

Hon Nicola Willis  
Minister of Finance  
Parliament Buildings  
Wellington

PO Box 106 607  
Level 12, 21 Queen Street  
Auckland 1143, New Zealand  
Phone: +64 9 300 6980  
Email: [enquiries@nzsuperfund.co.nz](mailto:enquiries@nzsuperfund.co.nz)  
Website: [www.nzsuperfund.nz](http://www.nzsuperfund.nz)  
NZBN: 9429041903469

19 November 2024

Tēnā koe Minister,

### **Crown RI Framework Update**

This letter provides an update on how the New Zealand Superannuation Fund (NZSF) is responding to the Crown Responsible Investment (RI) Framework, which was issued to the Guardians of NZ Superannuation (Guardians) in 2021 via an Enduring Letter of Expectations.

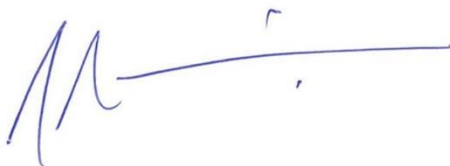
We provided an initial response to the Framework to Minister Robertson in December 2021 and, jointly with the other Crown Financial Institutions (CFIs)<sup>1</sup>, wrote to you in May 2023 with an update.

The 2021 Enduring Letter of Expectations specifically requested that we update our commitments under the Framework prior to 1 January 2025. This letter is in response to that request: in Appendix 1 we set out progress and commitments made against each element of the Crown Responsible Investment Framework. Further details on our strategy and progress on these matters are contained in our 2024 Annual Report and Climate Change Report.

We continue to engage with Treasury and to work collaboratively with the other CFIs on these matters. Climate change is an important consideration for investors as we look to maximise returns without undue risk and achieve our net zero by 2050 goal.

We would welcome the opportunity to discuss this update and look forward to your feedback.

Yours sincerely



John Williamson  
Chair

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<sup>1</sup> For the purposes of the Crown RI Framework, the CFIs are: Guardians of New Zealand Superannuation in relation to the New Zealand Superannuation Fund; Accident Compensation Corporation; Government Superannuation Fund Authority; National Provident Fund.

## Appendix I – Status Report against Crown RI Framework

### Measure

Requirement	Status
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.	The carbon footprint of the Fund has been reported annually since 2017. The 2024 footprint is available at: <a href="https://nzsuperfund.nz/assets/Publications/Annual-Reports/2024-NZ-Super-Fund-Carbon-Footprint-Report.pdf">https://nzsuperfund.nz/assets/Publications/Annual-Reports/2024-NZ-Super-Fund-Carbon-Footprint-Report.pdf</a>
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;	We published our first report against the Climate Reporting Disclosure regime criteria in October 2024, for the 23/24 financial year. The report is available at: <a href="https://nzsuperfund.nz/assets/Publications/Annual-Reports/2024-NZ-Super-Fund-Climate-Change-Report.pdf">https://nzsuperfund.nz/assets/Publications/Annual-Reports/2024-NZ-Super-Fund-Climate-Change-Report.pdf</a>
You should strive for consistency of measurement standards across the CFIs so that relative performance on carbon emissions reduction can easily be interpreted	Consistent measurement standards across the CFIs were agreed in 2021.

### Reduce

Requirement	Status
CFI investment portfolios must be carbon neutral by 2050.	We consider that we are on track to be carbon neutral by 2050 and that we are generally ahead of peers in this regard. Based on our 2024 Carbon Footprint we have reduced the Fund's emissions intensity versus its benchmark in 2019 by 74.2%.
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.	Our 2025 climate change targets, which are expressed relative to our unadjusted Reference Portfolio for the relevant year (baseline), are to: <ul style="list-style-type: none"> <li>Reduce the carbon emissions intensity of the Fund by at least 40%</li> <li>Reduce potential emissions from fossil fuel reserves owned by the Fund by at least 80%.</li> </ul> As at 30 June 2024, the Fund's total carbon emissions intensity was 64.4% lower than the baseline level and exposure to potential emissions from reserves was 98.2% lower.
Interim targets should be aligned with global best practice standards to maintain a 1.5 degree global warming outcome.	We are a member of the <a href="#">Paris Aligned Asset Owners</a> organisation and have committed to its Net-Zero goal and are guided by its <a href="#">Net Zero Investment Framework</a> . This is the most widely used guide by investors to set targets and produce related net zero strategies and transition plans. We will be guided by this Framework in the process of setting our 2030 interim targets.
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.	Our current climate targets are for end June 2025 and have been in place since 2020. We have commenced a review of the targets, with the intention of implementing new 2030 targets from July 2025, the start of our new financial year.
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.	We have successfully achieved the above reductions in greenhouse gas (GHG) emissions, achieving our 2025 carbon targets early, while continuing to deliver strong investment returns.  Approximately 50% of the Fund is currently invested in line with Paris-Agreement Aligned equity indices that deliver better environmental, social and governance outcomes and alignment with

	<p>net zero objectives. These indices reduce GHG intensity by 10% each year until 2050, underweight companies with high transition and physical climate risk, and increase allocation to companies with credible emissions reduction targets and climate solutions.</p> <p>During 2024/25 we will also move the corporate bond segment of our fixed income portfolio to indices that better align with our net zero objectives.</p> <p>Sustainable Investment and climate change considerations are embedded in active investment decisions. This is evidenced in our first screen templates for individual investment decisions as well as our processes for reviewing new and existing opportunities which determine the focus areas for investment activities.</p>
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## Influence

Requirement	Status
<p>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.</p>	<p>We made a number of new investments in 2023/24 that meet these criteria:</p> <ul style="list-style-type: none"> <li>• A further US\$65 million commitment to Longroad Energy, a renewable energy platform in the United States, taking our investment to NZ\$1.9 billion;</li> <li>• Increased investment in Galileo Green Energy, a pan-European renewable energy developer, owner and operator. We now hold 20% of the company;</li> <li>• Committed NZ\$170 million to Ara Partners' Fund II targeting industrial decarbonisation and circular economy investments in the industrial and manufacturing, chemicals and materials, agriculture and food production sectors and in energy efficiency.</li> </ul> <p>In New Zealand, our joint venture with Copenhagen Infrastructure Partners, Taranaki Offshore Partnership, continues to evaluate the feasibility of a large-scale offshore windfarm in the South Taranaki Bight.</p> <p>Further information about these and other Fund investments that are supportive of the climate transition are available in our Climate Change Report.</p>
<p>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.</p>	<p>We engage both globally and in New Zealand. Further information is contained in our 2024 Stewardship Report, available at: <a href="https://nzsuperfund.nz/assets/Publications/Annual-Reports/2024-Stewardship-Report.pdf">https://nzsuperfund.nz/assets/Publications/Annual-Reports/2024-Stewardship-Report.pdf</a>.</p> <p>The CFIs' letter to you May 2023 explained that we had launched a collaborative engagement with NZX50 listed companies on climate change. Investee company alignment with net zero pathways is integral to our ability to reach the CFIs' net zero goals. While our company engagements are confidential, we undertook to report aggregated information to Ministers about the engagement. We set a target to engage with 10 companies in calendar 2024, focusing on companies without emissions reductions targets. As at October 2024, six engagement meetings have been held, two are scheduled for November and two more are yet to be scheduled. We expect to meet the target of 10 companies.</p> <p>The initiative is resource-intensive. The CFIs will review progress and decide on next steps in December 2024. The initiative is expected to conclude in calendar 2025.</p>