ongoing basis and a quarterly assessment of performance against agreed key performance indicators.

5.4.2.3 Quarterly reports must contain the details specified in Table 9 of the Appendix.

5.4.3 Procedures

5.4.3.1 In its quarterly investment report to the Board, Annuitas includes a performance table showing manager performance against benchmark over various horizons and a manager traffic light table summarising conviction in each manager.

5.4.3.2 Annuitas reports quarterly to the Board on the performance of the Custodian.

5.5 Responsible investment monitoring

5.5.1 Policy statements

5.5.1.1 Annuitas must report to the Board on the Authority's progress against the requirements of the CRIF.

5.5.1.2 Annuitas must report to the Board on how it is giving effect to the Authority's commitments as a PRI signatory including any material updates on engagements, exclusions and manager responsible investment practices.

5.5.2 Standards

5.5.2.1 Annuitas' reporting to the Board must be of a form and frequency as agreed from time to time with the Board.

5.5.3 Procedures

5.5.3.1 Annuitas meets at least quarterly with GNZS to discuss responsible investment issues including any new engagement activities and watch areas for potentially controversial issues.

5.5.3.2 Annuitas reports quarterly to the Board on the status of the Authority's progress against the CRIF.

5.5.3.3 Annuitas reports quarterly to the Board on how it is giving effect to the Authority's PRI commitments.

5.5.3.4 Annuitas reports annually to the Board on its application of responsible investment practices on behalf of the Authority.

5.6 Other monitoring

5.6.1 Policy statements

5.6.1.1 The Authority will approve and oversee an assurance framework that provides for periodic review of key elements of how the Authority and Fund are managed.

5.6.1.2 The Board expects Annuitas to keep it apprised on a “no surprises" basis of any issues that it might reasonably expect to be informed about.

5.6.2 Standards

5.6.2.1 The Authority’s Assurance Framework.

5.6.3 Procedures

5.6.3.1 Assurance reviews might be provided (at the discretion of the Board) by Annuitas’ Chief Risk Officer, the Board’s Investment Consultant, or a third-party assurance provider.

5.6.3.2 Every 5 years the Minister of Finance appoints an independent person to conduct a review of how effectively and efficiently the Authority is performing its functions under section 15D of the Act. The Board and Annuitas work closely with the appointed person in conducting that review.

5.6.3.3 The Chief Executive of Annuitas meets regularly with the Board Chair to discuss matters of relevance to managing the Authority and the Fund, including matters covered by the “no surprises” expectation.

5.8.3.4 The annual audit process around preparation of the Authority’s annual report and financial statements for the Fund involves review and testing of key controls.

5.7 Valuation of unlisted securities

5.7.1 Policy statements

5.7.1.1 The method of, and basis for, valuation of unlisted securities, being those that are not regularly traded on a public exchange, are to be independently verified in line with generally accepted industry standards.

5.7.2 Standards

5.7.2.1 For valuation purposes, securities are categorised in accordance with International Financial Reporting Standards based on the degree to which the fair value is observable:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets to identical assets or liabilities;
- **Level 2** fair value measurements are those derived from inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5.7.2.2 For Level 2 securities, valuation will be as determined by the Custodian except as provided below:

- Where an investment manager uses over-the counter derivatives, the Authority may, if it is satisfied with the manager's derivatives pricing policies and practices, accept the manager pricing those derivatives.

5.7.2.3 For Level 3 securities, the Authority will rely on the valuation provided by the investment manager. Notwithstanding this, the Authority may seek independent advice from a suitably qualified, professional valuer to verify or confirm the reasonableness of any valuation provided by an investment manager.

5.7.3 Procedures

5.7.3.1 The Custodian values securities for which it is responsible at least monthly. Other securities are valued at least quarterly and the valuations provided to the Custodian.

5.7.3.2 The Fund's Auditor tests Level 2 and 3 valuations provided at financial year end for reasonableness.

5.8 Reviews

5.8.1 Policy statements

5.8.1.1 Annuitas must regularly review all aspects of the Fund's investment programme in line with the schedule approved by the Board.

5.8.1.2 Compliance with this SIPSP must be independently reviewed on a rolling 3-year cycle.

5.8.2 Standards

5.8.2.1 The matters to be reviewed, and their review frequency, are set out in Table 10 of the Appendix. The relative priorities of reviews are set out in the diagram on the following page.

5.8.3 Procedures

5.8.3.1 The Board's Investment Consultant undertakes an annual independent review of the Authority and Annuitas' adherence to this SIPSP. Each year the review focuses on specified sections of the SIPSP such that adherence is fully measured over 3 years. The review cycle is as follows:

1. Sections 2 (Governance & Operating Model) and 5 (Review & monitoring)
2. Section 3 (Risk Management), excluding sub-sections 3.8 (Climate risk) and 3.9 (Legal & Reputational risk)
3. Section 4 (Implementation) plus sub-sections 3.8 (Climate risk) and 3.9 (Legal & Reputational risk)

5.8.3.2 Annuitas prepares all other reviews. These are overseen either by the Board or the Investment Committee as set out in Table 10 of the Appendix. The Board, or Investment Committee, at their discretion, might ask for input from the Investment Consultant.

Relative priority: High → Low

What's reviewed?	Reviewed by?	Frequency?
SIPSP	Board	Annually
SIPSP compliance	Investment Committee	Annually
Competitive advantages Investment beliefs	Board	3-yearly
Investment objective Risk appetite Reference Portfolio	Board	3-yearly
Target Portfolio	Investment Committee	Annually
Dynamic asset allocation strategy	Investment Committee	3-yearly
Asset class strategy Responsible Investment Costs Projected Fund size Assets outside custody	Investment Committee	Annually
Currency management Securities lending Class actions Rebalancing model	Investment Committee	3-yearly

5.9 Key responsibilities

5.9.1 Responsibilities for decision making with respect to this part of the SIPSP are as follows:

	Consulted	Performs	Provides input	Decides	Review frequency
• **Setting Fund performance benchmarks**	-	-	-	Board	3-yearly
• **Setting approved asset class, strategy and investment manager benchmarks**	-	-	-	Board	As required
• **Calculating benchmark and actual performance**	Annuitas	-	Investment managers	Custodian	Quarterly
• **Setting risk measures**	-	-	-	Board	As required
• **Calculating risk measures**	-	-	Custodian	Annuitas	Quarterly
• **Quarterly reporting**	Board	Annuitas	-	-	Quarterly
• **Security valuation (Level 1 & 2)**	Board	Custodian	-	-	Monthly
• **Security valuation (Level 3)**	Board	Manager	-	-	Quarterly
• **Set review frequency**	-	-	-	Board	-
• **Reviews**	Board	Annuitas	IC	-	As specified
• **SIPSP compliance review**	Board	Investment Consultant	Annuitas	-	Annual

Appendix

Table 1: Fund Level Investment Risk Appetite

Fund Level Metric	Expected Risk / Limit	Measurement
Fund Total Drawdown Risk	The worst-case drawdown is expected to be no greater than 30% over rolling four quarters.	Current Reference and Target Portfolio drawdown under historical stressed market environments. Reference and Actual Portfolio historical return over most recent four quarters.
Fund Risk versus NZ Government Bonds	The "undue risk" threshold is where there is an expected chance of 50% or more that the Reference Portfolio will underperform NZ Government Bonds over the following 10 years. If the chance exceeds this threshold, the Board will undertake a Reference Portfolio review. The ex-ante risk that the Fund underperforms NZ Government Bonds over 10 years cannot be higher than the ex-ante risk that the Reference Portfolio underperforms over the same period. The Board monitors the risk associated with Fund and Reference Portfolio returns using three measures: 1) the expected chance of underperforming over 10 years. As at the date of this SIPSP, the Authority estimates this chance as 39% 2) the 5th percentile cumulative underperformance over 10 years. As at the date of this SIPSP, the Authority estimates this cumulative value as 58% (or 4.7% p.a.) 3) the 95th percentile CVaR[6] of underperformance over a rolling 1 year period. As at date of this SIPSP the Authority estimates this potential loss at 21% The Board notes that both these probabilities are not stable through time as they are affected by changes in NZ Government Bond rates and other capital markets assumptions that are used in projecting risk and return for the Reference Portfolio and the Fund.	
Fund Active Risk (risk versus Reference Portfolio)	A 3% pa limit on ex ante (forward looking estimates) of active risk. Active risk in excess of 6% pa ex post requires Annuitas Response.	Forward looking standard deviation of the expected excess returns of the Target Portfolio versus the Reference Portfolio (ex-ante active risk). Standard deviation of historical returns of Actual Portfolio versus the Reference Portfolio over 5 years (ex-post active risk). *Realised* (ex-post) active risk will on occasion exceed 3%. The 6% (ex-post) limit effectively captures a 2 standard deviation outcome.

[6] CvaR also known as Expected Shortfall—is a financial risk measure. It calculates the average expected loss of an investment portfolio during the most extreme, worst-case scenarios that cross past a standard Value at Risk (VaR) threshold. In this case covering the worst 5% of outcomes.

Table 2: Reference Portfolio and benchmarks

Asset Class	Weight (%)	Benchmark
International equities	50	MSCI All Country World Low Carbon Target Index[2] hedged to NZD
	20	MSCI All Country World Low Carbon Target Index in NZD
NZ equities	10	S&P/NZX50 Gross including imputation credits
Fixed interest	20	Bloomberg Barclays Global Aggregate hedged to NZD
Total assets	**100**	**Weighted average of asset class benchmarks**
Foreign currency exposure[1]	20	MSCI All Country World Low Carbon Target Index Unhedged Minus Hedged

1. Ownership of predominantly international asset classes exposes the Fund to exchange rate risk, i.e. the risk of loss in value when the New Zealand dollar (NZD) appreciates. This risk can be offset to the desired extent with currency hedging contracts. The Fund's strategic net foreign currency exposure is expressed in the Reference Portfolio above.
2. To measure the effects of its decarbonisation commitments relative to a standard market index, the Board will continue to monitor and report on the performance relative to the MSCI All Country World Index.

Table 3: Approved asset classes and ranges

Asset class	Weight range (%)	Asset class	Weight range (%)
Growth assets	**73.0-87.0**	**Defensive assets**	**13.0-27.0**
Global listed equities	50.0-80.0	Global fixed interest	3.0-24.0
Global private equity[12]	0.0-25.0	NZ fixed interest	0.0-10.0
Combined global equities	**65.0-85.0**	Cash	0.0-1.0
NZ equities	0.0-12.0	**Combined fixed interest**	**13.0-24.0**
NZ private equity[12]	0.0-12.0	Catastrophe risks[2]	0.0-5.0
Combined NZ equities	**8.0-12.0**	Life Settlement risks[2]	0.0-1.5
Foreign currency exposure	**15.0-25.0**		

[1] Total invested private equities (including domestic and global and venture capital) must not exceed 30% of total equities (domestic and global, private and public).

[2] All Level 3 assets under IFRS fair value classification

Table 3A: permitted investments within each asset class

Asset class	Permitted investments
Growth assets	
Equities (global & NZ; listed & private)	equity securities and securities convertible into equities including partly paid ordinary and preference shares
Defensive assets	
Fixed interest (global, NZ)	interest-bearing securities issued or guaranteed by sovereign governments and agencies and issued by non-sovereign issuers
Cash	NZ and foreign currency cash and interest- bearing securities with less than one year to maturity
Catastrophe risks	securities providing exposure to natural catastrophe risks
Life settlement risks	securities providing exposure to longevity (life settlement) risks
Foreign currency	
Foreign currency	forward foreign currency contracts for the purposes of offsetting foreign currency exposures arising from international assets to achieve the Fund's strategic net exposure and as a value adding return source in the Authority's DAA programme.

Table 4: Approved value adding strategies and risk limits[1]

Strategy	Risk limit (%)
Diversification	
Asset class diversification active risk	3.00
Security selection	
Maximum active risk from security selection within listed equities and fixed interest	2.00
Maximum active risk (relative to Reference Portfolio) of any manager[2]	0.50
Dynamic asset allocation programme[3]	
Programme total risk (on average through time)	*0.00*[4]
Maximum programme total risk (ex post)	2.30
Programme active risk (on average through time)	*1.00*[1]
Maximum programme active risk	2.70
Maximum active risk (ex ante)	**3.00**

[1] *Unless otherwise stated, these limits are expected (ex ante) risk*

[2] *Does not include Fund of Fund managers (e.g. as used in private equity)*

[3] *See Table 4A below for approved dynamic asset allocation asset classes and limits*

[4] *This is an expectation not a hard limit. Actual risk will vary around this.*

Table 4A: DAA limits

Asset class	Limit versus Target Allocation (%)[1]
Cash vs equities vs fixed interest	+/-10
Foreign currency exposure	+/-15
Major foreign currencies vs NZD[2]	+/-10

[1] *Although the ranges have been expressed as symmetric, short exposures are not permitted.*

[2] *Major currencies include USD, EUR, GBP, JPY, CHF, AUD.*

Table 5: Crown Responsible Investment Framework

The Crown Responsible Investment Framework is specified in an Enduring Letter of Expectations dated 28 October 2021 from the Ministers of Finance and ACC. This is the primary framework under which our Responsible Investment activities are captured. The framework states:

Measure

1. *Carbon footprint metrics for your investment portfolios should be reported transparently on a consistent basis, enabling public scrutiny over progress towards carbon neutral portfolios by 2050. In the case of fossil fuel reserve owners, you should also account for emissions from the end-use of their products.*
2. *Reporting should align with the Taskforce for Climate-related Financial Disclosure recommendations, until the External Reporting Board's (XRB) climate related disclosure framework has been issued, at which point it should apply, and should continue to evolve in line with global best practice standards.*[7]
3. *You should strive for consistency of measurement standards across the Crown Financial Institutions so that relative performance on carbon emissions reduction can easily be interpreted.*

Reduce

1. *Crown Financial Institution investment portfolios must be carbon neutral by 2050.*
2. *You should set challenging minimum carbon reduction targets at interim periods to provide assurance that investment portfolios are on track to be carbon neutral by 2050. In the case of fossil fuel reserve owners, reduction targets should also address emissions from the end-use of their products.*
3. *Interim targets should be aligned with global best practice standards to maintain a 1.5-degree global warming outcome.*
4. *Your first interim target should be for 2025 and should be refreshed prior to the start of that year for 2030. This process is to be repeated every five years thereafter.*
5. *Where investment strategies allow, you should take a leadership position ahead of minimum reduction expectations to demonstrate how return on investments can be achieved through low carbon strategies.*

Influence

1. *You should utilise your long-term risk and return strategies to actively identify positive investments that generate additionality to the transition to a low carbon economy; and*
2. *Recognising that success in reducing carbon exposure for investment portfolios relies on investee companies to transition to low carbon solutions, you should utilise your position as significant investors to engage with New Zealand and global companies on developing transition strategies.*

The Enduring Letter also includes expectations to:

- *Be influential in the domestic market for how businesses and investors can drive the transition to a low carbon economy.*

Actively seek all opportunities to drive the climate transition, from education to active engagement to investment into climate solutions where there is consistency with your investment strategy.

[7] The Minister of Finance agreed that the Authority need not meet this expectation. Instead, the Authority now reports annually to the Minister on progress against the CRIF.

Table 5A: 2030 carbon reduction targets

Asset class	Measure	Target reduction	Minimum reduction
Listed equities	Carbon footprint relative to 2019 baseline	65%	60%
Credit component of fixed interest			

Table 6: Product exclusions

Product category	Exclusion description summary
Cluster munitions	Involved in development or production of cluster munitions or key cluster munitions components.
Nuclear Explosive Devices (NEDs)	A. Nuclear Explosive Devices: i. Manufacture and testing of nuclear explosive devices; ii. Simulated testing of nuclear explosive devices. B. Nuclear bases: operation or management of military bases where nuclear weapons are deployed, maintained, refitted, stored or developed.
Anti-Personnel Mines	Involved in the manufacture or production of anti-personnel mines.
Tobacco	Tobacco manufacturing, development and brand activities as a core part of the business.
Whaling	Conducting whaling or the processing of whale meat.
Cannabis (recreational use/ unlicensed medicinal use)	Companies that: i. cultivate or manufacture cannabis plants or cannabis products for recreational use; ii. supply cannabis plants or cannabis products for recreational use - as their main business; iii. provide support services for the recreational use of cannabis - as their main business; or iv. cultivate, manufacture or supply cannabis plants or cannabis products for medical, scientific or industrial purposes without appropriate licence or authorisation.
Civilian automatic and semi-automatic firearms	The manufacture of civilian automatic and semi-automatic firearms, magazines or (critical) parts prohibited under New Zealand law. Under the NZ Arms Act 1983, these are: A. Prohibited Firearms B. Prohibited Magazines C. Prohibited Part and D. Prohibited Ammunition (Implementation in this category is on best efforts based on screening provider categorisation)

Table 7: Approved asset class benchmarks

Asset class	Benchmark
Growth assets	
Global listed equities	MSCI All Country World Low Carbon Target Index
Global private equity	MSCI All Country World Low Carbon Target Index + 3% p.a.
NZ equities	S&P/NZX50 Gross Index including imputation credits
NZ private equity	S&P/NZX50 Gross Index including imputation credits + 3% p.a.
Defensive assets	
Global Fixed interest	Bloomberg Barclays Global Aggregate Index hedged to NZD
NZ Fixed Interest	Bloomberg NZBond Govt 0+Yr Index
Catastrophe risks	Bloomberg Barclays Global Aggregate Index hedged to NZD + 1% p.a.
Life settlements risk	Bloomberg Barclays Global Aggregate Index hedged to NZD + 1% p.a.
Foreign currency exposure	MSCI All Country World Low Carbon Target Index unhedged minus hedged.

Table 8: Approved value adding strategy benchmarks

Strategy	Benchmark	Measurement
Diversification		
Asset class diversification	Reference Portfolio	Attribution of contribution to Fund excess return relative to Reference Portfolio
Security selection		
Security selection (overall)	Reference Portfolio	Attribution of contribution to Fund excess return relative to Reference Portfolio
Security selection (by asset class)	Asset class benchmark (as per table 6)	Asset class return minus benchmark return
Security selection by manager	Benchmark as specified in investment	Manager return minus specified benchmark
Dynamic asset allocation programme		
Programme expected return	Reference Portfolio	Attribution of contribution to Fund excess return relative to Reference Portfolio
Programme expected total risk (ex ante)	Expected standard deviation of Reference Portfolio returns	Forward looking standard deviation of DAA plus Reference Portfolio returns minus benchmark.
Maximum programme total risk (ex post)	Standard deviation of the Reference Portfolio returns over 5 years to measurement date	Standard deviation of 5-year DAA plus Reference Portfolio returns minus benchmark

Programme expected active risk (ex ante)	Standard deviation of expected DAA returns	Forward-looking standard deviation of expected DAA returns.
Maximum programme active risk (ex post)	Standard deviation of DAA returns over 5 years to measurement date	Standard deviation of historical DAA returns over 5 years

Table 9: Quarterly Reporting

Topic	Content	Time period
Chief Investment Officer report	Contextual overview	As at reporting date
10 year rolling returns	Fund; Reference Portfolio; Performance	Last 10 years
Total Fund return summary	Fund; Reference Portfolio; NZ Government Bonds	Qtr; 1,3,5,10 years; since inception
Fund ex post risk analysis vs Reference Portfolio	Beta to global equities; volatility; Sharpe ratio; adjusted Sharpe ratio; Tracking error; Information ratio	3,5,10 years; since inception
Asset allocation	Each asset class; Target Portfolio allocation; Actual Allocation; Rebalancing limits	As at reporting date
Excess return vs Funding source	Each asset class	Qtr; 1,3,5 years; since inception
Asset class performance	Each asset class and benchmark	Qtr; 1 year
Manager performance	Manager; benchmark; AUM; Base fees; inception date; excess return objective; expected tracking error	Qtr; 1,3,5 years; since inception
Manager traffic light	Public markets managers; manager conviction elements	As at reporting date
Risk metrics	As per tables X & Y; Private equity concentration; Liquidity; CIV holdings (max holding %)	As at reporting date
	5 year rolling Fund tracking error and volatility. Contribution to tracking error and volatility by asset class	Last 10 years for rolling values As at date for contributions
Leverage	Each manager; maximum leverage; Notional dollar leverage	As at reporting date
Derivative counterparty exposures	Net exposure	3-yearly
Global Private Equity	Manager; Number of Funds; Committed Capital; Return metrics	As at reporting date
RI update	Exclusions; Manager practices; Engagement	Quarter to reporting date
CRIF status report	Status update against CRIF requirements	As at reporting date

Table 10: Investment reviews

Operational Reviews	Prepared by	Reviewed by	Frequency
SIPSP	Annuitas	Board	Yearly
Investment objective	Annuitas	Board	3-yearly
Investment risk appetite	Annuitas	Board	3-yearly
Reference Portfolio	Annuitas	Board	3-yearly
Competitive advantages and investment beliefs	Annuitas	Board	3-yearly
Dynamic Asset Allocation programme	Annuitas	IC	3-yearly
Total Portfolio	Annuitas	IC	Yearly
Each asset class strategy	Annuitas	IC	Yearly
Currency Management	Annuitas	IC	3-Yearly
Benchmarks for returns, risks and costs	Annuitas	IC	Yearly
Responsible investment practices	Annuitas	IC	Yearly
Securities Lending	Annuitas	IC	3-yearly
Class Actions	Annuitas	IC	3-yearly
Compliance with SIPSP	Investment Consultant	IC	Yearly
Actuarial projections of Fund size and cashflow	Annuitas	IC	Yearly
Rebalancing model	Annuitas	IC	3-yearly
Assets held outside custody	Annuitas	IC	Yearly

Version Control

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GOVERNMENT
SUPERANNUATION FUND
AUTHORITY

GOVERNMENT SUPERANNUATION FUND
Te Pūtea Penihana Kāwanatanga