

First Name: Paul

Last Name: Gregory

Response Number: 13751080

Status: Complete Response

1. Country

Answer: New Zealand

2. Organization

Answer: Guardians of New Zealand Superannuation

3. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

3.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The legal framework and structure for the Guardians of New Zealand Superannuation ('Guardians', 'we', 'our') and the New Zealand Superannuation Fund ('Fund') are clearly and publicly disclosed in the New Zealand Superannuation and Retirement Income Act 2001 ('Act'). The full wording of the Act is available at http://www.legislation.govt.nz/act/public/2001/0084/latest/DLM113924.html?search=ts_act_New+Zealand+Superannuation+and+Retirement+Income+Act+2001_rese&sr=1 Detail on the controls that exist for how we manage the Fund is available at <http://www.nzsuperfund.co.nz/index.asp?pageID=2145879271>

3.2 Please elaborate on your response above.

Answer:

4. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

5. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

5.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The purpose of the Fund is to reduce the tax burden on future taxpayers of the cost of New Zealand Superannuation. The purpose of the Guardians is to manage and administer the Fund. Both are expanded on in more detail in our Statements of Intent and Annual Reports. Statements of Intent are available at <http://www.nzsuperfund.co.nz/index.asp?pageID=2145832197> and Annual Reports are available at <http://www.nzsuperfund.co.nz/index.asp?pageID=2145831981>

5.2 Please elaborate on your response above.

Answer:

6. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

7. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have not implemented this principle, and have no plan to do so

7.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer:

7.2 Please elaborate on your response above.

Answer: This GAPP is not relevant to the New Zealand Superannuation Fund, which does not have direct, significant macroeconomic implications for New Zealand.

8. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

9. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

9.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The funding formula for the Fund is publicly disclosed on the Fund's website and on the website of the New Zealand Treasury here <http://www.treasury.govt.nz/government/assets/nzsf/contributionratemodel> Under current Government projections, contributions made subject to the formula will resume in 2017 and withdrawals will begin in or about 2030.

9.2 Please elaborate on your response above.

Answer:

10. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer: In the 2009 Budget, the New Zealand Government announced its intention to reduce contributions to the Fund (to zero), until the Crown operating balance returns to surplus sufficient to resume contributions. The Treasury currently forecasts this to be in the 2014/15 financial year. In the Budget speech the Minister of Finance explained that this was done because of the scale of the impact of the global financial crisis on the Government's finances. New Zealand Treasury modeling shows that the reduction in contributions means that the Fund will be smaller in size when withdrawals begin in 2031 and so the 'buffer' effect of the Fund on the future cost of New Zealand Superannuation will also be less. The funding formula to which we have provided the link in the first part of our response to this GAPP quantifies the impact of the Budget announcement on the rate and profile of contributions and on projected Fund size. The reduction in contributions will mean that the Fund will not grow at the rapid pace anticipated. But our long-term investment horizon, our focus on adding economic value and on making prudent commercial investment decisions remains unchanged.

11. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

11.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: Performance data is reported monthly, publicly via the Fund's website here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145855927> It is also reported directly to the New Zealand Treasury for incorporation within the Crown Accounts (which are published on the Treasury website).

11.2 Please elaborate on your response above.

Answer:

12. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer: We are the only SWF, and one of the few insitutional investors of any variety, which discloses monthly performance figures. We have accepted that this transparency can lead to conflict with our long-term investment perspective, in particular when markets are volatile and there are marked-to-market losses from the Fund. However, in the context of our funding coming from present-day New Zealanders and that it is invested on their behalf and the behalf of their children and grandchildren, on balance we believe that monthly disclosures are an important part of our transparency and our local licence to operate.

13. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

13.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The New Zealand Superannuation and Retirement Income Act 2001 establishes clear operational independence for the Guardians and establishes <https://app.cvent.com/Subscribers/Surveys/Respondents/PopUpViewResponse.aspx?surveystub=d5fdc6e0-574c-450f-9895-7b97f3bb0244&stub=c74737bc-7196-...> 2/9

standards of public accountability. We have provided a link to the Act as part of our response to GAPP 1. Additionally the Guardians have a Delegations Policy that provides for clear separation, within the constraints of our enabling legislation, of governance (the Board) and management (the Executive) responsibilities. The policy can be seen here <http://www.nzsuperfund.co.nz/files/Policy%20Documents/NZSF%20Delegations%20Policy%20v2C%2026%20Oct%202011.pdf>

13.2 Please elaborate on your response above.

Answer:

14. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

15. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

15.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The objectives are set by statute as: managing in a prudent commercial basis in a manner consistent with: 1. Best practice portfolio management; 2. Maximizing return without undue risk; 3. Avoiding prejudice to New Zealand's reputation as a responsible member of the world community. Procedures for appointing Board members are set out in the Act and are published on the Fund's website here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145879271> Provisions for public accountability, including independent reviews at least five-yearly, are set out in the Act. Copies of all such reviews are published on our website here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145831982>

15.2 Please elaborate on your response above.

Answer:

16. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

17. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

17.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The Guardians sole purpose is to manage and administer the Fund and we have all the legal powers necessary to do so. The mandate is clear, as set out above in response to Principle 7.

17.2 Please elaborate on your response above.

Answer:

18. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

19. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

19.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The Guardians have a Delegations Policy that provides for clear separation, within the constraints of our enabling legislation, of governance (the Board) and management (the Executive) responsibilities. We provided a link to the Delegations Policy as part of our response to GAPP 6.

19.2 Please elaborate on your response above.

Answer:

20. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

21. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

21.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: Accountability is established in our Act, which is available publicly (see link in response to GAPP 1). The Guardians are required to produce an Annual Statement of Intent and an Annual Report, both of which are public (and are tabled in Parliament – see links in our response to GAPP 2). The Guardians also report quarterly to the Minister of Finance. Our Delegations Policy (see GAPP 6) clearly sets out accountabilities between Board and Management.

21.2 Please elaborate on your response above.

Answer:

22. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

23. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

23.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: Our International Financial Reporting Standards-compliant and audited Annual Report is prepared annually, according to a deadline set by statute, and is available publicly on the Fund's website (see response to GAPP 2). We note that our 2011 Annual Report won the public sector annual report category in reporting awards held, and judged, by the New Zealand Institute of Chartered Accountants.

23.2 Please elaborate on your response above.

Answer:

24. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

25. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

25.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: Financial statements in our Annual Report and Statement of Intent are annually audited in compliance with IFRS and with requirements specific to our organisation. Both are tabled in Parliament and published on the Fund's website (see the link in our response to GAPP 2). We note that in 2012 we also published a GRI reporting index here <http://www.nzsuperfund.co.nz/files/Annual%20Reports/2012%20GRI%20Index.pdf>

25.2 Please elaborate on your response above.

Answer:

26. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

27. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

27.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The Guardians have adopted a Board Charter and Employee Code of Conduct both of which are published on the Fund's website. The Charter is here http://www.nzsuperfund.co.nz/files/Board_Charter_for_Website_with_Changes_from_April_2012.pdf The Code of Conduct is within our Human Resources Policy here <http://www.nzsuperfund.co.nz/files/Policy%20Documents/NZSF%20HR%20Policy%20v2A%2030%20Nov%202012.pdf>

27.2 Please elaborate on your response above.

Answer:

28. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

29. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

29.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: All third-party dealings are based on economic and financial grounds. The Guardians have a variety of internal policies dealing with how they interact with third parties. These include policies relating to communication, procurement and outsourcing, and travel and sensitive expenditure. All of our policies are available on our website here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145879230>

29.2 Please elaborate on your response above.

Answer:

30. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

31. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have not implemented this principle, and have no plan to do so

31.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer:

31.2 Please elaborate on your response above.

Answer: The Guardians have no direct operations or activities in foreign countries. Through third-party sources, the Guardians actively monitor legislative developments in jurisdictions in which the Fund holds significant investments.

32. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

33. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

33.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The framework, objectives and our operational independence from the New Zealand Government are set out in our enabling legislation and published on the Fund's website and within our Annual Report and Statement of Intent. Links to the legislation, the controls on and independence of the Board, and to our Annual Reports and Statements of Intent are provided in responses to preceding GAPPs.

33.2 Please elaborate on your response above.

Answer:

34. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

35. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

35.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: Audited financial accounts are published in our Annual Report and Statement of Intent. Both are public and links to them have been provided under preceding GAPPs. Fund size and absolute and relative returns are published on the Fund's website here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145855927> and updated monthly.

35.2 Please elaborate on your response above.

Answer:

36. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

37. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

37.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: The policies section of our website is here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145879230> the policies relevant to this GAPP are:
1. Investment Risk Allocation policy
2. Externally Managed Investment policy
3. the Statement of Investment Policies, Standards and Practices
We note that we have tried to make our investment approach as transparent as possible to new employees, prospective investment managers and to the interested public at large. We have done this through the publication of the How We Invest guide, which is available on our website here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145893772>

37.2 Please elaborate on your response above.

Answer:

38. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

39. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

39.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: Our mandate requires us to invest the New Zealand Superannuation Fund (Fund) on a prudent, commercial basis and, in doing so, to manage and administer the Fund in a manner consistent with: (a) Best-practice portfolio management; (b) Maximising return without undue risk to the Fund as a whole; and (c) Avoiding prejudice to New Zealand's reputation as a responsible member of the world community. Within that mandate we have a commitment to Responsible Investment. This is based on our belief that sound governance and management of Environmental, Social and Governance risks leads to better long-term investment performance. We have published a number of documents which set out how we invest, including how we incorporate Responsible Investment within our overall approach. We provided a link to our Statement of Investment Policies, Standards and Practices (SIPSP) and to our How We Invest document (a plain English explanation of our investment approach) in our response to GAPP 18. Our Responsible Investment Framework is available here http://www.nzsuperfund.co.nz/files/Responsible%20Investment%20documents/Responsible_Investment_Framework.pdf

39.2 Please elaborate on your response above.

Answer:

40. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

41. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have not implemented this principle, and have no plan to do so

41.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer:

41.2 Please elaborate on your response above.

Answer: By virtue of our legislated independence from the Government we have no access to privileged Government information.

42. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

43. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

43.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: Exercise of ownership rights is covered in our Statement of Responsible Investment, Standards and Procedures, which is published on the Fund's website and links to which have been provided under previous GAPPs. We also discuss our approach in our Responsible Investment Framework, links to which have been provided under GAPP 19. Details of our proxy voting activity are published regularly on our website here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145857748>

43.2 Please elaborate on your response above.

Answer:

44. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

45. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

45.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: We discuss our general approach to risk management here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145879232> We have published our Risk Management Policy (which deals with non-investment risk) to our website here [http://www.nzsuperfund.co.nz/files/Policy%20Documents/Risk%20Management%20Policy%20\(including%20Internal%20Incident%20Process\).pdf](http://www.nzsuperfund.co.nz/files/Policy%20Documents/Risk%20Management%20Policy%20(including%20Internal%20Incident%20Process).pdf) Our Investment Risk Allocation Policy is published here http://www.nzsuperfund.co.nz/files/Policy%20Documents/NZSF%20Investment_Risk_Allocation_Policy%20v1E%206%20Dec%202011.pdf

45.2 Please elaborate on your response above.

Answer:

46. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

47. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

47.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: On an annual basis, we report: absolute performance of the Fund relative to both our low-cost reference portfolio and to our performance reference point of New Zealand Treasury Bills plus 2.5% p.a. over time the value added to the Fund by classes of active management including the use of investment managers, unlisted assets, strategic tilting and portfolio completion activities all of our holdings in listed equities the external managers we have engaged (and terminated) and the strategies and asset classes relevant to each our expectations of risk and return for each financial year, and each five-year period on a forward-looking basis The first four pieces of information are contained within our Annual Reports. The final piece is within our Statements of Intent. Links to both documents are provided in our responses to previous GAPPs. On a quarterly basis we report to the New Zealand Minister of Finance, and to the New Zealand Treasury: absolute performance of the Fund relative to the reference portfolio and to New Zealand Treasury Bills the value added to the Fund by active management the economic exposures in the Fund New Zealand economic exposures and New Zealand investment activity generally Other investment or operational activity of note On a monthly basis (available here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145855927>) we report: our economic exposures, by asset class, but prior to any Strategic Tilting the returns of the Fund relative to New Zealand Treasury Bills our 10 largest domestic and international equity holdings the five largest movements in our equity holdings

47.2 Please elaborate on your response above.

Answer:

48. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

49. Does your SWF implement this GAPP? Please choose one of the following:

Answer: We have fully implemented this principle

49.1 Please explain how you implement this GAPP (and, where applicable, its sub-principles).

Answer: We self-assess our implementation of the Santiago Principles at least biennially. This is the third such self-assessment since September 2009. Copies of each such self-assessment are available here <http://www.nzsuperfund.co.nz/index.asp?pageID=2145831982>. We note external reviews of our implementation of the Santiago Principles have generally been positive. Copies of these reviews are available through the same link.

49.2 Please elaborate on your response above.

Answer:

50. Are there any challenges to implementing this GAPP? If so, how is your SWF dealing with (or how has it overcome) those challenges?

Answer:

