

Investment Policy

Te Kaupapa Here Haumi

The Guardians' Investment Policy sets out the principles we follow when making investments to gain exposure to asset classes through Passive Investment and applying Opportunities and Proxies, to construct the Actual Portfolio using a Total Portfolio Approach.



Policy Owner: Co-Chief Investment Officers

Date: 5 August 2026



1. Purpose and Scope

- 1.1 This policy sets out the general principles, governance requirements and reporting frameworks to be followed when gaining exposure to asset classes through **Passive Investment** and applying **Opportunities** and **Proxies**, to construct the **Actual Portfolio** using a **Total Portfolio Approach**.
- 1.2 The policy is part of the Guardians' suite of investment policies, standards and procedures established under section 60 of the New Zealand Superannuation and Retirement Income Act 2001 (Act) that are designed to meet the legislative requirement (our **statutory mandate** or **mandate**) that the New Zealand Superannuation Fund (the **Fund**) be invested on a prudent, commercial basis and managed and administered 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.
- 1.3 The policy is also guided by the Fund's purpose – sustainable investment delivering strong returns for all New Zealanders.
- 1.4 This policy should be read in conjunction with three other policies. These are:
 - Portfolio Design Policy:** sets out the principles, governance requirements, investment constraints, and reporting framework for building and managing the Fund's portfolio, from the Board-approved **Reference Portfolio** reflecting the Board's investment risk appetite through to gaining exposure to asset classes through Passive Investment and applying Opportunities and Proxies, to construct the Actual Portfolio.
 - Liquidity Policy:** sets out principles for managing Fund-wide liquidity risk and operational liquidity management.
 - Sustainable Investment Policy:** – sets out our approach to sustainable investment and includes policies for avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

2. Definitions

- 2.1 To aid with interpretation of this policy we have a **Glossary of Terms**, which defines all investment and technical terms used in our policies. In this policy the first instance of any such defined term is highlighted in **bold**. References to other documents are *italicised*.
- 2.2 When we refer to "we" / "our" / "us" in this policy we mean the Guardians of New Zealand Superannuation.

3. Guiding Principles

The following principles underpin this policy and must be considered in its application:

Purpose-Led Investing

- 3.1 All investment activity is governed by our mandate and guided by our purpose – sustainable investment delivering strong returns for all New Zealanders.

Total Portfolio Approach (TPA)

- 3.2 We have an investment belief that a Total Portfolio Approach enables a flexible and dynamic approach to capital allocation to Opportunities, informed by what is best for the

total portfolio and supported by a high degree of collaboration across the investment team.

New Zealand Investment Commitment

- 3.3 In accordance with our government directive, we actively identify and consider investments in New Zealand, subject to remaining consistent with our mandate.

Investment Frameworks

- 3.4 To maintain a rigorous and consistent application of our investment processes, we develop and apply processes to evaluate investments, the appropriate route to each investment and where applicable manager conviction. Post-investment, we maintain an active ongoing view of relative attractiveness of every investment and investment manager.

Control Investments

- 3.5 Investments with heightened risk profiles including controlling stakes in government-connected entities, critical national businesses, or entities with significant reputational exposure require a higher level of internal scrutiny and Board engagement.

Ministerial Consents

- 3.6 The Fund has been granted **Ministerial Consents** under Section 50 of our Act, to enable specific classes of activities or investments to be undertaken. As a condition of granting these consents, the Fund may be subject to additional specific risk controls, governance and reporting obligations.

Counterparty Selection, Exposure Management and Monitoring

- 3.7 The Fund manages **Counterparty, Portfolio Completion Agent, Central Clearing Houses**, bank accounts, **Securities Lending Investment Manager** and **Non-Master Custodian** risk through a structured selection, monitoring, and exposure management framework to manage counterparty credit risk within defined exposure limits. Counterparty creditworthiness is actively managed to ensure that exposures do not give rise to unacceptable risk or potential loss to the Fund.

Internal Investment Mandates

- 3.8 We use **Internal Investment Mandates** that authorise and constrain the internal management of some Opportunities. They are subject to a structured governance model to ensure strong discipline, independent oversight, and alignment with the Fund's investment framework. To maintain a rigorous and compliant operation of activities conducted in Internal Investment Mandates we develop and apply settings and procedures to ensure compliance with **Authorised Dealer** conduct, limits, use of **Approved Products** and operating within Ministerial Consents (including derivative use, short selling).

Approved Products, Derivative Use and Short Selling

- 3.9 We use financial instruments for the purpose of obtaining market exposures, hedging risks, managing liquidity and executing efficiently subject to certain conditions. An Approved Product process ensures that any new investment instrument is formally assessed and approved and we have additional processes to ensure derivative use and short selling is compliant with Ministerial Consents.

Fund Rebalancing

- 3.10 We **Rebalance** the Fund to adjust the Actual Portfolio to reduce deviations from the Fund's two Rebalancing Constraints (as set out in the *Portfolio Design Policy*): absolute risk rebalancing threshold and relative risk rebalancing range. The rebalancing decision must weigh transaction costs, liquidity needs, and market conditions, to ensure the Actual Portfolio remains within these rebalancing constraints.

4. Policy

- 4.1 **Choosing how to invest:** Our statutory mandate, our purpose, the particular advantages we have because of our endowments and investment beliefs all guide how and where we invest.
- 4.2 **Implementation:** There are various ways in which we can access investments, including by investing in physical or synthetic assets, and managing the investment ourselves or having a third party do it.
- 4.3 **Physical versus synthetic assets:** The decision on whether to gain exposure to an asset physically or synthetically (via derivative instruments) has regard to costs and efficient implementation.
- 4.4 **Investment management:** The decision as to whether to manage an investment Opportunity ourselves or have a third party do it for us will depend on which is the most efficient and effective way to access the relevant Opportunity. Relevant factors include the relative risk-adjusted expected returns net of fees; alignment of interest; liquidity; and management and governance capability.
- 4.5 **Externally managed investments:** include investing in a collective investment vehicle managed by an external manager and appointing an external manager to manage a particular investment mandate on our behalf.
- 4.6 **New Zealand investment directive:** We actively identify and consider investments in New Zealand consistent with the government directive issued in 2009, subject to remaining commercially prudent in our investment activities.
- 4.7 **Direct and Externally Managed Frameworks:** We will maintain and adhere to frameworks that incorporate the following principles:

Investment Screen Evaluation

- 4.7.1 The investment screen evaluation framework must be maintained in the *Investment Procedures*. This framework consists of identifying the reasons why we see an opportunity to capture active returns; demonstrating the fit of the proposed or existing investment with the relevant **Opportunity Investment Strategy** (if applicable); identifying the best way to access the investment, including where relevant, a comprehensive manager search and selection process; capability requirements; governance arrangements and exit options. No new investment shall be undertaken without the formulation and approval of an investment case.

New Investment Implementation

- 4.7.2 The new investment implementation framework must be maintained in the *Investment Procedures*. This framework ensures that legal, operational, sustainable investment, reputational, finance, governance and tax issues relating

to either managers or investee entities have been identified and managed appropriately. This applies to both new investments and to material changes and exits.

Investment Monitoring and Management

- 4.7.3 The investment monitoring and management framework must be maintained in the *Investment Procedures*. This framework includes maintaining a view on relative attractiveness; tracking performance; maintaining a view on the planned strategy and forecast financial performance, including a buy/hold/sell analysis; maintaining a view on the operational competency and efficiency of the investee entity or investment manager; and maintaining a view on the environmental and social impact and performance on relevant health and safety metrics.

Conviction

- 4.7.4 The conviction framework must be maintained in the *Investment Procedures*. In the case of external managers that manage opportunities, we regularly monitor our conviction in those managers by using our own and other's assessment of capability, culture and alignment. We also look explicitly at managers' environmental, social and governance capabilities as a part of a broader assessment of manager suitability for the Guardians. In the case of external managers that manage Passive Investments we monitor mandate compliance and performance.

Investment Manager Fee Evaluation

- 4.7.5 The investment manager fee evaluation framework must be maintained in the *Investment Procedures*. In evaluating manager fees we ensure the terms of every investment are appropriate for the investment being considered on an ongoing basis.

Director Appointments

- 4.7.6 The director appointments framework must be maintained in the *Investment Procedures*. We appoint directors to investee companies with the objective of ensuring effective, appropriately skilled boards that deliver high quality governance outcomes in accordance with best-practice sustainability principles. Appointments can either be external or a member of the Guardians' staff. We have a presumption towards external professional directors unless an employee would better support the investment objectives and governance requirements of the investee company. The choice will depend on the requirements of the role, which will typically include consideration of factors such as location, industry expertise, technical expertise, governance experience and diversity; the nature and size of Guardians interest in the company; the alignment with the Guardians culture and investment approach; and the general pros and cons of having an internal versus an external director.

- 4.8 **Counterparties and Service Providers - Selection, Monitoring and Exposure Management Frameworks:** We will maintain and adhere to frameworks that incorporate the following principles:

Selection, Monitoring and Exposure Management

4.8.1 We will maintain and adhere to frameworks for how we select, assign limits, monitor, and measure exposure to Counterparties, Portfolio Completion Agents, Central Clearing Houses, bank accounts, Securities Lending Investment Managers, and Non-Master Custodians. The framework must be maintained in the *Investment Procedures*. Exposure limits must be maintained in the *Portfolio Design Policy*. The methods to determine counterparty limits assigned to counterparties must be maintained in the *Portfolio Design Policy*. A schedule of Approved Counterparties must be maintained in the *Investment Procedures*.

Counterparty Creditworthiness Monitoring

4.8.2 The counterparty creditworthiness monitoring framework must be maintained in *Investment Procedures*. To reduce the likelihood that Counterparty exposures give rise to potential loss to the Fund, we will continuously monitor and assess Counterparties against defined credit standard and indicators and take actions if creditworthiness deteriorates below preset thresholds.

Counterparty Potential Future Exposure

4.8.3 We will apply Potential Future Exposure multipliers to model the additional counterparty exposure on derivative positions that the Fund has to that *counterparty beyond current exposure* in order to estimate the potential increase in counterparty exposure arising from extreme market events, PFE multipliers are maintained in the *Investment Procedures*.

- 4.9 **Internal Investment Mandates (IIM):** We will maintain a governance framework for IIMs, with each IIM setting out its objective, scope, limits, permitted investments, key controls, and reporting requirements. Responsibility for mandate execution and performance rests with the relevant investment team, supported by independent oversight, risk management, operational control, and assurance functions, with ongoing review by the Investment Committee to ensure the mandate remains appropriate, effective, and continues to represent an efficient use of Fund capital relative to other Opportunities. The Internal Investment Mandate framework must be maintained in the *Investment Procedures*.
- 4.10 **Authorised Dealers:** A schedule of Approved Internal Investment Mandates must be maintained in the *Investment Procedures*. No **Financial Markets Transaction** may be entered into that is not mandated by an Internal Investment Mandate. To ensure that Financial Market Transactions are executed by a defined list of Authorised Dealers operating with strong governance, clear accountability, and appropriate risk controls we will maintain a list of both Authorised Dealers and Dealing Expectations in the *Investment Procedures*.
- 4.11 **Product Approval:** We will maintain and adhere to a new product approval framework that ensures the risks of using any new Product have been fully considered before that product is used internally. The Product Approval Framework must be maintained in the *Investment Procedures*. A list of Approved Products must be maintained in the *Investment Procedures*. The PFE multipliers must be maintained in the *Investment Procedures*.
- 4.12 **Short Selling:** As part of investing the Fund we utilise short selling. For Internal Investment Mandates, uncovered short selling is not permitted. The framework for short

selling must be maintained in *Investment Procedures*, including short selling by External Managers.

- 4.13 **Derivative Use:** We will only use derivatives consistent with our Act, regulations, Ministerial Consents and directions, and the investment objectives of the Fund. Ministerial Consents must be maintained in Schedule 2*. We must maintain appropriate procedures to evaluate the competency of relevant staff and external investment managers to use derivatives as part of their investment management. The Derivative Use procedures must be maintained in *Investment Procedures*.
- 4.14 **Portfolio Completion Frameworks:** A formal Fund rebalancing review must be made at least monthly with the objective of maintaining exposures within acceptable divergences of the absolute risk rebalancing threshold and relative risk rebalancing range. Rebalancing Constraints must be maintained in the *Portfolio Design Policy*. We assign a currency Target Exposure at the Fund level. The Fund Rebalancing and Foreign Exchange Exposure Management Frameworks must be maintained in the *Investment Procedures*.
- 4.15 **Control Investments:** We may choose to obtain control of an investee entity as part of an investment opportunity where there are demonstrable benefits (such as value creation or superior governance, exit and liquidity rights) in holding a controlling interest.
- 4.15.1 We will ensure that our investment screen evaluation, new investment implementation and investment monitoring and management frameworks in section 4 (above) provide for the identification, management and monitoring of any incremental risks (e.g. legal, reputational and operational) associated with the Fund controlling the investee entity.
- 4.15.2 We require Board approval or feedback in respect of **controlled direct investments** in certain situations outlined in the table set out in Schedule 1* and in the *Delegations Policy*.
- 4.15.3 Where we undertake a follow-on investment in any *controlled direct investment*, we apply the same internal approval process that applied to the initial investment. However, no further Board approval or consultation is required unless there is a material change to the strategic risk considerations in respect of the *controlled direct investment* or the cumulative amount invested is forecast to trigger Board approval thresholds.
- 4.16 **Ministerial Consents:** We will maintain in Schedule 2* the list of Ministerial Consents obtained under Section 50 of our Act, and their associated conditions and ensure all investment activities are conducted in accordance with the consents.

5. Procedures

- 5.1 Management is responsible for the development, maintenance and approval of procedures supporting this policy including those listed below. Changes to these procedures must be subject to appropriate Management governance including oversight from the Investment Committee or Risk Committee (as appropriate) over changes that

*Not included in the abridged version of this policy published externally

have a material impact on changes to how we add value to the Actual Portfolio or report that activity.

5.2 Staff are guided in matters of this policy by the Investment Procedures, which are maintained internally.

5.3 The *Investment Procedures* cover:

- Investment Screen Evaluation Framework
- New Investment Implementation Framework
- Investment Monitoring and Management framework
- Conviction Framework
- Investment Manager Fee Evaluation Framework
- Director Appointments Framework
- Receipt, recording and distribution of manager reporting
- Portfolio Completion Frameworks
- Product Approval Framework
- Approved Products
- Authorised Dealers and Dealing Expectations
- Counterparty Selection and Exposure Management and Minimum Requirements for PCAs and Non-Master Custodians
- Potential Future Exposure multipliers
- Counterparty Creditworthiness Monitoring Framework
- Short Selling
- Internal Investment Mandates
- Approved Internal Investment Mandates
- Investment Limits, Constraints for Internal Investment Mandates
- Derivative Use
- Approved Counterparties
- Responsibilities

6. Reporting

6.1 The reporting framework for this policy is set out in Schedule 3*.

7. Policy Approval and Review

7.1 The review framework for this policy is set out in Schedule 3*.

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- 7.2 This policy was reviewed and approved by the Board on 5 August 2026. This policy will be reviewed every five years as part of the cycle of reviewing Guardians policies and procedures. The next scheduled review will be in 2031.

8. Delegations

- 8.1 The *Delegations Policy* governs the delegation of authority for matters relevant to this policy.



Schedule 1: Controlled Direct Investment Decision Matrix

Controlled Direct Investments are subject to enhanced governance. The level and timing of Board engagement is determined by a decision matrix maintained internally.

Schedule 2: Ministerial Consents

The Guardians has obtained Ministerial consents under section 50 of the New Zealand Superannuation and Retirement Income Act 2001. These consents permit specified investment, financing and risk-management activities to be undertaken in relation to the Fund.

The consents are subject to conditions, controls and reporting requirements. The detailed terms and conditions of the Ministerial consents are maintained internally.

Schedule 3: Reporting and Review Framework

The Investment Committee and Board receive regular and event based reporting on investment activity covered by the policy, investee company director appointments and material events.