

Global Investor Survey on Climate Change - 2012 ASSET OWNERS

You are invited to participate in the third annual international survey of investment practices relating to climate change.

Two surveys – one for asset managers and one for asset owners – have been developed by the European Institutional Investors Group on Climate Change (IIGCC), the North American Investor Network on Climate Risk (INCR), the Australia/New Zealand Investor Group on Climate Change (IGCC), and the Asian Investor Group on Climate Change (AIGCC), which together comprise the Global Investor Coalition on Climate Change (GIC). The survey data will be analysed by Mercer.

The surveys are intended as a practical tool – to provide useful feedback to participants and allow them to compare their climate change activities with peer funds. They also allow respondents to share best practices on how to incorporate climate-related risks and opportunities into the investment process. The surveys are based on the premise that consistent reporting and disclosure is a useful tool to facilitate improved risk management practices.

The GIC will be promoting the surveys as the key climate change benchmarking and disclosure tool for institutional investors globally.

An annual report will provide a summary of the responses to the surveys as well as analysis and selected best practice examples.

N.B. The report will aggregate responses and will not comment on the individual investors' responses.

SURVEY CHANGES

A number of changes have been made this year to clarify and improve the data and analysis provided to our members:

- Some questions have been removed and others modified. The engagement questions have also been grouped more clearly and definitions for low carbon investments are included, but the basic survey content has been substantially maintained to facilitate comparison of responses over time.
- Those who responded last year will find those answers have been pre-populated, which should save significant time for those questions where the answer hasn't changed in the last twelve months.
- Each respondent will also be emailed a formatted document that includes all your individual survey responses, if you wish to use this for reporting or disclosure. You will have the opportunity to edit the contents of this document when you receive it.

Note that not all questions will apply to all respondents – selections that you make on the 'organisational overview' page (e.g. on asset allocation and whether assets are internally or externally managed) determine which sections are visible later in the survey. As a result, you may notice that question numbers do not follow an exact sequence.

You are strongly encouraged to read the survey in its entirety prior to responding to the electronic survey - a PDF version will be emailed in order to facilitate this. Upon reading the PDF version, it will be clearer which questions are relevant to your individual organisation's circumstances.

As always, the IIGCC, INCR, IGCC and AIGCC welcome your feedback on the survey questions and layout and have provided space for comments at the end of the survey.

SURVEY DEADLINE

Respondents are asked to complete the questionnaire by:

Close of Business - 16 April 2013

Respondents may additionally be invited to participate in follow-up telephone calls to expand on their responses during April 2013. The analysis of survey responses will be published in June 2013.

PLEASE NOTE THAT THE SURVEY REFERS TO ACTIONS TAKEN DURING 2012

SECTION 1 – Organisational Overview

- **Name of organisation: New Zealand Superannuation Fund**
- **AUM NZD\$20.923 billion (as at 31st December 2012)**
- **How are your assets managed:**
 - Both externally and internally
- **Please specify your asset allocation:**

The NZSF does not have a strategic asset allocation, instead active investments are made based on our assessment of their ability to add-value to our passive Reference Portfolio benchmark. For details see:

<http://www.nzsuperfund.co.nz/index.asp?pageID=2145879234>

The table below represents holdings we had across asset classes at end of 2012

Asset Class	Please specify	% Allocation (optional)
Developed market equity (listed)		7%
Emerging market equity (listed)		50%
Corporate bonds		4.5%
Government bonds		4.5%
Real estate (e.g. direct, REITs, MBS)		6%
Hedge funds		5%
Private equity		2%
Infrastructure		8%
Commodities (includes food commodities, agricultural land, forestry & timberland)		7%
Other (please specify) – NZ equities		5%
Other (please specify) – Other private markets		2%

- **Please specify which organisations and collaborative initiatives you are a member of:**
 - Institutional Investors Group on Climate Change (IIGCC)
 - Investor Network on Climate Risk (INCR)
 - Investor Group on Climate Change (IGCC)
 - Asian Investor Group on Climate Change (AIGCC)
 - Carbon Disclosure Project (CDP)
 - ClimateWise
 - Global Reporting Initiative - (The Guardians have reported against the GRI 3.1 Framework since 2011/12).
 - International Corporate Governance Network (ICGN)
 - Regional Social Investment Forum (UKSIF, USSIF, ASrIA, Eurosif)
 - United Nations Environment Programme Finance Initiative (UNEP FI)
 - United Nations Principles for Responsible Investment (UN PRI)
 - Council of Institutional Investors (CII)
 - Other climate change-related initiatives (please specify): _____
 - Do not participate in any initiatives

SECTION 2 – To be completed by ALL asset owners

STRATEGY, POLICY & RISK

1. How does your organisation view climate change?

- A material investment risk/opportunity across your organisation's entire investment portfolio
- A material investment risk/opportunity for some asset classes only (please comment in the box below)
- An issue that is of relevance only to SRI investments
- Not an issue we consider in our investment strategy

Comments:

Given the Fund's long-term investment horizon (it will not peak in size until the 2080s), it is important wider economic, social and environmental trends such as climate change are understood and incorporated into our investment analysis.

2. Do your investment policies specifically reference climate change risk?

- Yes
- No

Please comment on which asset classes are included / excluded:

Although our policies refer broadly to environmental, social and governance (ESG) factors, rather than specifically to climate change, we support key climate change investor initiatives that are applicable across a number of asset classes, in particular public and private equity. Through our membership of the Carbon Disclosure Project and the Investor Group on Climate Change, we actively encourage our investment managers, analysts and the companies we invest in to analyse, climate change issues – looking at both risks and opportunities, and for sell-side analysts to provide pricing reports to the market. These initiatives have already helped to improve the market's analysis of the risks to companies arising from regulatory policy decisions and the physical impacts of climate change.

3. Have you developed a (formal or informal) framework for identifying risks related to climate change across your asset allocation?

- Yes
- No

If YES – please elaborate below:

Around two-thirds of the Fund is invested passively, investing in line with global share market and fixed income indices.

When we do make an active decision to invest we build environmental risks and opportunities into our investment prioritisation process. This has been an important factor, in particular, for the Fund's material investments in timber and rural land, and our focus on building investments in alternative energy.

4. Did you make any changes to your investment strategy or decision-making in 2012 as a result of your assessment of climate risks in your portfolio?

- Yes
- No

Please elaborate on any changes made:

Investment themes are an important part of how the Fund prioritises its investment research and activities. We have defined Investment themes as long-lasting impacts on economies and capital markets, that will normally be fairly immune to the ups and downs of the business cycle. Resource Sustainability is one of our 3 themes - a key theme that considers the impact and issues of climate change.

As part of this thematic analysis, we scoped the risks and opportunities of climate change in 2012. This led us to identify that (i) the Fund has a lower exposure to climate change risks than what is in its Reference Portfolio benchmark given its material holdings of NZ assets, and timber; (ii) alternative energy investments is a possible further opportunity for the actively invested component of the Fund. We are now at the implementation/investment stage of this.

ADVICE

5. Did you instruct your advisors and consultants to consider climate change in the advice that they provided in 2012?

- Yes
- No
- Did not require investment advice on climate change issues in 2012
- Do not use advisors / consultants

6. If YES – please indicate whether climate change advice was provided by your advisers in 2012 on the following topics (please select all that apply):

- Short-listing of fund managers
- Advice on investment opportunities related to climate change (e.g. clean energy)
- Advice on strategic asset allocation
- Peer comparison and positioning (benchmarking)
- Other (please specify) : **Equity analysis**

INVESTMENTS

Low carbon investments

The following table provides an opportunity to report on low carbon investments. Low carbon investments include those made in the following categories. Specific examples provided are indicative, but not exhaustive.

Low carbon energy generation:	Wind, solar, geothermal, wave, tidal, hydro, bio, waste to energy, nanopower, CCS enabled fossil fuel (please specify proportion of emissions stored), integrated energy generation (please specify proportion of renewable energy)
Low carbon and energy efficient technologies:	Energy efficient components, fuel-efficient transport, bio-processes, emissions controls, advanced materials
Energy efficient services:	Energy efficient buildings (please specify benchmark applied), energy and fuel-efficient equipment services
Emissions capture:	Emissions sequestering projects with approved carbon credit generating methodologies under UNFCCC
Carbon weighted funds:	Where a carbon weighting methodology is consistently applied to underweight carbon exposure in the fund
Other investments:	Other low carbon investments where evidence of low carbon characteristics is provided

Please note that investments in climate change adaptation, water, waste management and agriculture are not considered low carbon investments.

7. Did you have any low carbon investments at the end of 2012?

- Yes
- No

High carbon investments

8. Did you assess the proportion of your portfolio that is exposed to highly emissions intensive assets or processes?

- Yes
- No

If YES – please elaborate on the methods used and results

Around 10% of the Fund is invested in the energy sector, mainly via passive exposure to global share market indices. This exposure covers direct holdings in conventional upstream energy production (oil, gas, coal) of around \$500m or 2% of the Fund; energy infrastructure (e.g. pipelines and power plants); and a broad range of alternative energy companies, including wind, solar and hydro power businesses. The Fund's 20% shareholding in Z Energy represents 1% (NB: Z Energy is involved in downstream fuel distribution not exploration activities).

ENGAGEMENT ACTIVITIES

9. In 2012 did you engage with companies (or other issuers) on climate change issues?

- Yes, directly
- Yes, in collaboration with other investors
- Yes, through a third party provider (please specify): _____
- We delegate this activity to our external asset managers
- No

10. If YES – which asset classes were covered by your climate change engagement activities? (Please select all that apply)

Asset Class	Please specify
Developed market equity (listed)	√
Emerging market equity (listed)	√
Corporate bonds	
Government bonds	
Real estate (e.g. direct investment, REITs, MBS)	√
Hedge funds	
Private equity	√
Infrastructure	√
Commodities (includes food commodities, agricultural land, forestry & timberland)	√
Other (please specify)	Natural Catastrophe Insurance

Please comment further if necessary:

As an investor with substantial passive holdings, we seek to engage with companies to influence them to manage environmental, social and governance risks effectively. We believe companies that do a good job of managing risks such as climate change will perform better over the long-term. For example, listed New Zealand company Z Energy, in which the Fund is a 20% shareholder, is actively working on biofuels with two current projects underway which could deliver both first and second generation biofuels at scale.

Given the Fund's long-term investment horizon (it will not peak in size until the 2080s), it is important our portfolio addresses economic, social and environmental trends such as resource sustainability and climate change. We are therefore working to further incorporate investments in alternative energy, and energy forms with lower carbon intensity, into our portfolio.

11. If YES, did your 2012 engagement address any of the issues listed below?
NOTE: The engagement areas on this table are taken from the report 'Institutional investors' expectations of Corporate Climate Risk Management'

	Direct engagement	Collaborative engagement	Proxy Voting	If collaborative engagement, please specify with whom you have collaborated
Governance: Clearly define Board and senior management responsibilities/accountability processes for managing climate change risks and opportunities		√		CDP/IGCC
Strategy: Integrate management of climate change risks and opportunities into the company's business strategy		√		CDP/IGCC
Goals: Make commitments to mitigate climate change risks: define key performance metrics and set quantified and time-bound goals to improve energy efficiency and reduce greenhouse gas emissions in a cost-effective manner; and set goals to address vulnerabilities to climate change		√		CDP/IGCC
Implementation: Make a systematic review of cost-effective opportunities to improve energy efficiency, reduce emissions, utilize renewable energy and adapt to climate change impacts. Where relevant, integrate climate change considerations into research and development, product design, procurement and supply chains		√		CDP/IGCC
Emissions inventories: Prepare and report comprehensive inventories of greenhouse gas emissions; data should be presented to allow trends in performance to be assessed and it should include projections of likely changes in future emissions		√		CDP/IGCC
Disclosure: Disclose and integrate into annual reports and financial filings, the company's view of and response to its material climate change risks and opportunities, including those arising from carbon regulations and physical climate change risks		√		CDP/IGCC
Public policy: Engage with public policy makers and other stakeholders in support of effective policy measures to mitigate climate change risks. Ensure there is board oversight and transparency about the company's lobbying activity and political expenditures on this topic		√		IGCC
Other (please specify)				

12. Have you ever divested from / chosen not to invest in a company's equity based on concerns related to climate change?

- Yes (please comment below)
- No

13. Did you engage during 2012 with policy makers on climate change?

- Yes – directly
- Yes – via IIGCC / INCR / IGCC / AIGCC
- Yes – via other collaborative initiatives / groups (please specify): _____
- No

Are there any engagement examples you wish to provide more detail on?

Please refer to the CDP website: www.cdproject.net

14. Have you attempted to assess the effectiveness of your 2012 climate engagement activities?

- Yes
- No

If YES, please indicate how:

- Using specific engagement objectives and assessing success against these
- Measuring improvements – as a result of engagement – in investee company climate change performance (e.g. improved disclosure, emissions reductions, improved energy efficiency)
- Measuring the number of shareholder resolutions successfully withdrawn as a result of engagement
- Other (please specify) _____

REPORTING

15. During 2012 did you report on your climate change-related activities?

- Yes, to trustees / management
- Yes, to beneficiaries
- Yes, publicly
- No
- Planning to in 2013

16. If YES – what asset classes did your reporting cover?

Asset Class	Please specify
Developed market equity (listed)	√
Emerging market equity (listed)	√
Corporate bonds	
Government bonds	
Real estate (e.g. direct investment, REITs, MBS)	
Hedge funds	
Private equity	

Infrastructure	
Commodities (includes food commodities, agricultural land, forestry & timberland)	
Other (please specify)	

SECTION 3 – To be completed by asset owners with EXTERNAL asset managers only

APPOINTMENT OF NEW ASSET MANAGERS

17. When appointing a new manager, do you consider the extent to which they integrate climate change into their investment process and ownership activities?

- Yes
- No

18. If YES, please indicate how you assess the extent of integration:

- Tenders / Requests for proposals that specify climate change criteria
- Inclusion of climate change questions in manager selection interviews
- Formal due diligence on how managers integrate climate change into their investment processes where relevant
- Other (please specify) : _____

19. Does the extent to which a manager integrates climate change into their investment activities influence your manager selection?

- Yes
- No

If YES – to what extent (e.g. apply a weighting to climate change issues)?

This is very relevant where climate change is material to a particular asset class or investment opportunity.

20. Do you include climate change criteria or requirements in investment management (or similar) agreements for new mandates?

- Yes
- No – not specifically

Please provide details and brief examples:

We include ESG requirements in new manager mandates. Climate change is an important consideration under the E (environmental) factor. Climate change is specified only where it is most relevant.

EVALUATION OF EXISTING FUND MANAGERS

21. In 2012, did you monitor how your existing asset managers integrated climate change into their investment processes and ownership activities?

- Yes
- No
- Planning to in 2013

If YES – please indicate how:

Monitoring Process	Select all that apply
Inclusion of climate change questions in regular (e.g. quarterly) monitoring meetings (if relevant)	√
Required managers to report on how climate impacts and changes in policy are being taken into account in investment decisions (i.e. buy, hold and sell decisions)	
Required managers to report on their proxy voting activities with respect to climate change	
Conducted benchmarking to measure climate change integration by our investment managers	
Carbon footprint assessments of managers	
Other (please specify): _____	

22. Which asset classes did your 2012 monitoring include?

Asset Class	Please specify
Developed market equity (listed)	√
Emerging market equity (listed)	√
Corporate bonds	
Government bonds	
Real estate (e.g. direct investment, REITs, MBS)	√
Hedge funds	
Private equity	
Infrastructure	
Commodities (including food commodities, agricultural land, forestry & timberland)	√
Other (please specify): _____	

Please provide further comments if necessary:

Our monitoring and review of managers includes the ability of our managers in integrating ESG considerations pre and post investment. Depending on the asset class and the market they operate in – climate change is core part of assessing the overall environmental and regulatory risk.

23. Have you set clear expectations of how your asset managers should address climate change in the agreements with your managers (e.g. IMAs)?

- Yes
- No
- Planning to do this in 2013

24. If YES – Did your asset managers meet these expectations in 2012?

- Yes
- No
- In part
- Did not perform this analysis

Please provide details of good practice or where improvements could be made:

25. Do you request that new and existing managers join the IIGCC, INCR, IGCC or AIGCC?

- Yes
- No

SECTION 4 – To be completed by asset owners with INTERNAL managers

26. Does your organisation consider climate change risks/opportunities in its internal due diligence and investment analysis processes?

- Yes
- No

27. Please indicate the asset classes/funds that this analysis was applied to in 2012:

Asset Class	Select all that apply	No investment
Developed market equity (listed)		
Emerging market equity (listed)		
Corporate bonds		
Government bonds		
Real estate (e.g. direct investments, REITs, MBS)	√	
Hedge funds		
Private equity		
Infrastructure	√	
Commodities (includes food commodities, agricultural land, forestry & timberland)	√	
Other (please specify) Direct Investments	√	

28. Please indicate which of the following factors your internal managers took into account in their analysis of climate change issues in 2012:

Factor	Select all that apply	Please provide examples
Existing / prospective regulatory changes related to greenhouse gas emissions (e.g. emissions trading, emissions standards)	√	Timber and rural strategies
Regulations on energy efficiency		
Government support schemes (e.g. incentives for renewable energy)		

Changes in market demand resulting from climate change or climate policy	√	
Physical impacts (e.g. flooding or other extreme weather events, changes in temperature)	√	
Social impacts resulting from climate change		
Quality of corporate governance, policies, management and actions relating to climate change		
Risk of litigation (e.g. relating to emissions or regulatory compliance)		
Other (please specify) _____		

29. What types of quantitative climate change data do your internal managers use? (please select all that apply)

- Company-reported information (e.g. Scope 1 and 2 emissions data)
- Carbon Disclosure Project data
- Broker (sell-side) reports
- Other (please specify): _____ Carbon price – NZ ETS _____

30. In 2012, what processes was quantitative data used for?

- Investment analysis / valuation
- Portfolio assessment (e.g. carbon footprint analysis)
- Engagement
- Other (please specify): _____

31. Would wider verification of climate change data (e.g. reported Scope 1 and 2 emissions) encourage its use in internal investment analysis?

- Yes
- No ?

32. Are your internal investment managers incentivised in any way to consider climate change factors in their investment analysis (e.g. with annual objectives or targets)?

- Yes
- No

SECTION END

To be completed by INTERNAL managers who invest in INFRASTRUCTURE

33. Do you consider climate change factors in due diligence processes when developing, selecting or deselecting infrastructure assets? Please indicate in the table below.

Category	Yes	No	Please give examples of these issues
Existing or prospective regulatory changes related to greenhouse gas emissions (e.g. emissions trading, emissions standards)	√		
Regulations on energy efficiency			
Government support schemes (e.g. government incentives for renewable energy)	√		
Changes in market demand resulting from climate change or climate policy	√		
Physical impacts (e.g. flooding or other extreme weather events, changes in temperature)	√		
Social impacts resulting from climate change			
Quality of corporate governance, policies, management and actions relating to climate change	√		
Risk of litigation (e.g. relating to emissions or regulatory compliance)			
Other (please specify)			

34. Did you monitor your internal infrastructure assets/portfolios for climate change risks and impacts in 2012?

- Yes
- No

Please comment on how you did this (or the reasons why you did not):

Assessing the impact of the NZ ETS on infrastructure assets including impact of pass through costs to the customers of Z Energy.

35. Have you ever divested from / chosen not to invest in an infrastructure opportunity based on concerns related to climate change?

- Yes
- No

If YES – please provide examples:

END OF SURVEY

**THANK YOU FOR PARTICIPATING IN THE 2012 GLOBAL INVESTOR SURVEY ON
CLIMATE CHANGE**

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