

Liquidity Policy

Te Kaupapa Here mō te Māngohe ā-Rawa

The Guardians' Liquidity Policy sets out the Fund's approach to managing liquidity risk in a manner that supports the Fund's short-term and long-term investment objectives



Policy Owner: Co-Chief Investment Officers

Date: 5 August 2026



1. Purpose and Scope

- 1.1 This policy sets out how the Fund manages liquidity risk in a manner that supports both the Fund's short-term and long-term investment objectives, minimises the cost of holding liquidity, preserves portfolio resilience through market cycles, and improves the probability the Fund can meet its obligations without being a forced seller of assets.
- 1.2 The purpose of this policy is also to ensure we optimise the key benefits of liquidity and liquidity management including:
- the ability to meet cash obligations such as funding commitments and meeting the margin calls and collateral payments that are embedded in derivative exposure;
 - supporting rebalancing the portfolio during periods of material market movements, lowering the probability of having to sell illiquid assets, such as infrastructure, timberlands and private equity at inopportune times; and
 - providing the opportunity to take advantage of investment opportunities in disruptive markets.
- 1.3 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 that are designed to meet the legislative requirement 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.
- 1.4 This policy is to be read in conjunction with two 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**.
- Investment Policy:** sets out the principles based on our **Total Portfolio Approach**, governance requirements and reporting frameworks we follow when making investments into Opportunities managed both internally and externally.

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:

Principle 1 – Liquidity Objectives, Limits and Budgets

Liquidity Risk Management

3.1 We manage liquidity through an integrated liquidity risk management framework that addresses liquidity risk over two distinct horizons:

- **Longer term:** a Fund-wide **Liquidity Risk Assessment** that constrains portfolio construction and liquidity risk through the cycle; and
- **Short term:** **Operational Liquidity Management** centred the **Minimum Liquidity Requirement** that ensures we can meet short-term cash, margin calls and collateral obligations.

Liquidity Risk Assessment

3.2 The Liquidity Risk Assessment seeks to ensure the Actual Portfolio is not over invested in illiquid assets or derivatives so that the Fund can withstand severe market stress without becoming a forced seller or undermining our long horizon endowments.

3.3 To calculate the Board's liquidity risk appetite, we calculate the impact on Fund liquidity arising from one iteration of a plausible multi-asset market stress scenario on the Fund's equities, sovereign debt, credit and currency exposures. We call liquidity impact on the Fund from each iteration an **Extreme Market Volatility Event (EMV)**.

3.4 There are three components of the Liquidity Risk Assessment:

- 3.4.1 The **Liquidity Budget**, the Board's liquidity risk appetite (measured in EMVs) is the through the cycle, number of EMVs the Fund should sustain.
- 3.4.2 The **Liquidity Replenishment Level** is the Board's risk appetite level (measured in EMVs) where actions must be taken to replenish Available Liquidity.
- 3.4.3 The **Liquidity Risk Assessment Framework** facilitates the monitoring of the Liquidity Budget and Liquidity Replenishment Level and informs portfolio escalation actions when levels are breached that require liquidity to be replenished.

Operational Liquidity Management

3.5 Our **Minimum Liquidity Requirement (MLR)** measures the absolute minimum amount of **Highly Liquid Assets** we must hold to pay margin calls and collateral payments under severe short-term market stress. The detailed calculation methodology and parameters are maintained internally.

Principle 2 – Liquidity Sources

3.6 **Liquidity by Assets:** We identify and classify the Fund's assets as either **Highly Liquid, Liquid** or **Illiquid** to determine our liquidity sources.

Principle 3 – Governance Principles

- 3.7 **Board:** The Board is responsible for approving this policy including expressing its liquidity risk appetite by setting the Liquidity Budget, the Liquidity reporting, Liquidity Replenishment Level and the Minimum Liquidity Requirement.
- 3.8 **Management:** Management is responsible for complying with this policy including liquidity monitoring and management and ensuring compliance with limits and liquidity escalation triggers are carried out in accordance with the Board-approved Liquidity Policy constraints.
- 3.9 **Assurance:** Reporting by Management on Liquidity Policy constraints provides timely, clear and decision-useful insights and assurance to the Board into how constraints are operating in practice.

4. Policy

- 4.1 **Liquidity Budget:** The Liquidity Budget is set by the Board and is set out in Schedule 1*.
- 4.2 **Liquidity Replenishment Level:** The Liquidity Replenishment Level is set by the Board and is the level that triggers action by Management to rebuild liquidity. The Liquidity Replenishment Level and Management's requirements are set out in Schedule 2*.
- 4.3 **Liquidity Risk Assessment Framework:** We must maintain a Liquidity Risk Assessment Framework to facilitate monitoring of the Liquidity Budget and Liquidity Replenishment Level and to inform Management escalation actions. The framework must be maintained in accordance with the *Liquidity Procedures*. Within the Liquidity Risk Assessment Framework, we must maintain and use EMV calculations to measure the impact on Fund liquidity arising from a plausible multi-asset market stress scenario. The size of the asset class shocks for an EMV are set by the Board and are set out in Schedule 4*.
- 4.4 **Liquidity Reporting:** We must comply with the Liquidity Reporting Level set by the Board. The Liquidity Reporting Level is set out in Schedule 5*.
- 4.5 **Operational Liquidity Management Framework:** We will maintain and adhere to the Operational Liquidity Management Framework set out in the *Liquidity Procedures* to ensure the Fund holds sufficient Highly Liquid Assets to meet immediate cash, margin and collateral obligations under severe short-term market stress. As part of the Operational Liquidity Management Framework we will maintain the Board-approved **Minimum Liquidity Requirement (MLR) Limit** representing the absolute minimum amount of Highly Liquid Assets the Fund must hold to pay margin calls and collateral payments under severe short-term market stress. The detailed calculation methodology and parameters are maintained internally.
- 4.6 **Liquidity by Assets:** We must classify the liquidity value of the Fund's assets to facilitate a consistent and robust identification and measurement of liquidity sources to meet the

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Liquidity Budget and MLR. Assets must be classified as Highly Liquid, Liquid or Illiquid as those assets are defined in the *Liquidity Procedures*.

- 4.7 **Management's Liquidity Governance, Triggers and Decision Rights:** Clear governance, triggers and decision rights support timely, coordinated and accountable action. The Investment Committee and appropriate management oversight groups oversee the Fund's liquidity and counterparty risks. Detailed stress-testing, contingency, escalation and decision-right arrangements are maintained in the *Liquidity Procedures*.

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 have a material impact on liquidity measurement and reporting.
- 5.2 Staff are guided in matters of this policy by the *Liquidity Procedures* document that is available on Supercharged.
- 5.3 The *Liquidity Procedures* cover:
- Liquidity Management
 - Liquidity Risk Assessment Framework
 - Liquidity Risk Assessment
 - Operational Liquidity Management Framework and MLR
 - Minimum Liquidity Requirement Multiplier
 - Liquidity by Assets
 - Counterparty and Liquidity Oversight Group Terms of Reference
 - Market Crisis Management Plan
 - Stress Testing
 - Management's liquidity Governance, Triggers and Decision Rights
 - Responsibilities

6. Reporting

- 6.1 The reporting framework for this policy is set out in Schedule 5*.

7. Policy Approval and Review

- 7.1 The review framework for this policy is set out in Schedule 5*.

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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 Liquidity Budget

Schedule 1 summary: The Board sets a Liquidity Budget representing the long-term level of liquidity the Fund seeks to maintain, on average, through a cycle. The detailed setting is maintained internally.

Schedule 2 Liquidity Reporting and Replenishment Level

Schedule 2 summary: The Board sets liquidity reporting and replenishment levels. The detailed settings are maintained internally.

Schedule 3 Minimum Liquidity Requirement

Schedule 3 summary: The Fund must hold sufficient Highly Liquid Assets to satisfy the Board-approved Minimum Liquidity Requirement. The detailed setting and calculation parameters are maintained internally.

Schedule 4. Extreme Market Volatility Event (EMV)

Schedule 4 summary: EMV calculations apply Board-approved stress assumptions to the Fund's equity, sovereign debt, credit and foreign-currency exposures. The detailed shock assumptions and correlation settings are maintained internally.

Schedule 5: Reporting and Review Framework

The Investment Committee and Board receive regular reporting on liquidity positions, liquidity movements, available liquidity, MLR coverage and planned liquidity actions.

The liquidity budget and liquidity frameworks are reviewed periodically.