

## Video Transcript – Responsible Investment

Hi I'm Matt Whineray, Chief Investment Officer at the NZ Super Fund. I'm going to be talking about our approach to Responsible Investment.

Over the past decade, responsible investment has gone from being a side-line activity for institutional investors, to being part of their mainstream investment strategy. The Guardians has been at the forefront of this trend. We were one of the founding signatories of the United Nations Principles of Responsible Investment, known as the UNPRI. These principles are now considered the global industry benchmark.

Our Responsible Investment Framework is founded on our investment belief that environmental, social and governance – or ESG – issues impact on long-term financial returns. We're also required to have a responsible investment policy under our governing legislation.

Responsible Investment is the process by which we integrate consideration of environmental, social and governance issues into our investment activity and portfolio management. Responsible Investment is about a lot more than just excluding companies from our listed portfolio – although this is often the most visible aspect of the framework and the piece that attracts the most media coverage.

Under our Responsible Investment Framework, the two main work streams are integration and ownership.

Integration means identifying environmental, social and governance risks with specific investments and understanding how to mitigate those risks. It's also about assessing the ability of our potential and actual managers to manage our RI requirements. Integration also extends to the inclusion of environmental, social and governance requirements in our legal contracts with managers.

Ownership is about the monitoring and ongoing oversight of RI requirements across our portfolio post-investment. Some examples of this are:

- governance standards for public companies;
- effluent management within our dairy farms;
- safety on property development sites in India or China.

Another aspect of ownership is our engagement with companies and exclusion of companies – particularly within our equity portfolio. We monitor our equity portfolio against a set of global standards on human rights, environment, labour and anti-bribery and corruption. When we find that companies are breaching these standards, our preference is to work with a wider group of institutional investors to bring about change on that company. On very rare occasions, we might decide to exclude that company from our portfolio. This is generally because we believe that engagement just isn't going to work.

Our aim is to show leadership in responsible investment – and we have been recognised internationally for our leadership in this area. Our Responsible Investment Framework has been designed to meet our legal mandate, protect our reputation and deliver long-term returns for the Fund.