

Response to Russel Norman PQ of 15 August 2011

The Guardians of New Zealand Superannuation approach to Responsible Investment

Responsible Investment is part of meeting the investment mandate in our Act. We take that responsibility seriously and we are proud of what we have achieved relative to global benchmarks. We are a founding signatory of the United Nations Principles for Responsible Investment and are rated by the UNPRI as among their top-performing signatories globally.

As a responsible shareholder, our strong preference in dealing with breaches of ESG standards is to use our shareholder rights to engage. Only through engagement can we ensure that we have the facts necessary to influence company behaviour. We believe it is better to try to change unacceptable behaviour than to walk away from it. Divestment is therefore seen as a last resort, after attempts to change behaviour are exhausted. We believe these are relevant facts about our engagement:

- Local examples include:
 - o the current engagements, together with other unitholders, with the manager of Vital Healthcare and Argosy Property Trust
 - o the successful engagement, together with AMP, the Accident Compensation Corporation and others, to improve governance on the board of Guinness Peat Group
- We have engaged with 710 companies globally in the past two financial years alone on issues including bribery and corruption, environmental damage and human rights. This engagement has generally been done in collaboration with other likeminded investors. An example of this a successful engagement alongside other UNPRI signatories to drive 11 companies to improve their disclosure of the way they report on what steps they take to manage corruption risk arising from operations in high-risk countries

Different funds have different approaches to Responsible Investment based on their portfolio holdings and the legal frameworks particular to the fund and to their home nation. This is not a competitive proposition. We do things differently and for clearly stated reasons arising from legislation, investment mandates or both (as in our case).

Anyone who wants to know about how we approach Responsible Investment can access a wealth of information on our website. As one of the world's most transparent institutional investors of any sort, we consciously make it simple for people to understand why we exist, what we do, how and why. For example:

- our responsible investment policies are public
- we publish an annually updated list of our equity holdings
- our engagement approach with companies we know have breached environmental, social and governance (ESG) standards is public
- our policy decisions on exclusions are public

List of companies identified by the Greens

We have identified our holdings in the below list. Each company is primarily held passively and so moves in and out of the Fund based on its market capitalisation rather than through active 'stock picking'. We note that the combined value of the holdings is a small fraction of one percent of the Fund. The following is relevant:

1. the first 3 companies do not meet our long-established and public exclusion criteria for that activity (i.e. they do not produce or test nuclear explosive devices)
2. We are aware of actual or reported breaches of our Environmental, Social and Governance (ESG) standards by the remainder of the list including bribery and corruption, severe environmental damage, human rights and the reported manufacture of cluster munitions. Our response to this varies by company and by whether the breach is actual or reported, but they include:
 - a. engagement for actual breaches (either directly or in collaboration with other investors)
 - b. monitoring for actual or reported breaches (directly and/or via screening agencies)
 - c. research into reported breaches (directly and/or via our research providers)We do not name the companies because we are focussed on addressing and changing behaviour. Confidentiality is often desirable for that process, the outcomes of which are either improved behaviour or divestment.

Security	Value in NZD at 15 August 2011
1. Larsen & Toubro	1,801,956
2. Serco Group plc	184,123
3. Boeing Company	1,864,087
4. Tata Power Limited	442,927
5. Safran SA	522,532
6. Finmeccanica S P A	261,745
7. BAE Systems plc	1,746,118
8. GenCorp Incorporated	126,037
9. ITT Corporation	1,950,315
10. Jacobs Engineering Group Incorporated	133,322
11. MOOG Incorporated	118,450
12. Rockwell Collins	626,920
13. Kaman Corporation	35,587
14. Zodiac Aerospace	216,971
15. Saab AB	1,649,543
16. Dongfeng Motor Group Company Limited	2,731,695
17. Wal-Mart Stores In	12,060,374
18. Wal-Mart de Mexico SA de CV	3,275,070
19. Norilsk Nickel	6,978,242
20. Barrick Gold Corporation	4,300,878
21. Rio Tinto Plc	4,360,793
22. Rio Tinto Limited	8,632,309
23. Sterlite Industries India Limited	732,081
24. Vedanta Resources Plc	68,154
25. Freeport McMoRan Copper & Gold Incorporated	5,450,746
26. Elbit Systems Limited	1,035,334
27. Sesa Goa	330,226