



Stewardship Report

2024

20
YEARS

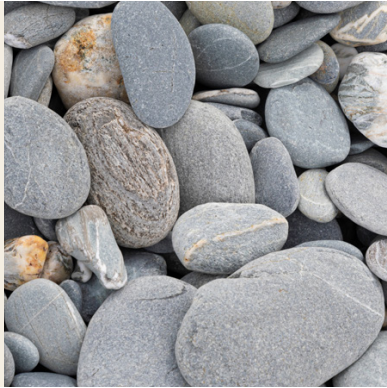
INVESTING
FOR FUTURE
GENERATIONS

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Introduction



The Guardians of New Zealand Superannuation has a long-held commitment to sustainable investment and stewardship.

The Guardians of New Zealand Superannuation¹ has a long-held commitment to sustainable investment and stewardship. This year, for the first time, we are releasing a stand-alone Stewardship Report.

The purpose of this report is to set out our stewardship practices in greater detail to support stakeholder understanding about what we do. It sets out stewardship activities for the financial year ended June 2024. This report also explains how we address the United Nations-supported Principles for Responsible Investment (PRI) and the Principles of the Aotearoa New Zealand Stewardship Code. We also publish a stand-alone Climate Change Report each year.

The Guardians was a founding signatory of the PRI when it was established in 2006. The PRI has become the world's leading proponent of responsible investment and established globally accepted best practice. The PRI's Principle 2

¹ *The Guardians of New Zealand Superannuation (the Guardians) manages the New Zealand Superannuation Fund and the Elevate New Zealand Venture Fund (Elevate). In this report, the Guardians refers to the managers of the Funds, including the Board and investment team, and the NZ Super Fund (NZSF) refers to the fund itself. This report focuses on the stewardship activities of the Guardians in respect of the NZ Super Fund. Elevate is a venture capital fund managed by an external manager, which has the responsibility for implementing the mandate.*

on ownership has the most relevance to our stewardship reporting. We report against the PRI in the Annual Report each year, and use the PRI assessment as a way of measuring our performance on responsible investment practice. Achieving a high score for governance and strategy is the performance measure set out in the Guardians' Statement of Intent (SOI). PRI signatories commit to the following six principles:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

The Guardians supported the development of the Aotearoa New Zealand Stewardship Code (stewardshipcode.nz) and became a founding signatory in 2022. This is the first year where signatories are required to report on their progress. A table at the end of this report provides a quick reference guide to our reporting on the nine Stewardship Code principles.



Aotearoa New Zealand Stewardship Code Principles



WHAT IS STEWARDSHIP?

The Stewardship Code defines stewardship as the responsible allocation and management of capital by investors, including asset owners such as the Guardians, to create and preserve long-term value for current and future generations. Stewardship promotes sound investor and issuer governance and business practices that lead to sustainable outcomes for the environment, society and economy. The purpose of stewardship is to support the long-term health of capital markets.

Stewardship encapsulates the values of accountability, transparency, fairness and responsibility. It includes monitoring and engaging with issuers, exercising shareholder voting rights and publicly reporting on the outcomes of these activities.

Stewardship is also referred to as active ownership and the terms can be used interchangeably. In essence, both the PRI and Stewardship Code principles are to incorporate environmental, social and governance (ESG) issues into ownership policies and practices and investment decision-making. At the Guardians, we use the term integration to mean incorporation. These activities are supported by disclosure, measurement and reporting.

GUARDIANS' PURPOSE

The Guardians' role is set out in the New Zealand Superannuation and Retirement Income Act 2001. This Act states that we must invest the Fund on a prudent, commercial basis and, in doing so, must manage and administer the Fund in a manner consistent with:

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

Our legislation requires us to have policies, standards and procedures for ethical investment (now more commonly known as responsible or sustainable investment) and shareholder rights. We used the PRI as the framework for our approach to sustainable investment, including the integration of ESG risks and active ownership.

The Guardians has a long-held investment belief that ESG considerations, including climate change, are fundamental to long-term risk and return.

In 2021, as part of a wider review of our responsible investment approach, the Guardians' Board agreed that we should adopt a goal of sustainable finance. This reflects the evolution of responsible investment from a risk

management approach, which focuses on the ESG risks to financial performance, towards wider considerations about the impact of investments on society and the environment. PRI remains our best-practice standard, with a growing focus on sustainability issues that have a systemic impact on the market.

Sustainable Finance Goal

The Guardians incorporates sustainability considerations into investment decision-making and supports the development of a sustainable financial system. This means:

- incorporation of ESG into investment decisions, with the intention of advancing sustainability whilst fulfilling our financial purpose;
- considering the impact of ESG on our investments and the impact of our investments on society and the environment; and
- working with others to overcome barriers to a sustainable financial system.

The Guardians also developed a new organisational purpose and vision statement.

Our purpose

Sustainable investment delivering strong returns for all New Zealanders

Our vision

An inclusive team creating a better future through investment excellence

Sustainable investment refers to the investment activities that we carry out within the organisation. Our sustainable finance goal refers to the wider goal of achieving a sustainable financial system. We support the development of a sustainable financial system through policy engagement and sector leadership.

The Sustainable Investment (SI) team is embedded within the wider investment team and we encourage our investment professionals to complete training on ESG and sustainable finance. The SI team includes the Head of SI and six investment professionals. The Head of SI reports to the Chief Investment Officer and is a member of the Investment Committee.

This section addresses Principle 1 of the Stewardship Code.

Policies



The Guardians has a set of policies that address stewardship.

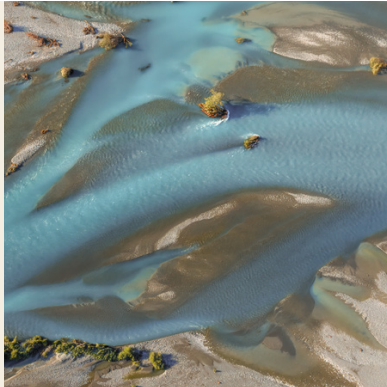
We address stewardship through several of our key policies. These include:

- Statement of Investment Policies, Standards and Procedures (SIPSP);
- Board Charter and Code of Conduct for Board Members;
- Communications and Engagement Policy; and
- Human Resources Policy, including a Code of Conduct for Employees and Contractors.

The SIPSP includes our Sustainable Investment Policy, which incorporates stewardship. In addition to the policy, we have a Sustainable Investment Framework that sets out more detail on our process. There is also a SIPSP for the Elevate NZ Venture Capital Fund, which includes the Sustainable Investment Policy. These policies can be found in the Policies section of the Guardians' website. The following sections provide an introduction to the key practice areas under our Sustainable Investment Framework: integration and active ownership, including engagement. Active ownership and engagement are the primary focus of our reporting to the Stewardship Code and where we provide more detail on our activities.

This section addresses Principles 1 and 2 of the PRI, and Principles 2 and 6 of the Stewardship Code.

Integration



We incorporate ESG considerations into investment decision-making. We refer to this as integration.

To be most effective, sustainable investment practice needs to be integrated into investment decision-making. Sustainable investment and ESG considerations, including climate change, are integrated into most aspects of the Guardians' investment activities. We incorporate ESG into the analysis of high-level investment opportunities and asset allocation approaches, including different markets and asset classes.

Our sustainable investment activities include:

- Developing guidelines to integrate ESG considerations across different types of investments;
- Screening and potential exclusion of company or sovereign securities from the Fund due to the products they make, poor ESG practices and/or sanctions against nation states;
- Monitoring our listed equities portfolio for companies with poor ESG performance. Where we identify issues, we prioritise and address them through mechanisms such as ongoing monitoring or engagement, with the option of escalating action if necessary;

- For direct investments, pre-investment analysis includes detailed ESG due diligence. Material ESG risks and opportunities are assessed, using independent expert advice if required, to understand how they will be managed or mitigated. The focus continues post investment;
- Our due diligence processes include consideration of human rights (including indigenous rights), diversity and, for New Zealand investments, consideration of te ao Māori and Te Tiriti o Waitangi (Treaty of Waitangi);
- ESG capability plays an important role in the selection, due diligence, engagement and ongoing assessment of external investment managers. Once a manager is selected, sustainable investment requirements are incorporated into contractual arrangements where possible and relevant. Regular reviews of managers' performance are undertaken; and
- Considering investments which provide measurable positive social or environmental outcomes in addition to the required financial returns. We continue to develop and evolve our Impact Investment Framework and approach, which includes a strict definition of impact investment.

In 2022, as part of the wider review of our responsible investment approach, the Board elected to change the building blocks of our Reference Portfolio to the MSCI Paris Aligned Indices. These changes are covered in detail in our Climate Change Report. The Paris Aligned Indices not only help to better align

the Fund's passive global equity positions with net zero objectives, but are also designed to have an improved ESG profile. In 2023, similar changes were rolled out to improve the overall ESG characteristics of equities held through externally-managed multifactor mandates. The outcome of these changes is that the global equities segment of the portfolio, representing approximately 60% of assets under management, is more consolidated and better aligned with net zero and ESG objectives.

In making these changes, the Guardians has adopted a pragmatic approach to integrate improved ESG performance, including carbon¹ emissions, into the building blocks of the portfolio. By adopting off-the-shelf indices, rather than customised indices, we have achieved most of our objectives in improving ESG performance and reducing carbon exposure, while supporting the development of the market. The limitation of this approach is that no off-the-shelf index will be perfect. Regardless of the index, there will always be companies where engagement on ESG issues will be appropriate.

We are reviewing options to improve ESG integration in fixed income and to align this segment of the portfolio with our net zero commitment.

This section addresses Principle 1 of the PRI and Principle 3 of the Stewardship Code.

¹ We use the term 'carbon' to include greenhouse gas (GHG) emissions.

Engagement



Our engagement activities include direct engagement, collaborations, engagement on systemic issues and policy input.

Investors engage with companies to use their influence as an owner or shareholder to encourage companies to improve how they manage and report on ESG risks and opportunities. We have a long-held investment belief that environmental, social and governance considerations, including climate change, are fundamental to long-term risk and return. We engage with companies to encourage them to improve ESG performance and reporting, and to make long-term improvements.

Best-practice investment is to have good processes in place to engage with companies on ESG issues. If engagement is unsuccessful, there are escalation opportunities such as voting or supporting shareholder resolutions, or potentially exclusion.

Our priority areas for engagement are climate change, severe environmental damage, human rights, and bribery and corruption.

Direct engagement with companies can be time-consuming and resource intensive. Although the Guardians is a large investor by New Zealand standards, we are small by global standards. Our shareholding in any global company is usually very small, which limits our influence. We use an engagement service provider, who represents a larger group of investors, to extend the scope and reach of engagement. We also join collaborative engagement initiatives. Engagement is often done in confidence and it may

take a long time to achieve outcomes, making it difficult to report outcomes on a company-specific basis.

We use a portfolio monitoring service (MSCI) to identify companies that have breached recognised ESG standards. We assess information, along with data from other sources, to determine whether we should engage with the company and what form the engagement should take.

One of the key factors we consider when prioritising our engagement efforts is whether the breach is of international standards or represents a high/significant ESG risk, i.e. if it is: long-term or short-term; historic or ongoing; isolated or endemic; a potential reputation risk internationally or nationally.

Other factors we take into account include:

- the ability to participate in collaborative engagements through international initiatives;
- our ability to engage directly with the company;
- the potential effectiveness of the engagement; and
- the resources required.

In New Zealand, we have an ongoing collaboration with other government-owned investors, the Crown Financial Institutions (CFIs). We work together

to monitor our portfolios, in particular our global equity holdings, and on certain engagement activities. The other CFIs are the Accident Compensation Corporation (ACC), and the Government Superannuation Fund Authority (GSFA), managed by Annuitas Management Limited. Annuitas also manages the National Provident Fund.

We use an external service provider to engage with our global equities holdings. The Responsible Engagement Overlay (reo®) service is provided by Columbia Threadneedle Investments, a global asset management business. The reo® service has US\$481 billion in assets under engagement, with 45 responsible investment specialists. It has been engaging on behalf of clients for 24 years. Reo® engages on behalf of NZSF and the New Zealand CFIs, as well as its other engagement service clients. The use of the reo® service extends our engagement reach beyond the companies held in our portfolio and helps to support engagement on systemic issues.

In addition to engaging with companies on individual issues and contributing to collaborative initiatives, reo® carries out thematic and industry-wide engagements on topics such as human rights, worker rights and environmental harm. Climate change is a priority area. Quarterly reports summarising reo® engagement activities are published on our website.

In the year from July 2023 to June 2024, reo® carried out 607 engagement activities on behalf of the CFIs, covering 371 companies in 32 countries. This included 299 engagement activities on climate change, covering 201 companies.

The following tables and graph set out engagement activities carried out by reo® with companies held in the NZ Super Fund portfolio in the 2023/24 financial year.

Engagement activities	
Engagement activities	372
Companies engaged	233
Milestones achieved	83
Countries covered	25
Companies engaged by country	
Europe	72
North America	106
Asia (ex Japan)	35
Japan	15
Other	5
Total	233

Themes covered in engagement activities		
Climate change	157	21%
Environmental standards	84	11%
Business conduct	38	5%
Human rights	73	10%
Labour standards	155	21%
Public health	29	4%
Corporate governance	210	28%
Total	746	100%
Milestones achieved by theme		
Climate change	18	22%
Environmental standards	6	7%
Business conduct	1	1%
Human rights	4	5%
Labour standards	18	22%

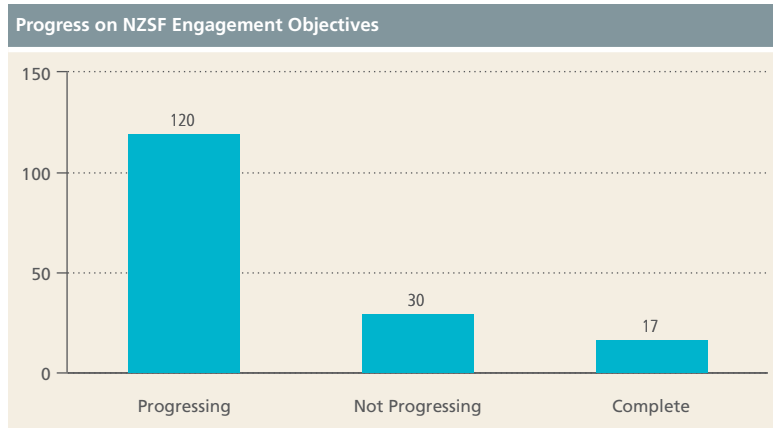
Milestones achieved by theme (continued)		
Public health	3	4%
Corporate governance	33	40%
Total	83	100%

Climate change engagement	
Engagement activities on climate change	157
Companies engaged	112
Climate engagement breakdown by sector	
Consumer discretionary	21
Consumer staples	17
Communication services	1
Energy	1

Climate engagement breakdown by sector (continued)	
Financials	34
Health care	13
Industrials	15
Information technology	30
Materials	13
Real estate	1
Utilities	11
Total	157
Sub-themes covered in climate engagements	
Climate finance	16
Climate change other	2
Disclosure and Transparency	60

Sub-themes covered in climate engagements (continued)	
Emissions management	65
Energy transition	45
Just transition	4
Net zero strategy	104
Resilience and adaptation	24
Total	320
Climate milestone breakdown by sub-theme	
Climate finance	1
Disclosure and transparency	7
Emissions management	2
Energy transition	6
Net zero strategy	12
Resilience and adaptation	1
Total	29

Reo® monitors the outcomes or success of its engagements by setting an objective for each engagement at the outset and identifying milestones to measure progress. The table below sets out the progress on the objectives set for engagements that cover companies in the NZSF portfolio for the 2023/24 financial year. We are able to monitor progress via reo®'s online portal.



REO® ENGAGEMENT CASE STUDIES

Amazon (Human Rights, Labour Standards):

Amazon, a leading online retailer and web service provider, extensively uses artificial intelligence (AI) across operations including personalised product recommendations, Alexa voice shopping, powered search, and optimisation in the warehouse. As part of its Responsible Governance of AI project, reo® has engaged Amazon to understand its approach, including board oversight, risk assessments, and ethical considerations. The Board's Nominating Governance Committee oversees Responsible AI, with input from a cross-functional group. Reo® noted that Amazon has made progress with public commitments, such as the White House Voluntary AI commitments and its Responsible AI policy for Amazon Web Services. It encouraged enhanced disclosure on operationalising principles, human rights impact assessments, and quantitative impact measurements. Reo® will continue to monitor Amazon's Responsible AI framework and processes. Reo® has also engaged with Amazon over the last year on working conditions and health and safety.

Adobe Inc (Human Rights – Responsible AI):

Adobe is one of the largest software companies in the world, offering a suite of products and services. AI is embedded in many of its offerings. Reo® held dialogue with Adobe's Investor Relations and General Counsel to

learn more about the company's approach to Responsible AI. Topics included the company's governance approach, risks and mitigation. Adobe has an AI ethics governance committee which is responsible for conducting an AI ethics review every time an AI feature is proposed. This involves identifying potential harm and bias and multiple tests to minimise and eliminate these risks where possible. Overall, the company has been ahead of the curve on Responsible AI and has been responsive to the engagement.

Climate Action 100+

Reo® is involved with a number of company engagements within the framework of Climate Action 100+, a global five-year investor initiative targeting the world's largest corporate greenhouse gas emitters. The CA100+ Benchmark now provides a systematic assessment of progress and, together with the development of sector expectations, gives greater clarity to companies on investor expectations. Reo® co-leads eight engagements and supports a further 40. It has engaged with two companies in the automotive sector this year and pushed both to develop a clearer approach for decarbonising upstream emissions, especially from steel purchasing. It has also engaged with two companies in the mining sector.

NZX50 CLIMATE CHANGE ENGAGEMENT

The CFIs are working together on a collaborative initiative to engage with New Zealand companies on climate change. In May 2023, we released a joint position statement on climate change and are engaging directly with companies listed on the NZX50. We launched the engagement through our Chairs writing to the Chairs of companies on the NZX50.

The engagements seek to:

- understand the progress of companies on climate change awareness, capability and commitments;
- understand how they are meeting regulatory requirements on climate-related disclosures and reporting;
- support companies to prepare for the transition by sharing knowledge of climate change risks and opportunities from the institutional investor perspective; and
- understand how companies' plans will align with our net zero commitments over time.

As at end June 2024, we have seven company engagements underway and three more planned. Our target is to engage with 10 companies in 2024. We will review progress in December 2024 and decide on next steps.



COLLABORATIVE ENGAGEMENT

We are involved in international collaborations and initiatives that support engagement with companies and policymakers on climate change and priority ESG issues. These include:

Collaborative initiatives	Description
Climate Action 100+	<p>CA100+ is an investor-led initiative to engage with the world’s largest corporate carbon emitters to encourage them to take appropriate action on climate change. The initiative focuses on transitioning a range of hard-to-abate sectors to a net zero pathway, including steel, aviation and food. The work of the initiative, which now covers 170 global companies, is coordinated by five regional investor networks, including the PRI and the Investor Group on Climate Change (IGCC).</p> <p>We are a signatory of CA100+. Our engagement service provider reo@ co-leads eight company engagements and is involved in a further 40.</p>
Investor Group on Climate Change	<p>IGCC is a collaboration of Australian and New Zealand institutional investors, which leads climate engagement with policymakers, companies and investors in Australia and New Zealand.</p> <p>We are a member of IGCC.</p>
Carbon Disclosure Project	<p>CDP focuses on encouraging the disclosure of company-specific climate change strategy, data, risks and opportunities.</p> <p>We are a member of CDP.</p>
Paris Aligned Asset Owner Initiative	<p>The Paris Aligned Investment Initiative (PAII) was established in 2019 as an investor-led forum to support asset owners and asset managers to align their portfolios and investment activities to the goals of the Paris Agreement. We signed up to the Paris Aligned Asset Owners (PAAO) Net Zero Commitment in 2021. The initiative now involves more than 57 investors representing US\$3.3 trillion in assets under management. We report each year on progress in meeting this commitment by way of a survey, with aggregated results published in an annual report.</p>

Collaborative initiatives	Description
Investor Mining and Tailings Initiative	<p>IMTSI was founded in 2019 after the disaster at Brumadinho, Brazil, where a tailings storage facility failed, killing 272 people and causing environmental damage. The initiative is led by the Church of England Pensions Board and the Swedish Council on Ethics. It is a coalition of more than 100 investors. The initiative worked with the United Nations Environment Programme and industry to develop a Global Tailings Portal, a Global Industry Standard on Tailings Management (GISTM) and to establish an Independent Global Tailings Management Institute. The Global Tailings Portal, launched in January 2020, is a free, searchable database with detailed information on 1,950 tailings dams around the world. As at January 2024, 77 companies, representing over half of the market capitalisation of all listed mining companies, have committed to implementing the GISTM.</p> <p>We are a formal supporter of this initiative.</p>
Mining 2030	<p>The Global Investor Commission on Mining 2030 is a collaborative investor-led initiative seeking to define a vision for a socially and environmentally responsible mining sector overall by 2030. It is a multi-stakeholder initiative. Mining 2030 was launched in November 2023. In 2024 the commission chair was an industry and finance representative on an advisory panel set up by the United Nations Secretary General to produce a report on principles to guide the critical energy transition minerals on equity and justice. The report was published in September 2024, including a recommendation to establish a global mining legacy fund to address legacy issues from derelict, ownerless or abandoned mines.</p> <p>We are a formal supporter of the initiative.</p>
One Planet Sovereign Wealth Fund Forum	<p>OPSWF is a network of global sovereign wealth funds. Established on the initiative of French President Emmanuel Macron following the signing of the Paris Agreement of 2015 and the One Planet Summit in 2017, it brings together a number of large sovereign wealth funds and asset managers to encourage the integration of financial risks and opportunities related to climate change in the management of large, long-term asset pools and to promote the climate transition.</p> <p>NZSF is one of the six founding members of OPSWF.</p>
CANDRIAM Facial Recognition Technology Initiative	<p>The FRT initiative was led by the investment management company CANDRIAM. It was established in 2021 to address human rights issues associated with the use of facial recognition technology. Its work included the development of a white paper on FRT and direct engagements with companies. NZSF was one of 53 investors to sign an investor statement on FRT and supported the engagement activity. CANDRIAM completed the initiative in 2024.</p>

POLICY ENGAGEMENT

We engage on policy, both in New Zealand and globally, where we believe our input will help policy decisions affecting the Guardians and our investment mandates to be well informed. We make submissions on policy developments on our own behalf and/or we contribute to submissions by relevant industry organisations.

Contributing to the formation of good public policy is required under our obligations as both a PRI and Stewardship Code signatory. In commenting on public policy issues, we adhere to strict political neutrality. All of our own submissions can be viewed on our external website.

Key policy activities in the 2023/24 financial year included:

- We are a member of the External Reporting Board's (XRB) Advisory Panel on climate-related disclosures.
- We were a member of the Ministry of Business, Innovation and Employment's (MBIE) Leadership Advisory Group on Modern Slavery and contributed to the development of policy on modern slavery. This group has now been disestablished.
- In January 2024, NZSF signed a Statement on Corporate Governance as a Prerequisite for Capital Market Competitiveness and Growth in the United

Kingdom. The statement was developed by the International Corporate Governance Network (ICGN) in response to concerns that UK regulatory proposals could weaken the UK and global corporate governance standards and shareholder protections.

- NZSF signed the 2024 Global Investor Statement to Governments on the Climate Crisis, which was launched in September ahead of Climate Week in New York. The statement urges Governments to consider a whole-of-government approach to accelerate global ambition on climate change. It will be showcased at the 29th Climate Change Conference in Baku, Azerbaijan.

This section addresses Principles 2 to 5 of the PRI and Principles 4, 7 and 9 of the Stewardship Code.

Exclusions



Decisions to exclude a company are based on our Sustainable Investment Framework.

We may decide to exclude the securities of a company from the NZ Super Fund. A decision to exclude a company is based on our Sustainable Investment Framework.

Companies may be excluded because of the products they make or due to their ESG practices. We typically aim to engage with companies about their practices before exclusion. Sovereign exclusions may be introduced because of sanctions against nation states.

PRODUCTS

Product exclusions apply to companies based on their products and take account of restrictions or prohibitions by international conventions New Zealand has signed, and of New Zealand law or significant actions by the Crown. Companies that are directly involved in the following products or activities are excluded from the portfolio, based on specific criteria set out in the decision documents published on our website:

- the manufacture of cluster munitions;
- the manufacture or testing of nuclear explosive devices (NEDs);
- the manufacture of anti-personnel mines;
- the manufacture of tobacco;
- the processing of whale meat;

- recreational cannabis; and
- the manufacture of civilian automatic and semi-automatic firearms, magazines or parts.

CONDUCT

We may exclude a company where there is evidence from credible sources of a serious risk of breaches of standards of good corporate practice and we believe that exclusion is the right course of action. While exclusion is considered a last resort and we prefer to engage first, we may move straight to exclusion where engagement is unlikely to be effective or is a poor use of resource, e.g. because of the company's operating context, or due to our shareholding being small. We disclose our exclusions every six months on our external website, including the relevant category of exclusion.

SOVEREIGN BONDS

We will exclude the government (sovereign) bonds of any nation state where there is widespread condemnation or sanctions by the international community and New Zealand has imposed meaningful diplomatic, economic or military sanctions aimed at that government.¹

¹ *We are legally required to comply with sanctions imposed by the New Zealand Government. Under New Zealand law, we are also required to comply with sanctions imposed by the United Nations (UN) Security Council. This includes the sanctions*

HOW WE APPLY EXCLUSIONS

For individual company exclusions, our exclusions policy applies to all investments where securities (i.e. shares, bonds) are held directly. The exclusions list is produced using International Securities Identification Numbers.

Collective Investment Vehicles (CIVs) are pooled funds with other investors. We endeavour to apply exclusions to CIVs to the extent that this is feasible and commercially prudent. CIVs are evaluated on a case-by-case basis and agreements are entered into where possible. The potential for indirect exposure to excluded securities through CIVs is factored into the selection of access points.

Our portfolio is monitored on an ongoing basis to ensure compliance with our exclusion categories and list.

This section addresses Principle 2 of the PRI and Principle 4 of the Stewardship Code.

implemented by the New Zealand Government relating to a range of Russian and other entities pursuant to the Russia Sanctions Act 2022.

Voting



We are an active owner of our assets. Exercising voting rights is central to our sustainable investment practice.

We exercise our voting rights globally and domestically across the Fund's listed equities.

Voting rights are important for maintaining shareholder oversight of directors, boards and company policies. Voting is central to our sustainable investment practice and to meeting our obligations under our governing legislation in relation to best practice portfolio management and protection of shareholder rights. Our aim is for the Fund's votes to reflect the essential elements of good governance: transparency, board alignment with shareholder interests, long-term strategy, appropriate remuneration, business ethics and shareholder rights.

We have a custom NZ Super Fund global voting policy and a New Zealand voting policy. Both draw on global good practice, including the standards referred to in the SIPSP and the public policies provided by our proxy voting agency, Institutional Shareholder Services (ISS). We have adopted the stronger ISS policies in relation to climate change, board governance, auditor oversight and ESG including diversity, equity and inclusion. Details of our voting policy are available on our website. It is reviewed and updated periodically. While we generally vote according to the policy guidelines, in special circumstances we may respond to specific issues on a case-by-case basis.

Global equities – Voting is executed on our behalf by ISS, based on our voting policies. We monitor voting via the online portal ISS Proxy Exchange. We can direct ISS on how to vote or vote manually if we elect to do so.

New Zealand equities – We vote manually in respect of New Zealand companies via the ISS Proxy Exchange platform, with decisions based on our New Zealand voting policy, recommendations from the NZ Equities team and external managers.

We have a live voting dashboard on our external website that records our votes after they have been cast. We generally do not disclose our voting intentions ahead of meetings. We have a closer relationship with the New Zealand market through our NZ Equities team and New Zealand external managers, who may discuss voting recommendations with companies.

There are limited circumstances in which the Fund is not able to exercise voting rights. Share-blocking is an issue for a small number of markets (fewer than 0.12% of ballots in the 2023/24 financial year). This is a practice whereby voting on shares results in restrictions on trading, potentially creating liquidity issues for investors. For example, once shares have been voted (or registered to vote), the shareholder can no longer trade shares until after the shareholder meeting. Share-blocking practices may be imposed at a market (country) level, by a custodian or a sub-custodian. We have instructed ISS not to vote (a Do Not

Vote instruction) in shareholder meetings in share-blocking countries unless the Fund owns 5% of votable shares.

Where shares are managed by an external or third-party manager, we prefer to invest in segregated funds that enable us to retain control over voting.

We have a securities lending programme for global equities, but not New Zealand equities. Securities lending involves 'lending out' shares that we own in liquid global equities to other parties for an agreed period for a fee. The lending programme generates additional active returns from the Fund's holdings of eligible liquid equities. When shares are on loan, the Fund may vote only on the remaining number of shares held at the time of the shareholder meeting. We recall shares if there is a vote on certain specified items, including climate related proposals. Our guidelines require us to withhold securities from lending or to recall shares on loan to exercise voting rights in certain circumstances, such as where the Fund has at least 5% of the votable shares in a company.

VOTING STATISTICS FOR THE 2023/24 FINANCIAL YEAR

Voting statistics 2023/24	Global	New Zealand
Number of distinct company meetings voted at	1,945	47
Number of management-sponsored proposals	20,909	169
Number of shareholder-sponsored proposals	774	5
Category with the most proposals	Director election	Director election
Percentage of votes cast in line with management’s recommendations	80%	97%

This section addresses Principle 2 of the PRI and Principle 5 of the Stewardship Code.

Measurement and Reporting



Performance measurement and reporting are part of our stewardship approach, supported by our commitment to transparency.

We measure and report on our stewardship activities in our Annual Report, on our website and within this Stewardship Report.

Our key benchmark for sustainable investment performance is the regular PRI assessment. Achieving A or A+ for governance and strategy is the performance measure set out in the Guardians' SOI for the 2023/24 financial year. The PRI has now adopted a star rating and percentage scoring system, with A or A+ being equivalent to the new four- or five stars rating.

The 2023 PRI assessment, which looked at our approach to responsible investment across the portfolio, rated the Fund:

- five stars (93%) for policy, governance and strategy;
- four stars (84%) for listed equity, passive;
- four stars (84%) for listed equity, active;
- three stars (59%) for confidence-building measures.

Our scores for the first three categories are ahead of the median scores for PRI signatories. Confidence-building measures relate to how the information provided in the PRI assessment is verified, such as internal or external assurance of sustainable investment processes and data. Our portfolio carbon footprint is subject to limited external assurance and elements of our processes have been subject to internal audit. In August 2023, an internal audit of our

voting processes was completed, which found they provided a sound platform for monitoring voting and were largely operating effectively. Three low-risk process improvements were identified and have been implemented.

We disclose the PRI assessment on our website, along with a transparency report which includes our full submission.

The expected outcome in the SOI for the five years from 2024 is to achieve a four- or five-star rating (out of five stars) for policy, governance and strategy in the annual PRI assessment. As noted earlier in this report, the PRI is the world's leading proponent of responsible investment and established globally accepted best practice. The PRI is evolving its approach to lift standards and to incorporate sustainability considerations as well as the management of ESG risks.

In addition to the PRI assessment, we take part in industry and peer reviews – in particular the Responsible Investment Association Australasia (RIAA) Benchmark Survey, which surveys responsible investment practice in the Australia and New Zealand markets. Based on our submission for the calendar year 2023, we have been named a Responsible Investment Leader by RIAA.

In July 2024 NZSF was awarded a perfect 100% score in the latest GSR (governance, sustainability, resilience) scoreboard published by international sovereign wealth fund experts GlobalSWF. NZSF was on the leaderboard

with three other funds. It is the second successive year NZSF has topped the GSR scoreboard. Introduced in 2020, the scoreboard ranks sovereign wealth funds and public pension funds against 25 criteria, including transparency and accountability, governance structure and processes, ethical standards and policies, and alignment with sustainable development goals.

In September 2024, NZSF was shortlisted for the biennial International Corporate Governance Network's Global Stewardship Disclosure Awards, in the category of asset owners under £60 billion of assets under management.



Responsible Investment Leader 2024

In October 2024, NZSF was named a Responsible Investment Leader by the Responsible Investment Association Australasia, based on our performance in 2023. Responsible Investment Leaders refer to investors that scored in approximately the top 20% of all investment managers assessed on RIAA's scorecard. The scorecard includes commitment to responsible investment and transparency; consideration of ESG factors and other screens, including

reporting of these; stewardship; allocating capital to benefit stakeholders and contribute to solutions, as well as measurement and reporting of outcomes.

WTW INDEPENDENT REVIEW

As part of our statutory mandate, an independent review of the Guardians and how we manage the NZ Super Fund is carried out every five years, with the independent reviewer appointed by the Treasury. The most recent review was conducted by global consulting firm WTW in the first half of 2024. It covered our sustainable investment practices and whether we are meeting the requirements of our legislated mandate, including stewardship policies and practices. The report and our response to it are published on our website.

WTW found that our work is in line with global best practice and rated us A ('good practice') for our sustainability ambition, commitment, and investment approach. They noted that the Guardians has made significant strides forward in sustainability since the 2019 review. However, they emphasised that sustainable investment best practice is evolving quickly and the Guardians will need to adapt to these changes to maintain its leadership position.

WTW recommended that we build out our sustainability proposition, with more coverage of our impact goals and targets and how impact is weighed against financial risk. They recommended that our focus should extend more significantly into systemic stewardship, reflecting our role as a 'universal

owner', a large investor owning a slice of the world economy. They also recommended that we deepen our approach to the 'real-world' impacts of the Fund through investment activities and stewardship.

The 2019 independent review made a considerable contribution to our sustainable finance journey. Our response to the 2024 review will be reflected as we further develop our sustainable finance approach.

This section addresses Principle 6 of the PRI and Principle 8 of the Stewardship Code.

Leadership



Leadership is about supporting best practice in sustainable investment and the development of a sustainable financial system.

The Guardians is an active member or supporter of organisations that promote sustainable finance and support corporate governance. These include:

Organisation	Description
Principles for Responsible Investment	The United Nations-supported PRI is the world's leading proponent of responsible investment and has established globally accepted best practice. NZSF is a member and was a founding signatory when it was established in 2006. The annual PRI assessment is a key performance benchmark for the NZSF.
Responsible Investment Association Australasia	RIAA is the largest network of organisations engaged in responsible investment in Australia and New Zealand, supporting the development of responsible investing and a sustainable financial system. It has over 500 members representing US\$29 trillion in assets under management. NZSF is a member of RIAA. We are a member of the Nature Working Group, the Aotearoa Working Group, and we participate in the Human Rights Working Group, as well as its Australia and New Zealand annual conferences.
Australian Council of Superannuation Investors	ACSI was established in 2001 to provide a strong voice on financially material ESG issues in Australia. Its members include Australian and international asset owners and institutional investors with more than \$1 trillion in funds under management. It has an extensive engagement programme with Australian companies.
Toitū Tahua Centre for Sustainable Finance	Toitū Tahua was set up to support the shift to a sustainable finance system in Aotearoa New Zealand and to help implement the roadmap developed by the Sustainable Finance Forum. Its work includes industry guidance, policy, supporting collaborative approaches and monitoring progress. NZSF is a founding member and partner.
Aotearoa New Zealand Stewardship Code	The Aotearoa New Zealand Stewardship Code was established to give investors a clear framework for engaging with companies they own on critical environmental, social and corporate governance issues. The code also guides investors on how to report on their stewardship activities. NZSF was a founding signatory of the code and has sponsored its development.

Organisation	Description
New Zealand Corporate Governance Forum	The New Zealand Corporate Governance Forum was set up to promote global best practice in governance within New Zealand listed companies and has produced agreed principles for best practice and a set of Corporate Governance Guidelines for New Zealand investors and companies. It engages with public policy-makers and regulators to promote and improve policy, rules and guidelines. NZSF was a founding member of the forum and continues to be an active member.
International Corporate Governance Network	ICGN was established in 1995 by global institutional investors to be a leading voice for the highest standards of corporate governance and investor stewardship. NZSF is a member.

This section addresses Principle 4 of the PRI and Principles 7 and 9 of the Stewardship Code.

Stewardship Code – Reference



Stewardship is the responsible allocation and management of capital by investors to create and preserve long-term value for current and future generations.

Aotearoa New Zealand Stewardship Code Principle		Description	Where we report
1	Be committed	Signatories will establish and publicly articulate how their investment philosophy, governance structures and resourcing support the goals of effective stewardship.	See the Introduction (under 'Guardians' Purpose') section in this report. See the Guardians' Annual Report.
2	Establish and maintain policies	Signatories will develop and implement measurable and effective stewardship policies.	See the Policies section in this report. See the Policies section on the Guardians' external website.
3	Incorporate material ESG matters	Signatories will incorporate material ESG matters into their investment decisions and stewardship practices.	See the Integration section in this report. See the Guardians' Annual Report, website and PRI Transparency Report.
4	Be engaged	Signatories will engage regularly and effectively with underlying asset managers, issuers, and other key stakeholders.	See the Engagement section in this report.
5	Vote responsibly	Signatories will exercise voting rights in accordance with their investment mandate, and regularly and transparently disclose voting actions and outcomes.	See the Active Ownership section in this report.
6	Manage conflicts of interest	Signatories will endeavour to avoid any conflict of interest that does not put the best interests of their clients and beneficiaries first and explain their approach to managing any conflicts of interest that arise.	See the Policies section in this report . See the Policies section on the Guardians' external website.

Aotearoa New Zealand Stewardship Code Principle (continued)	Description	Where we report
7	Collaborate and advocate for change	<p>See the Engagement section in this report.</p> <p>See the Guardians' Annual Report, website and PRI Transparency Report.</p>
8	Measure and report	<p>See the Performance Measurement and Reporting section in this report.</p> <p>See the Guardians' Annual Report.</p> <p>See the Active Ownership section in this report and the Voting Dashboard on the Guardians' external website.</p>
9	Educate and improve	<p>See the Engagement (under 'Collaborative Engagement') and Leadership sections in this report.</p> <p>See the Guardians' Annual Report, website and PRI Transparency Report.</p>



To learn more about the NZ Super Fund,
please visit nzsuperfund.nz