



# RI TRANSPARENCY REPORT

## 2018

New Zealand Superannuation Fund

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2018 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🔍	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		✓	-							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Private							✓
OO 08	Segregated mandates or pooled funds	✓	Private							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	✓	Public							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	⚡	n/a							✓
OO FI 01	Breakdown by passive, active strategies	✓	Private							✓
OO FI 02	Option to report on <10% assets	⚡	n/a							✓
OO FI 03	Breakdown by market and credit quality	-	n/a							✓
OO SAM 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private							✓
OO PE 01	Breakdown of investments by strategy	✓	Private							✓
OO PE 02	Typical level of ownership	✓	Private							✓
OO PR 01	Breakdown of investments	✓	Private							✓
OO PR 02	Breakdown of assets by management	✓	Private							✓
OO PR 03	Largest property types	✓	Private							✓
OO INF 01	Breakdown of investments	✓	Private							✓
OO INF 02	Breakdown of assets by management	✓	Private							✓
OO INF 03	Largest infrastructure	✓	Private							✓
OO End	Module confirmation page	✓	-							

Strategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Private							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	✓	Private	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 14	Long term investment risks and opportunity	✓	Public	✓						
SG 15	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 16	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 17	ESG issues for externally managed assets not reported in framework	✓	Public							✓
SG 18	Innovative features of approach to RI	✓	Public							✓
SG 19	Communication	✓	Public						✓	
SG End	Module confirmation page	✓	-							

Indirect – Manager Selection, Appointment and Monitoring				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SAM 01	ESG incorporation strategies	✓	Public	✓						
SAM 02	Selection processes (LE and FI)	✓	Public	✓						
SAM 03	Evaluating engagement and voting practices in manager selection (listed equity/fixed income)	✓	Public		✓					
SAM 04	Appointment processes (listed equity/fixed income)	✓	Public	✓						
SAM 05	Monitoring processes (listed equity/fixed income)	✓	Public	✓						
SAM 06	Monitoring on active ownership (listed equity/fixed income)	✓	Public	✓						
SAM 07	Percentage of (proxy) votes	✓	Public		✓					
SAM 08	Percentage of externally managed assets managed by PRI signatories	✓	Public	✓						
SAM 09	Examples of ESG issues in selection, appointment and monitoring processes	✓	Public	✓					✓	
SAM End	Module confirmation page	✓	-							

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Percentage of each incorporation strategy	✓	Public	✓						
LEI 02	Type of ESG information used in investment decision	✓	Public	✓						
LEI 03	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 04	Types of screening applied	✓	Public	✓						
LEI 05	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 06	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 07	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 08	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 09	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 10	Aspects of analysis ESG information is integrated into	✓	Public	✓						
LEI 11	ESG issues in index construction	✓	Public	✓						
LEI 12	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 13	Measurement of financial and ESG outcomes of ESG incorporation	✓	Private	✓						
LEI 14	Examples of ESG issues that affected your investment view / performance	✓	Private	✓						
LEI End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	✓	Public		✓		✓			
LEA 08	Monitor / discuss service provider information	✓	Public		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagement methods	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	✓	Private		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Voting policy & approach	✓	Public	✓	✓	✓				
LEA 16	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 17	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 18	Confirmation of votes	✓	Private		✓					
LEA 19	Securities lending programme	✓	Public		✓					
LEA 20	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 21	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 22	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 23	Shareholder resolutions	✓	Private		✓					
LEA 24	Examples of (proxy) voting activities	✓	Private		✓					
LEA End	Module confirmation page	✓	-							

Assurance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM 1 01.1	Assurance, verification, or review	✓	Public							✓
CM 1 01.2 & 01.8	Assurance of this year's PRI data	✓	Public							
CM 1 01.3 & 01.9	Assurance of last year's PRI data	✓	Public							✓
CM 1 01.4, 10-12	Other confidence building measures	✓	Public							✓
CM 1 01.5	External assurance	🔒	n/a							✓
CM 1 01.6	Assurance or internal audit	🔒	n/a							✓
CM 1 01.7	Internal verification	✓	Public							✓
CM 1 01 End	Module confirmation page	✓	-							

## Basic information

OO 01	Mandatory	Public	Gateway/Peering	General
-------	-----------	--------	-----------------	---------

**OO 01.1** Select the type that best describes your organisation or the services you provide.

- ☐ Non-corporate pension or superannuation or retirement or provident fund or plan
- ☐ Corporate pension or superannuation or retirement or provident fund or plan
- ☐ Insurance company
- ☐ Foundation
- ☐ Endowment
- ☐ Development finance institution
- ☒ Reserve - sovereign or government controlled fund
- ☐ Family office
- ☐ Other, specify

OO 02	Mandatory	Public	Peering	General
-------	-----------	--------	---------	---------

**OO 02.1** Select the location of your organisation's headquarters.

New Zealand



**OO 02.2** Indicate the number of countries in which you have offices (including your headquarters).

- ☒ 1  
☐ 2-5  
☐ 6-10  
☐ >10

**OO 02.3** Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

126.6

**OO 03** **Mandatory** **Public** **Descriptive** **General**

**OO 03.1** Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ☐ Yes  
☒ No

**OO 04** **Mandatory** **Public** **Gateway/Peering** **General**

**OO 04.1** Indicate the year end date for your reporting year.

31/12/2017

**OO 04.2** Indicate your total AUM at the end of your reporting year, Exclude subsidiaries you have chosen not to report on and any advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		37	910	000	000
Currency	NZD				
Assets in USD		26	017	657	249

**OO 06** **Mandatory** **Public** **Descriptive** **General**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**OO 06.1** Select how you would like to disclose your asset class mix.

- ☐ as percentage breakdown  
☒ as broad ranges

	Internally managed (%)	Externally managed (%)



Listed equity	<10%	>50%
Fixed income	<10%	10-50%
Private equity	<10%	<10%
Property	<10%	<10%
Infrastructure	<10%	<10%
Commodities	0	0
Hedge funds	0	<10%
Forestry	<10%	<10%
Farmland	0	<10%
Inclusive finance	0	0
Cash	0	0
Other (1), specify	10-50%	0
Other (2), specify	0	0

'Other (1)' specified

FX, Tilts, Synthetics, market neutral positions and active collateral

**OO 06.2** Publish asset class mix as per attached image [Optional].

<b>OO 09</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Peering</b>	<b>General</b>
--------------	--	---------------	----------------	----------------

**OO 09.1** Indicate the breakdown of your organisation's AUM by market.

Developed Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input checked="" type="radio"/> 10-50% <input type="radio"/> >50 %
<i>Total</i>	<i>100%</i>

**OO 09.2**

Additional information. [Optional]

For this indicator, we have broken AUM down by specialised emerging market mandates versus global mandates. Therefore, there may be a small amount of exposure to emerging markets accounted for in the 'Developed Markets' statistic.

## Asset class implementation gateway indicators

**OO 10**

**Mandatory**

**Public**

**Gateway**

**General**

**OO 10.1**

Select the active ownership activities your organisation implemented in the reporting year.

### Listed equity – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors.

### Listed equity – voting

- ☒ We cast our (proxy) votes directly or via dedicated voting providers
- ☒ We require our external managers to vote on our behalf.
- ☐ We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

### Fixed income SSA – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

#### Fixed income Corporate (financial) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

#### Fixed income Corporate (non-financial) – engagement

- ☒ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☒ We require our external managers to engage with companies on ESG factors on our behalf.
- ☐ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

#### Fixed income Corporate (securitised) – engagement

- ☐ We engage with companies on ESG factors via our staff, collaborations or service providers.
- ☐ We require our external managers to engage with companies on ESG factors on our behalf.
- ☒ We do not engage directly and do not require external managers to engage with companies on ESG factors. Please explain why you do not.

Please explain why you do not engage directly and do not require external managers to engage with companies on ESG factors.

At this point in time, when we don't hold the underlying asset, we do not believe engagement would add value - and neither do our managers. However, we are watching the development of emerging practices here and are awaiting guidance from the PRI.

OO 11	Mandatory	Public	Gateway	General
-------	-----------	--------	---------	---------

#### OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

##### Listed equity

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

##### Fixed income - securitised

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

##### Private equity

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

### Property

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

### Infrastructure

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

### Forestry

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

### Other (1)

- ☒ We address ESG incorporation.
- ☐ We do not do ESG incorporation.

### 'Other (1)' [as defined in OO 05]

FX, Tilts, Synthetics, market neutral positions and active collateral

Asset class	ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes
Listed equity	<div> <div></div> <div>Listed equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - SSA	<div> <div></div> <div>Fixed income - SSA - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - corporate (financial)	<div> <div></div> <div>Fixed income - corporate (financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - corporate (non-financial)	<div> <div></div> <div>Fixed income - corporate (non-financial) - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Fixed income - securitised	<div> <div></div> <div>Fixed income - securitised - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> </div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Private equity	

	<div>Private equity - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Property	<div>Property - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Infrastructure	<div>Infrastructure - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Hedge funds	<div>Hedge funds - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Forestry	<div>Forestry - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process <input type="checkbox"/> We do not do ESG incorporation
Farmland	<div>Farmland - ESG incorporation addressed in your external manager selection, appointment and/or monitoring processes</div> <input checked="" type="checkbox"/> We incorporate ESG into our external manager selection process <input checked="" type="checkbox"/> We incorporate ESG into our external manager appointment process <input checked="" type="checkbox"/> We incorporate ESG into our external manager monitoring process

	<input type="checkbox"/> We do not do ESG incorporation
--	---

#### OO 11.4

Provide a brief description of how your organisation includes responsible investment considerations in your investment manager selection, appointment and monitoring processes.

RI is considered during opportunity identification. This is aided by RI guidelines across asset classes. As the investment process moves to manager selection, RI capabilities are part of the new manager selection and due diligence processes. Once a manager is selected, clauses requiring RI requirements are brought into mandates and other legal documents.

As part of our post investment monitoring, we carry out 1-2 yearly RI reviews of our managers. The objective of the review is to assess and gain more awareness of the manager's management of ESG issues and to require improvement where appropriate. Managers are rated on ESG practices. The results of the review are integrated into our annual manager conviction review.

We may also carry out site visits to assess ESG activities onsite.

OO 12	Mandatory	Public	Gateway	General
-------	-----------	--------	---------	---------

#### OO 12.1

Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

##### Core modules

- ☒ Organisational Overview
- ☒ Strategy and Governance

##### RI implementation directly or via service providers

##### Direct - Listed Equity incorporation

- ☒ Listed Equity incorporation

##### Direct - Listed Equity active ownership

- ☒ Engagements
- ☒ (Proxy) voting

##### Direct - Fixed Income

- ☐ Fixed income - Securitised

##### Direct - Other asset classes with dedicated modules

- ☐ Private Equity
- ☐ Property
- ☐ Infrastructure

##### RI implementation via external managers



## Indirect - Selection, Appointment and Monitoring of External Managers

- ☒ Listed Equities
- ☒ Fixed income - SSA
- ☒ Fixed income - Corporate (financial)
- ☒ Fixed income - Corporate (non-financial)
- ☒ Fixed income - Securitised
- ☐ Private Equity
- ☐ Property
- ☐ Infrastructure

## Closing module

- ☒ Closing module

## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

- ☒ Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

**SG 01.3**

Indicate if the investment policy covers any of the following

- ☒ Your organisation's definition of ESG and/or responsible investment and its relation to investments
- ☒ Your investment objectives that take ESG factors/real economy influence into account
- ☒ Time horizon of your investment
- ☐ Governance structure of organisational ESG responsibilities
- ☒ ESG incorporation approaches
- ☒ Active ownership approaches
- ☒ Reporting
- ☒ Climate change and related issues

**SG 01.3a  
CC**

Describe how your products or investment strategy might be affected by the transition to a lower-carbon economy.

Climate change is a complex issue that presents material risks and opportunities for investors. These risks and opportunities come from multiple, interacting drivers, including physical and natural resources, regulatory action and technological innovations. The impact of climate change is felt variably across different investment sectors, geographies and asset classes. In fact, some of these impacts are already inevitable.

In 2015 we signed the Paris Pledge for Action, which affirms our commitment to a safe and stable climate in which temperature rise is limited to under 2 degrees Celsius, and pledged our support to ensuring that the level of ambition set by the COP21 Paris climate agreement is met or exceeded.

Given the Fund's long-term horizon and purpose, it is important that the risks and opportunities stemming from climate change are factored into our investment strategies and ownership practices. The goal of our climate change strategy, which we announced in October 2016, is to make the Fund more resilient to climate-related risk. We believe our actions under this strategy will improve our portfolio.

**SG 01.3b  
CC**

Describe how climate-related risks and opportunities are factored into your investment strategies or products.

- © We factor climate-related risks and strategies into our investment strategies or products.

Our goal is to make the Fund more resilient to climate-related risk. Our strategy, which applies to the NZ Super Fund's entire investment portfolio, has four parts:

**Reduce:** we are working to significantly reduce the Fund's exposure to both fossil fuel reserves and carbon emissions. These reductions will be achieved through ongoing engagement with companies, building carbon measures into the Guardians' investment model, targeted divestment of high-risk companies and reduction of other relevant portfolio exposures.

**Analyse:** climate change considerations will be incorporated into investment analysis and decisions, for example into valuation models, risk allocation and manager selection.

**Engage:** we will continue to manage climate risks by being an active owner, including prioritising climate change engagements, developing our voting policy and directing our investment managers to vote according to our instructions on climate change resolutions. For more information, click [here](#).

**Search:** we are intensifying our efforts to actively seek new investment opportunities in the areas of alternative energy, energy efficiency and transformational infrastructure.

By 2020, we expect to reduce the carbon emission intensity of the Fund by at least 20%, and its fossil fuel reserves by at least 40%.

Our climate strategy and the actions we take will evolve over time, as investment markets become more sophisticated on climate issues, and as more tools and data become available.

You can read more about our Climate Change Investment Strategy on our website [here](https://www.nzsuperfund.co.nz/how-we-invest-balancing-risk-and-return-climate-change/climate-change-strategy): <https://www.nzsuperfund.co.nz/how-we-invest-balancing-risk-and-return-climate-change/climate-change-strategy>.

Describe how these risks and opportunities serve as an input to your investment strategies or products and the related time periods used.

Specific Guidance:

Asset Owners

This can be described from the perspective of the total fund or investment strategy or individual investment strategies for various asset classes.

Investment Managers

This can be described from the perspective of all investments strategies and products or individual investment strategies and products for clients

☐ We do not factor climate-related risks and strategies into our investment strategies or products.

☐ Other RI considerations, specify (1)

☐ Other RI considerations, specify (2)

**SG 01.4**

Describe your organisation's investment principles and overall investment strategy, and how they consider ESG factors and real economy impact.

Our investment beliefs, which complement and underpin our endowments, are a key driver of our investment decisions. One of our investment beliefs is: "Responsible investors must have concern for environmental, social and governance factors because they are material to long-term returns." Our investment beliefs can be viewed on our website here: <https://www.nzsuperfund.co.nz/how-we-invest/beliefs>.

Our approach to investing can also be viewed on our website here: <https://www.nzsuperfund.co.nz/how-we-invest>.

Our approach to Responsible Investment (RI) is governed by our Statement of Investment Policies, Standards and Procedures (SIPSP) which can be found on our public website here: [https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Statement%20of%20Investment%20Policies,%20Standards%20and%20Procedures%20\(SIPSP\).pdf](https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Statement%20of%20Investment%20Policies,%20Standards%20and%20Procedures%20(SIPSP).pdf)

The SIPSP includes a specific section on Responsible Investment, which states our policy, standards and procedures as they relate to responsible investment. It defines RI activities and embeds the RI Framework as the process for implementation. The RI Framework is also available on our website: [https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/2016-Responsible\\_Investment\\_Framework.pdf](https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/2016-Responsible_Investment_Framework.pdf)

Our Board has overall responsibility for the SIPSP and RI Framework.

Our RI work is integrated across our investment activities. For example, understanding ESG issues is an important part of our risk assessment and due diligence on prospective individual investments.

**SG 01.5**

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

As part of our RI policy, our exclusion policy applies to our investment portfolio. Therefore, there is, at minimum, some form of ESG incorporation across the entire portfolio. However, there are two pooled hedge funds where we are unable to legally impose our exclusions as they are servicing multiple other investors. In practice, however, given the nature of the mandates, we are satisfied that likelihood of any breaches of our exclusion policy is very low. The managers that run these funds are still subject to our RI review and rating process.

☐ No

Your responses to this indicator will be used to determine if you meet the minimum requirements of being a PRI signatory introduced for the first time in 2018. Signatories have until 2020 to meet these requirements.

You can find out more information on the PRI website.

There are two minimum requirements for this indicator SG 01.1 and SG 01.2:

- A policy, or similar document, that: Sets out your overall approach to responsible investment; or
- Formalised guidelines on environmental factors; or
- Formalised guidelines on social factors; or
- Formalised guidelines on governance factors.
- 

The PRI recognises that RI "policies" can take many different forms and can have a variety of titles. Please see the explanatory notes for this indicator to see further explanation of this and further guidance.

- This policy/document should cover more than 50% of your AUM

If you have any questions or need support please contact [reporting@unpri.org](mailto:reporting@unpri.org) or call on + 44 (0) 203 714 3187.

SG 02	Mandatory	Public	Core Assessed	PRI 6
-------	-----------	--------	---------------	-------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
---------	--

- ☒ Policy setting out your overall approach

	URL/Attachment
--	----------------

- ☒ URL

	URL
--	-----

<https://www.nzsuperfund.co.nz/how-we-invest/responsible-investment>

- ☐ Attachment (will be made public)

- ☐ Formalised guidelines on environmental factors
- ☐ Formalised guidelines on social factors
- ☐ Formalised guidelines on corporate governance factors
- ☐ Asset class-specific RI guidelines
- ☒ Screening / exclusions policy

	URL/Attachment
--	----------------

- ☒ URL

	URL
--	-----

<https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/exclusions>

- ☐ Attachment (will be made public)

- ☒ Engagement policy

URL/Attachment
----------------

☒ URL

URL
-----

<https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/engagement>

☐ Attachment (will be made public)

☒ (Proxy) voting policy

URL/Attachment
----------------

☒ URL

URL
-----

<https://www.nzsuperfund.co.nz/performance-esg-management/voting-reports>

☐ Attachment (will be made public)

☐ We do not publicly disclose our investment policy documents

## SG 02.2

Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

☒ Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment
----------------

☒ URL

URL
-----

[https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Statement\\_of\\_Investment\\_Policies\\_Standards\\_and\\_Procedures.pdf](https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Statement_of_Investment_Policies_Standards_and_Procedures.pdf)

☐ Attachment

☒ Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment
----------------

☒ URL

	URL
--	-----

<https://www.nzsuperfund.co.nz/how-we-invest-balancing-risk-and-return-climate-change/climate-change-strategy>

☐ Attachment

☒ Time horizon of your investment

	URL/Attachment
--	----------------

☒ URL

	URL
--	-----

<https://www.nzsuperfund.co.nz/how-we-invest/endowments>

☐ Attachment

☒ ESG incorporation approaches

	URL/Attachment
--	----------------

☒ URL

	URL
--	-----

<https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Responsible%20Investment%20Framework.pdf>

☐ Attachment

☒ Active ownership approaches

	URL/Attachment
--	----------------

☒ URL

	URL
--	-----

<https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Responsible%20Investment%20Framework.pdf>

☐ Attachment

☒ Reporting

	URL/Attachment
--	----------------

☒ URL

URL
-----

<https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Responsible%20Investment%20Framework.pdf>

- ☐ Attachment
- ☒ Climate-related issues

URL/Attachment
----------------

- ☒ URL

URL
-----

<https://www.nzsuperfund.co.nz/how-we-invest-balancing-risk-and-return/climate-change>

- ☐ Attachment
- ☐ Climate change and related issues
- ☐ We do not publicly disclose any investment policy components

<b>SG 02.3</b>	Indicate if your organisation's investment principles, and overall investment strategy is publicly available
----------------	--

- ☒ Yes

URL
-----

<https://www.nzsuperfund.co.nz/how-we-invest>

- ☐ No

<b>SG 02.4</b>	Additional information [Optional].
----------------	------------------------------------

Investment beliefs - which includes ESG: <https://www.nzsuperfund.co.nz/how-we-invest/beliefs>

White paper on why we believe responsible investing pays off:

<https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/White%20Paper%20ESG%20Beliefs.pdf>

New Zealand legislation (<http://www.legislation.govt.nz/act/public/2001/0084/latest/DLM113924.html>) which says that we must administer the Fund on a prudent, commercial basis and, in doing so, must manage and administer the Fund in a manner consistent with:

- Best practice portfolio management;
- Maximising return without undue risk to the Fund as a whole;
- Avoiding prejudice to New Zealand's reputation as a responsible investor of the world community

Information about our approach to RI is available on our website: <https://www.nzsuperfund.co.nz/how-we-invest/responsible-investment>.

We report on our performance at <https://www.nzsuperfund.co.nz/performance/esg-management> and in a dedicated RI report in our Annual Report for the Guardians and Fund. The Annual Report was prepared in accordance with the Global Reporting Initiative (GRI) G4 Core option. 2017 was the 6th year that we reported against the GRI. <https://www.nzsuperfund.co.nz/publications/annual-reports>.

Our Climate Change Investment Strategy, details of implementation and our carbon footprint can be found here: <https://www.nzsuperfund.co.nz/how-we-invest-balancing-risk-and-return/climate-change>



SG 03	Mandatory	Public	Core Assessed	General
-------	-----------	--------	---------------	---------

SG 03.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
---------	---

☒ Yes

SG 03.2	Describe your policy on managing potential conflicts of interest in the investment process.
---------	---

We have a Board and Staff Code of Conduct.

For the Board when a situation arises, they recuse themselves from the issue/matter where the conflict of interest exists.

A copy of the Board's Charter is available at: <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Board%20Charter.pdf>

A copy of the Board Code of Conduct is available at: <https://www.nzsuperfund.co.nz/documents/board-code-conduct>

For the Staff, the staff are required to as part of the code of conduct to raise the conflict and step aside. The matter is then discussed with the CEO.

We take a precautionary approach and ask staff and board members to disclose any matter where there could be a perceived conflict.

A copy of our Human Resources Policy (including Code of Conduct and Securities Trading Procedure) is available at: <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Human%20Resources%20Policy.pdf>

☐ No

SG 03.3	Additional information. [Optional]
---------	------------------------------------

Specific details of potential Guardians Board and staff conflicts, and how they are managed, are detailed in our annual disclosures to the Commerce Select Committee (a Parliamentary Committee). See our response to question 40 at: <https://www.nzsuperfund.co.nz/publications-disclosures/selectcommittee>.

## Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
-------	-----------	--------	-----------------------	---------

<b>SG 05.1</b>	Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.
----------------	---

- ☐ Quarterly or more frequently
- ☒ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad-hoc basis
- ☐ It is not set/reviewed

<b>SG 05.2</b>	Additional information. [Optional]
----------------	------------------------------------

Progress on our RI objectives is reviewed by the Investment Committee biannually via a RI dashboard and to the Board annually. In addition, there is a dedicated RI report within each Annual Report and a dedicated section within a confidential Quarterly Report to the New Zealand Minister of Finance.

Further, RI is integrated into the Guardians' Statement of Intent which is produced at least every three years. The Statement of Intent provides an overview of the Guardians and Fund, summarises our five-year strategic plan, and is a vehicle for agreeing, with the Minister of Finance, a set of performance measures against which we are required to report publicly. These performance measures include specific responsible investment measures which are:

- Achieving an A or A+ rating for the Strategy& Governance module of the PRI annual assessment. Our assessment reports are available on our website here: <https://www.nzsuperfund.co.nz/performance/esg-management>.
- Reporting on responsible investment activities and outcomes annually against the six Principles for Responsible Investment. This report can be found in the RI section of the Annual Report. For the 2017 Annual Report, please see pages 52-53: <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/NZSF%20Annual%20Report%202017.pdf>.

The Statement of Intent can be found here: <https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/2016%20-%2021%20SOI%20FINAL.pdf>.

Annually, we also publish a complementary document, the Statement of Performance Expectations. The Statement of Performance Expectations sets out high priority activities (drawn from our strategic plan) and forecast financial statements for the relevant financial year. We report on how we have performed against the Statement of Intent and Statement of Performance Expectations in the Statement of Performance in our Annual Reports.

Performance objectives can be influenced by the reviews that internal staff do regarding the RI capabilities of our managers.

For dedicated RI staff, performance objectives are set annually and progress is reviewed every 6 months.

In addition, a new RI 3 year strategy (2017-2020) was proposed and agreed by the Board in (September 2017).

## Governance and human resources

<b>SG 07</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>General</b>
--------------	------------------	---------------	----------------------	----------------

<b>SG 07.1</b>	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
----------------	---

## Roles present in your organisation

- ☒ Board members or trustees
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - ☒ Oversight/accountability for responsible investment
  - ☐ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other Chief-level staff or head of department, specify
  - Head of Responsible Investment**
    - ☒ Oversight/accountability for responsible investment
    - ☒ Implementation of responsible investment
    - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Portfolio managers
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ ESG portfolio manager
- ☒ Investment analysts
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Dedicated responsible investment staff
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ External managers or service providers
  - ☒ Oversight/accountability for responsible investment
  - ☒ Implementation of responsible investment
  - ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☐ Investor relations
- ☒ Other role, specify (1)

## Other description (1)

### Corporate Strategy and Operations

- ☐ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment
- ☒ Other role, specify (2)

Other description (2)
-----------------------

#### Leadership Team

- ☒ Oversight/accountability for responsible investment
- ☒ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

<b>SG 07.2</b>	For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.
----------------	---

Note that Corporate Strategy covers the Communications, Legal & Strategy Teams.

The Guardians has a long-standing commitment to Responsible Investment. In addition, our governing legislation requires us to avoid prejudice to New Zealand's reputation in the world community.

ESG considerations are therefore integrated into all aspects of the Fund's investment activities, from investment selection and due diligence to ownership activities such as monitoring our external investment managers, exercising our voting rights and engaging with companies to improve their ESG policies and practices.

Our responsible investment work programme is led by the RI team, which acts as a RI Centre of Excellence for the Fund. The programme is wide ranging and touches most teams within the organisation. Investment professionals have their own responsibilities to integrate ESG issues within investment decisions. In addition, the operational side (Communications, Legal, Investment Operations etc.) provides relevant support for the RI work that is undertaken.

The Board, CEO, CIO, Leadership Team and Investment Committee have oversight of the RI Programme. The Head of RI reports directly to the CIO, reports bi-annually to the Investment Committee and annually to the Board. Any changes made to the RI Policy and Framework must be approved by the Board.

The Risk Committee also plays a role in oversight of ESG risks that are identified with investments.

We provide responsible investment resources to two other New Zealand Crown Financial Institutions: the Accident Compensation Corporation (ACC) and the Government Superannuation Fund Authority.

As well as applying ESG principles when making investment decisions, we aim to run the Guardians, as an organisation, in a way that demonstrates good ESG practice and reporting.

<b>SG 07.3</b>	Indicate the number of dedicated responsible investment staff your organisation has.
----------------	--

Number
--------

2.8

Your responses to this indicator will be used to determine if you meet the minimum requirements of being a PRI signatory introduced for the first time in 2018. Signatories have until 2020 to meet these requirements.

You can find out more information on the PRI website.

There are two minimum requirements for this indicator SG 07.1:

- A role implementing responsible investment: Individuals with implementation roles are those charged with implementing specific aspects of the organisation's responsible investment practices, for example, conducting ESG-related research, incorporating ESG issues into investment strategies, voting shareholdings, engaging with companies and policy makers;
  - This can be an internal staff or an external role;
  - They do not have to be a dedicated RI/ESG investment staff (captured in 07.3); and
  - They do not have to be allocating the majority of their time to RI/ESG activities.
- Senior level oversight and accountability for RI implementation: Individuals with oversight roles are those with management or governance responsibility for ensuring that the organisation implements its policies, and achieves its objectives and targets in relation to responsible investment performance; and

- "Senior level" includes the roles: Chief level staff, head of department, CEO, CIO, Investment Committee and Board members or trustees.
- 

If you have any questions or need support please contact [reporting@unpri.org](mailto:reporting@unpri.org) or call on + 44 (0) 203 714 3187.

## Promoting responsible investment

SG 09	Mandatory	Public	Core Assessed	PRI 4,5
-------	-----------	--------	---------------	---------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 09.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
---------	---

### Select all that apply

☒ Principles for Responsible Investment

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]
--	--

Over 2017, NZSF was involved in the following PRI-coordinated collaborative engagements:

- Investor Working Group on Palm Oil
- Methane Risk in the Energy and Utilities Sectors
- Carbon Footprint Disclosure (ended August 2017)
- Human Rights in the Extractive Industries (ended August 2017)

In addition, NZSF joined the Climate Action 100+ initiative which launched in December 2017.

A staff member also attended the PRI in Person Conference in Berlin.

Further, we hosted a roundtable on engagement for New Zealand UNPRI signatories in August 2017 and also contributed to the UNPRI Guide on Active Ownership that was published early 2018.

- ☐ Asian Corporate Governance Association
- ☒ Australian Council of Superannuation Investors

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ AFIC – La Commission ESG
- ☐ BVCA – Responsible Investment Advisory Board
- ☒ CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☐ CDP Forests
- ☐ CDP Water
- ☐ CFA Institute Centre for Financial Market Integrity
- ☐ Code for Responsible Investment in SA (CRISA)
- ☐ Code for Responsible Finance in the 21st Century
- ☐ Council of Institutional Investors (CII)
- ☐ Eumedion
- ☐ Extractive Industries Transparency Initiative (EITI)
- ☐ ESG Research Australia
- ☐ EVCA – Responsible Investment Roundtable
- ☐ Global Investors Governance Network (GIGN)
- ☐ Global Impact Investing Network (GIIN)
- ☐ Global Real Estate Sustainability Benchmark (GRESB)
- ☐ Green Bond Principles
- ☐ Institutional Investors Group on Climate Change (IIGCC)
- ☐ Interfaith Center on Corporate Responsibility (ICCR)
- ☒ International Corporate Governance Network (ICGN)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☒ Basic
- ☐ Moderate
- ☐ Advanced
- ☒ Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☒ Moderate
- ☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

Matt Whineray, our CIO, spoke on the Fund's Climate Change Investment Strategy at the IGCC Summit in October 2017. The agenda can be found here: [https://igcc.org.au/wp-content/uploads/2016/04/IGCC-Summit-2017\\_Final.pdf](https://igcc.org.au/wp-content/uploads/2016/04/IGCC-Summit-2017_Final.pdf).

- ☐ International Integrated Reporting Council (IIRC)
- ☐ Investor Network on Climate Risk (INCR)/CERES
- ☐ Local Authority Pension Fund Forum
- ☐ Principles for Sustainable Insurance
- ☒ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify  
Responsible Investment Association of Australasia (RIAA)

Your organisation's role in the initiative during the reporting period (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

The Head of RI is on the Board of the Responsible Investment Association Australasia (RIAA). We sponsor and play a key role in organising the NZ RIAA Conference. We also sponsored the RIAA 2017 Responsible Investment Benchmarking Report (New Zealand and Australia).

2 representatives from NZSF spoke at the NZ RIAA Conference in 2017.

- ☐ Responsible Finance Principles in Inclusive Finance
- ☐ Shareholder Association for Research and Education (Share)
- ☐ United Nations Environmental Program Finance Initiative (UNEP FI)
- ☐ United Nations Global Compact
- ☒ Other collaborative organisation/initiative, specify  
NZ Crown Financial Institutions resource sharing collaboration

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic
- ☐ Moderate
- ☒ Advanced



Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

NZSF has a RI resource sharing agreement with two other Crown Financial Institutions (CFIs) in NZ. The two CFIs (Accident Compensation Corporation (ACC) and the Government Superannuation Fund Authority) are also UNPRI signatories. We act as their secretariat on RI activities. Meetings are held quarterly to discuss and implement key RI activities such as policies and practices, engagement activities, research and reference and ESG integration.

☒ Other collaborative organisation/initiative, specify

NZ Corporate Governance Forum

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic  
☐ Moderate  
☒ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

NZSF has been a key driver behind the establishment and implementation of the NZ Corporate Governance Forum. Anne-Maree O'Connor was the founding Chair of the initiative, a position which came to an end in early 2017. NZSF continues to be involved in various work streams of the Forum.

☒ Other collaborative organisation/initiative, specify

One Planet Sovereign Wealth Fund Working Group on Climate Change

Your organisation's role in the initiative during the reporting year (see definitions)

- ☐ Basic  
☒ Moderate  
☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

The Fund was one of the 5 founding signatories.

The working group seeks to accelerate efforts to integrate financial risks and opportunities related to climate change in the management of large, long-term asset pools through the following commitments to:

- develop an environmental, social and governance framework (the "ESG Framework") to address climate change issues, including methods and indicators that can inform investors' priorities as shareholders and participants in financial markets; and
- to publish the ESG Framework, methods and indicators in 2018.

The founding signatories include the Abu Dhabi Investment Authority, Kuwait Investment Authority, the New Zealand Superannuation Fund, Norges Bank Investment Management (NBIM), the Public Investment Fund of the Kingdom of Saudi Arabia, and the Qatar Investment Authority and the initiative is championed by President Macron of France.

☐ Other collaborative organisation/initiative, specify

SG 10	Mandatory	Public	Core Assessed	PRI 4
-------	-----------	--------	---------------	-------

SG 10.1	Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.
---------	--

☒ Yes

SG 10.2	Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.
---------	--

☒ Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

	Description
--	-------------

We provided education and training on climate change to the CFI boards (July 2017) and on advancing RI from exclusions to NZ investors via the 2017 RIAA NZ Conference.

	Frequency of contribution
--	---------------------------

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☒ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Provided financial support for academic or industry research on responsible investment

	Description
--	-------------

We sponsored the RIAA NZ Benchmark Report and RIAA NZ conference.

	Frequency of contribution
--	---------------------------

- ☐ Quarterly or more frequently
- ☐ Biannually
- ☒ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☐ Provided input and/or collaborated with academia on RI related work

☒ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

Description
-------------

The RI and NZ Active Equities teams provided consultation with a number of NZ companies regarding their sustainability reporting.

Frequency of contribution
---------------------------

- ☐ Quarterly or more frequently
- ☒ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☒ Spoke publicly at events and conferences to promote responsible investment

Description
-------------

Over 2017, RI team members and investment staff as well as the CEO, CIO, Chair of the Board and General Counsel/General Manager Corporate Strategy all spoke at public events on various RI related topics.

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently
- ☐ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc
- ☐ Other

☐ Wrote and published in-house research papers on responsible investment

☐ Encouraged the adoption of the PRI

☒ Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

Description
-------------

GNZS provided a joint submission to the Organisation for Economic Co-Operation and Development on its Public Discussions Draft "BEPS Action 6 - Discussion Draft on non-CIV examples".

Frequency of contribution
---------------------------

- ☐ Quarterly or more frequently  
☐ Biannually  
☒ Annually  
☐ Less frequently than annually  
☐ Ad hoc  
☐ Other
- ☐ Wrote and published articles on responsible investment in the media  
☒ A member of PRI advisory committees/ working groups, specify

Description
-------------

Anne-Maree O'Connor (Head of RI) was a member of the Public Policy Committee

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently  
☐ Biannually  
☐ Annually  
☐ Less frequently than annually  
☐ Ad hoc  
☐ Other
- ☒ On the Board of, or officially advising, other RI organisations (e.g. local SIFs)

Description
-------------

Anne-Maree O'Connor (Head of RI) is on the Board of RIAA.

Frequency of contribution
---------------------------

- ☒ Quarterly or more frequently  
☐ Biannually  
☐ Annually  
☐ Less frequently than annually  
☐ Ad hoc  
☐ Other
- ☐ Other, specify  
☐ No

SG 10.3	Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]
---------	---

In addition, the team at GNZS:

- hosted a PRI signatory meeting on engagement;
- provided consultation with a number of investment managers and kiwisaver funds NZ regarding their approach to RI;

- provided input and feedback to a PRI publication on active ownership;
- held numerous meetings, interviews and contributed to articles on responsible investment related matters.

## Outsourcing to fiduciary managers and investment consultants

SG 12	Mandatory	Public	Core Assessed	PRI 4
-------	-----------	--------	---------------	-------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 12.1	Indicate whether your organisation uses investment consultants.
---------	---

- ☐ Yes, we use investment consultants
- ☒ No, we do not use investment consultants.

## ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
-------	-----------	--------	-------------	-------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 13.1	Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.
---------	--

- ☐ We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- ☐ We execute scenario analysis which includes factors representing the investment impacts of future social trends
- ☐ We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- ☒ We consider scenario analysis that includes factors representing the investment impacts of future climate-related risks and opportunities

Is this scenario analysis based on a 2°C or lower scenario?

- ☒ Yes
- ☐ No
- ☒ We execute other scenario analysis, specify
- To date we have used scenario analysis across 4 different scenarios including the 2 degrees Celsius scenario in work with Mercer.
- ☐ We do not execute such scenario analysis and/or modelling

SG SG 13.1a CC	Please describe the resilience of your organisation's strategy, considering different future climate scenarios.
----------------	---

Strategy affected	Changes to strategy	Description of scenario and time-horizon	How analysis has been used
Portfolio-wide investment strategy.	Changes to Strategy: The Mercer project and report across 4 different scenarios including the 2 degrees Celsius scenario helped to frame our portfolio wide climate change investment strategy (CCIS).	This has helped us to identify the primary drivers of risk and opportunity around Policy, Technology, Natural Resources and Physical Impacts. We believe our Climate Change Investment Strategy helps the Fund be resilient to climate change over the long-term. The 2DC scenario demonstrates the need to be particularly aware of strengthening policy action on climate change and to impacts on supply and demand from changes to consumer behaviour and technology disruptions in pursuit of a transition to a low-carbon economy.	Our shift to a low-carbon equity portfolio and setting targets to reduce our exposure to companies most at risk from this transition is an example of building resilience to this scenario, whilst maintaining a broadly diversified equity portfolio also protects the Fund should the action be slower or more unpredictable. However, other scenarios also need to be prepared for, in particular by being better prepared and informed on the physical risks of global warming. We have therefore included as part of our investment process guidelines on identifying potential physical risks to assets we own or conduct due diligence on. We are currently considering how scenario analysis could add value to our investment analysis and valuations as part of the ANALYSE Workstream of our Climate Change Investment Strategy.

### SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- ☐ Allocation between asset classes
- ☐ Determining fixed income duration
- ☐ Allocation of assets between geographic markets
- ☐ Sector weightings
- ☒ Other, specify

Allocation of assets between different types of investment opportunities.

- ☐ We do not consider ESG issues in strategic asset allocation

### SG 13.3

Additional information. [OPTIONAL]

The New Zealand Superannuation Fund is a global fund with a long time horizon and known liquidity. This means there are thousands of potential investment opportunities available to us. How do we choose the best ones for us?

The Risk Allocation Process (RAP) is a portfolio construction process or tool to help with our investment decision-making. We use the RAP to rank and map our existing and potential investment opportunities by:

- attractiveness (expected return, adjusted for confidence and risk); and
- consistency with the Fund's investment style (ESG is a major component of this).

Review and integration of ESG is an integral part of the RAP which prioritises the types of investments we may make.

In addition, we maintain a dedicated RI section and staff education module on RI on our intranet. Video recordings also aid the induction processes.

### **Other additional information:**

In 2017, after we had transitioned the passive equity portfolio to be more climate resilient, we did scenario testing to understand the implications of transitioning some of our other listed equity mandates (emerging market passive and active; and factors) to be more climate resilient. Sector weightings and emerging market geography were two considerations.

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
-------	---	--------	---------------------	-------

SG 14.1	Describe the process used to identify short, medium and long-term risks and opportunities that could have a material impact on your organisation and its activities.
---------	--

Our Act requires the Fund to be invested in a manner consistent with "maximising returns without undue risk to the Fund as a whole". The key decision for our portfolio is to determine what balance of risk and return is appropriate. This decision establishes the ratio of growth to income assets in our portfolio. The long horizon and mandate of the Fund mean that it should be weighted towards growth assets in order to have the best chance of maximising returns without undue risk.

ESG issues and responsible investment risks and opportunities are considered as part of our portfolio construction process. As explained in SG 13.3, we rank and map our baskets of investment opportunities by:

- a) Attractiveness (expected return, adjusted for confidence and risk); and
- b) Consistency with the Fund's investment style (ESG, Macro-themes and Targeted Operating Model).

As part of this process, we look closely at how good a fit the investment is with our way of investing, including our investment beliefs and themes. ESG issues and each investment opportunity's fit with themes, such as resource sustainability, therefore feed directly into the rankings of different investments.

SG 14.1 CC	Describe the processes used to determine which climate-related short, medium and long-term risks and opportunities could have a material impact on your organisation and its activities.
---------------	--

Developing a framework to help analyse carbon related risks and opportunities.

Our goal to lower the carbon exposure of the whole portfolio is designed to make the portfolio resilient over the long-term as this is the time-frame that matters for our Fund. This includes setting reduction targets and our subsequent shift to a lower carbon equity portfolio. Integrating climate change considerations into analysis of active opportunities is short and medium term, but also driven by the impact of climate change action and physical risks playing out over the long-term. Our assessment of potential physical risks is medium to long term - as these risks may already be happening, or may impact the insurability and value of an asset before the physical impact culminates, or may effect on the desirability of geographic locations for investments in real assets such as agriculture, timber, real estate or infrastructure. We are in the process of developing a framework to assist with valuations, analysing climate-related physical impacts, and identifying and prioritising investment opportunities.

We do not currently explicitly define short, medium or long-term or allocate climate change issues accordingly. The relevance of time-frames and climate change issues will also vary for different types of assets.

SG 14.2	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.
---------	--

- ☒ Changing demographics
- ☒ Climate change and related issues



**SG 14.2a**  
**cc**

Please describe how you define “short”, “medium” and “long term”, and describe your material climate-related issues over these time horizons.

	Definition	Description of material climate-related issues
Short term		
Medium term		
Long term		

**SG 14.3**

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- ☒ Established a climate change sensitive or climate change integrated asset allocation strategy
- ☒ Targeted low carbon or climate resilient investments
- ☒ Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- ☒ Used emissions data or analysis to inform investment decision making
- ☒ Sought climate change integration by companies
- ☒ Sought climate supportive policy from governments
- ☐ Other, specify
- ☐ None of the above

**SG 14.4**

Indicate which of the following tools you use to manage emissions risks and opportunities

- ☒ Scenario analysis
- ☒ Disclosure on emissions risk to clients/trustees/management/beneficiaries
- ☒ Climate-related targets
- ☒ Encourage internal and/or external portfolio managers to monitor emissions risk
- ☐ Emissions risk monitoring and reporting are formalised into contracts when appointing managers
- ☐ Weighted average carbon intensity
- ☒ Carbon footprint (scope 1 and 2)
- ☒ Portfolio carbon footprint
- ☒ Total carbon emissions
- ☒ Carbon intensity
- ☐ Exposure to carbon-related assets
- ☐ Other emissions metrics
- ☒ Other, specify

other description

We encourage internal+external portfolio managers to consider climate change related risks and opportunities (not just emissions risk).

- ☐ None of the above
- ☒ Resource scarcity
- ☐ Technology developments
- ☒ Other, specify(1)

other description (1)
-----------------------

We have an alternative energy strategy which came out of our energy sector and climate change research.

- ☐ Other, specify(2)
- ☐ None of the above

<b>SG 14.4a CC</b>	Please provide further details on these key metric(s) used to assess climate related risks and opportunities.
------------------------	---

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology	Metric Trend	Limitations / Weaknesses
<b>Climate-related targets</b>	Whole of Portfolio	Improve resilience of the Fund to climate change related risks.	Scope 1 & 2 emissions intensity. Fossil Fuel reserve intensity. Reduce emissions exposure by 20% and fossil fuel reserves exposure by 40% by 2020.	Portfolio Carbon Footprint	Reduction	Does not capture all risks. Does not capture opportunities.
<b>Carbon footprint (scope 1 and 2)</b>	Global Listed Equity Portfolio.	Low-carbon Equity portfolio. Progress towards reduction target.	CO2 per unit sales. MSCI Top Quartile CC management.	Applied to passive equity portfolio. Retain top quartile rated companies, apply fossil fuel reduction followed by scope 1 & 2 emissions.	Reduction.	Applies to physical universe of stocks, not synthetic exposure at this stage.
<b>Portfolio carbon footprint</b>	Whole of Portfolio. Unlisted is proxied.	Measure to assist with managing risk exposure to climate change.	CO2 intensity by unit sales or fossil fuel exposure by potential emission by unit of energy.	MSCI carbon data for equity portfolio footprint and for proxies for some unlisted assets. Synthetic listed treated as physical for footprinting purposes. Unlisted - service provider methodology for certain unlisted assets.	Reduction at whole of portfolio footprint.	Un predictability of new investments and of exposure to physical low carbon versus synthetic equities.
<b>Total carbon emissions</b>	Same as Portfolio Carbon Footprint.					
<b>Carbon intensity</b>	Whole of Portfolio.	To manage climate change risk exposure at the whole of fund level.	Carbon intensity of CO2e scope 1 & 2 emissions by sales and potential emissions from reserves by energy intensity.	Adopted MSCI methodology and data.	Reduction.	Does not reflect all investment risks e.g. from scope 3 emissions, supply-demand impacts, physical risks etc.

SG 14.4b  
CC

Please describe in further detail your key targets.

Targettype	Time Frame	Base Year	KPI	Target Methodology	Limitations / Weaknesses	Attachments
<input type="radio"/> Absolute target <input checked="" type="radio"/> Intensity target	2020	2016	% total emissions - Carbon Footprint of Portfolio. 20% emissions intensity reduction and 40% reduction potential emissions intensity from fossil fuel reserves by 2020	See website. <a href="https://www.nzsuperfund.co.nz/how-we-invest-balancing-risk-and-return/climate-change">https://www.nzsuperfund.co.nz/how-we-invest-balancing-risk-and-return/climate-change</a>		
<input type="radio"/> Absolute target <input type="radio"/> Intensity target						

#### SG 14.5

If you selected disclosure on emissions risks, list any specific climate related disclosure tools or frameworks that you used.

Our Climate Change Investment Strategy aims to make the Fund more resilient to climate change over the long-term. Climate change presents a material risk for investors.

Our approach to climate change is well documented on our website and in our annual report.  
<https://www.nzsuperfund.co.nz/how-we-invest-balancing-risk-and-return/climate-change> .

We use MSCI's carbon emissions database and CDP as a source of data to MSCI. We have also used specialist firms in the past for carbon footprinting unlisted assets. We also use MSCI's Climate Ratings in our carbon reduction methodology.

In addition, we received a AAA rating in the latest Asset Owners Disclosure Project Global Climate Index, ranking at 15 in its list of top global asset managers. We have also published the Fund's carbon footprint (available on our website).

We are currently reviewing our reporting against the TCFD guidelines.

We have joined the Climate Action 100+ initiative which requests companies to report in alignment with the TCFDs.

#### SG 14.6

Additional information [Optional]

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.

Thematic analysis is about identifying return streams positively and negatively exposed to the themes. Our investment thesis is that these exposures will not usually be fully-priced by markets given they are "slow burn" in nature and subject to uncertainty. Thematic investing is therefore very much aligned with the Fund's long-term investment horizon.

The Fund has three broad Investment Themes we believe will provide areas of investment opportunity in years to come:

- Resource Sustainability

- Emerging Markets Segmentation
- Evolving Demand Patterns

<b>SG 14.7 CC</b>	Describe your risk management processes for identifying, assessing, and managing climate-related risks.
-----------------------	---

- ☒ Our process for climate-related risks is integrated into overall risk management

	Please describe
--	-----------------

Climate-change related risks are primarily focused on our investments and are managed through our Climate Change Investment Strategy. For new investments, key risks (and potential mitigants), which may include climate-related risks if material, are also captured in our operational risk assessment procedures which are overseen by the Risk Committee.

Description may include:

- How you determine the significance of climate-related risks in relation to other risks.
- Whether you consider existing and emerging regulatory requirements related to climate change.
- A description of processes for assessing the potential size and scope of identified climate-related risks.
- Definitions of risk terminology used or references to existing risk classification frameworks used.
- How decisions to mitigate, transfer, accept and/or control climate-related risks are made in managing processes.

- ☐ Our process for climate-related risks is not integrated into our overall risk management

<b>SG 14.8 CC</b>	Describe your processes for prioritising climate-related risks.
-----------------------	---

The priority of climate-related risks are very investment specific. The materiality of the risk in the operational risk assessments will be rated in a similar way to other risks.

<b>SG 14.9 CC</b>	Do you conduct engagement activity with investee companies to encourage better disclosure and practices around climate-related risks?
-----------------------	---

- ☒ Yes

	Please describe
--	-----------------

Engagement by GNZS - The NZ Active Equities Team were very focused on how companies in NZ are transitioning to meet New Zealand's commitments to the Paris Accord.

Engagement by our service provider: We reported on the specific climate change engagement that our engagement service provider is undertaking in our 2017 annual report. See page 55.

The climate change related collaborative engagements that we were involved in over 2017 include:

- Methane risk in the energy and utility sectors (UNPRI)
- Carbon footprint disclosure (UNPRI)
- Carbon Disclosure Project (CDP)

- Carbon Action 100+ (IGCC / IIGCC / AIGCC / Ceres / UNPRI)

Our managers also engage on climate change. At the end of 2017 we started a project to better understand the climate change related engagement that our managers are undertaking.

Describe these engagement activities.

Specific Guidance:

#### Investment Managers

You may like to include a description on how you identify and assess material climate-related risks for each product or investment strategy.

☐ No, we do not engage

<b>SG 14.10 CC</b>	Describe how you use data from climate-related disclosures.
------------------------	---

We utilise data in our investment analysis of companies and investment opportunities, and to carbon footprint our portfolio as a measure of risk and to measure progress towards our carbon reduction targets.

<b>SG 15</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
--------------	--	---------------	--------------------	--------------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

<b>SG 15.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
----------------	---

☒ Yes

<b>SG 15.2</b>	Indicate the percentage of your total AUM invested in environmental and social themed areas.
----------------	--

	%
--	---

6.2

<b>SG 15.3</b>	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
----------------	--

	Area
--	------

☒ Clean technology (including renewable energy)

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☒ Private equity

	% of AUM
--	----------

0.5

- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Forestry
- ☐ Farmland

	Brief description and measures of investment
--	--

The type of investment is similar to private equity but is managed internally via our Direct Investment team. Types of investment include: Fuel cell manufacturer for stationary power generation applications and a wind farm development company.

- ☒ Green buildings

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☒ Private equity

	% of AUM
--	----------

0.7

- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Forestry
- ☐ Farmland

	Brief description and measures of investment
--	--

Energy efficient glass

☒ Sustainable forestry

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity
- ☐ Property
- ☐ Infrastructure
- ☐ Hedge funds
- ☒ Forestry

	% of AUM
--	----------

4.6

☐ Farmland

	Brief description and measures of investment
--	--

The large majority of our forestry investments have FSC or PEFC certification. In addition, we have invested in one REDD forest project.

- ☐ Sustainable agriculture
- ☐ Microfinance
- ☐ SME financing
- ☒ Social enterprise / community investing



	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity
- ☐ Property
- ☒ Infrastructure

	% of AUM
--	----------

0.3

- ☐ Hedge funds
- ☐ Forestry
- ☐ Farmland

	Brief description and measures of investment
--	--

Social Infrastructure Fund - investing in schools, hospitals and other social infrastructure.

In 2017, the Fund made its first investment in a social bond, investing NZ\$5.45m in a bond issued as part of the Ministry of Health's social bond programme. It seeks to reduce reoffending rates amongst a cohort of youth offenders by 15% over a 6 year period.

- ☒ Affordable housing

	Asset class invested
--	----------------------

- ☐ Listed equity
- ☐ Fixed income - SSA
- ☐ Fixed income - Corporate (financial)
- ☐ Fixed income - Corporate (non-financial)
- ☐ Fixed income - Securitised
- ☐ Private equity
- ☒ Property

	% of AUM
--	----------

0.1

- ☐ Infrastructure
- ☐ Hedge funds
- ☐ Forestry
- ☐ Farmland

## Brief description and measures of investment

We have one property development that targets the affordable segment of the residential market. Of the 208 units developed in the project, 70% will be priced at or below the regional median house price. Of these, 74% of the units developed will be 2 bedrooms or greater, 35% will be townhouses and the remainder will be in apartment or maisonette format. Also, around 20% of the total units developed will be retained as long-term rentals offering renters fixed tenures of 3 to 7 years.

- ☐ Education
- ☐ Global health
- ☐ Water
- ☐ Other area, specify

☐ No

## Asset class implementation not reported in other modules

SG 16	Mandatory	Public	Descriptive	General
Asset Class	Describe what processes are in place and the outputs or outcomes achieved			
Fixed income - Securitised	Exclusions apply as applicable.			
Private equity	Our RI Guidelines for PE assist in our due diligence process and are the basis for identifying relevant ESG risks and opportunities. Internal PE investments are usually direct investments, where we are represented on the board and in this way, can drive management and best practice of ESG issues.			
Property	Our RI Guidelines for Real Estate assist in our due diligence process and are the basis for identifying relevant ESG risks and opportunities. Internal Real Estate investments are usually direct investments, where we are represented on the board and in this way, can drive management and best practice of ESG issues.			
Infrastructure	ESG requirements are integrated into due diligence and post-investment management.			
Forestry	We integrate ESG responsibilities through our governance role as a director on the Board.			
Other (1) [as defined in Organisational Overview module]	Other equates to FX, Tilts, Synthetics and market neutral positions: Exclusions apply where appropriate. In addition, we have shorted excluded companies which fall into the large market capitalisation category.			

SG 17	Mandatory	Public	Descriptive	General
-------	-----------	--------	-------------	---------

**SG 17.1**

Describe how you address ESG issues for externally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Private equity	<p>The consideration of ESG factors is an important element to our private equity investments. ESG risks and opportunities are assessed and monitored pre and post investment. We have also developed specific Private Equity RI guidelines.</p> <p>ESG Due Diligence is a major component in the pre-investment analysis. ESG Management and Reporting is a post-investment requirement. We advocate and promote best practice in this space. ESG requirements for integration and reporting are in the Limited Partnership Agreement.</p>
Property	<p>ESG Due Diligence is a major component in the pre-investment analysis. ESG risks and opportunities are assessed and monitored pre and post investment. We have also developed specific Real Estate RI guidelines.</p> <p>ESG Management and Reporting is a post-investment requirement. ESG requirements for integration and reporting is in the Manager's IMA.</p>
Infrastructure	<p>ESG Due Diligence is a major component in the pre-investment analysis. ESG Management and Reporting is a post-investment requirement. ESG requirements for integration and reporting is in the Manager's IMA.</p>
Hedge funds - DDQ	<div> <div>Select whether you use the PRI Hedge Fund DDQ</div> <div> <input type="radio"/> Yes <input checked="" type="radio"/> No </div> </div>
Hedge funds	<p>ESG Due Diligence is a major component in the pre-investment analysis. ESG Management and Reporting is a post-investment requirement in our segregated hedge fund mandates. We have developed our own ESG guidelines for some of the different hedge fund categories such as Distressed Credit, Life Settlements and Natural Catastrophe Reinsurance. There are also ESG requirements, where relevant, in the legal documents for our hedge fund mandates. Our exclusion policies apply to all segregated mandates.</p>
Forestry	<p>ESG Due Diligence is a major component in the pre-investment analysis. ESG Management and Reporting is a post-investment requirement. We have developed our own Forestry ESG guidelines to assist in this - these include FSC requirements or equivalent and safety issues. There are also ESG requirements for integration and reporting in the Manager's IMA. Focus this year has been on improving safety in the NZ forestry industry including contractors and suppliers.</p>
Farmland	<p>ESG Due Diligence is a major component in the pre-investment analysis. ESG Management and Reporting is a post-investment requirement. We have developed our own rural ESG guidelines to assist in this. There are also ESG requirements for integration and reporting in the Manager's IMA.</p>

<b>SG 17.2</b>	Additional information.
----------------	-------------------------

We conduct an RI review and rate each manager every 1-2 years. From this, relevant RI performance issues (both good practice and concerns) are integrated into the portfolio management and performance (conviction) ratings of our external managers. These conviction reviews are carried out by portfolio managers in the Investments Group with input from dedicated RI staff.

## Innovation

<b>SG 18</b>	<b>Voluntary</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
--------------	------------------	---------------	--------------------	----------------

<b>SG 18.1</b>	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
----------------	--

☒ Yes

<b>SG 18.2</b>	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
----------------	---

In previous years, we have responded to this question by describing our Risk Allocation Process (RAP). We remain of the view that it is an innovative process. However, this year, it is the implementation of our Climate Change Strategy that we would like to highlight - particularly the sell down of carbon intense companies and those with fossil fuel reserves that may, at some point in the future, become stranded assets.

While this has been described in other parts of the module, the methodology to make the Fund more climate resilient was designed in-house. We are particularly proud of this piece of innovative work.

The response to this indicator could relate to any aspects of your responsible investment processes, activities, outputs or outcomes that you consider to represent significant developments and progress in the practice of responsible investment in general or in a particular market or asset class.

Illustrative examples include:

- the introduction of longer holding periods (or portfolio turnover limits) to encourage longer-term thinking;
- new ways of delivering information or reports to clients;
- the development of innovative KPIs or performance measurement tools (e.g., to track the carbon intensity or other ESG characteristics of portfolios or to link these to financial performance);
- the use of new engagement approaches that deliver better ESG or financial outcomes; and/or
- new partnerships or collaborations.

☐ No

## Communication

<b>SG 19</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 6</b>
--------------	------------------	---------------	----------------------	--------------

<b>SG 19.1</b>	Indicate whether your organisation proactively discloses asset class specific information. Select the frequency of the disclosure to clients/beneficiaries and the public, and provide a URL to the public information.
----------------	---

#### Listed equity - Engagement

- ☐ We do not disclose to either clients/beneficiaries or the public.
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose to the public

#### The information disclosed to clients/beneficiaries is the same

- ☒ Yes
- ☐ No

<b>Disclosure to public and URL</b>	
	<div>Disclosure to public and URL</div> <div> <input checked="" type="checkbox"/> Details on the overall engagement strategy  <input checked="" type="checkbox"/> Details on the selection of engagement cases and definition of objectives of the selections, priorities and specific goals  <input checked="" type="checkbox"/> Number of engagements undertaken  <input checked="" type="checkbox"/> Breakdown of engagements by type/topic  <input type="checkbox"/> Breakdown of engagements by region  <input checked="" type="checkbox"/> An assessment of the current status of the progress achieved and outcomes against defined objectives  <input checked="" type="checkbox"/> Examples of engagement cases  <input type="checkbox"/> Details on eventual escalation strategy taken after the initial dialogue has been unsuccessful (i.e. filing resolutions, issuing a statement, voting against management, divestment etc.)  <input type="checkbox"/> Details on whether the provided information has been externally assured  <input checked="" type="checkbox"/> Outcomes that have been achieved from the engagement  <input type="checkbox"/> Other information </div>
	<div>Frequency</div> <div> <input checked="" type="checkbox"/> Quarterly or more frequently  <input type="checkbox"/> Biannually  <input type="checkbox"/> Annually  <input type="checkbox"/> Less frequently than annually  <input type="checkbox"/> Ad-hoc/when requested </div>
	<div>URL</div> <div> <a href="https://www.nzsuperfund.co.nz/performance-esg-management/engagement-reports">https://www.nzsuperfund.co.nz/performance-esg-management/engagement-reports</a> </div> <div>URL</div> <div> <a href="https://ar2017.nzsuperfund.co.nz/sites/default/files/downloads/NZSF%20Annual%20Report%202017.pdf">https://ar2017.nzsuperfund.co.nz/sites/default/files/downloads/NZSF%20Annual%20Report%202017.pdf</a> </div>

	<b>Listed equity – (Proxy) Voting</b>
	<input type="radio"/> We do not disclose to either clients/beneficiaries or the public. <input type="radio"/> We disclose to clients/beneficiaries only. <input checked="" type="radio"/> We disclose to the public

The information disclosed to clients/beneficiaries is the same

☒ Yes

☐ No

#### Disclosure to public and URL

##### Disclosure to public and URL

- ☐ Explain all voting decisions
- ☒ Explain some voting decisions
- ☐ Only explain abstentions and votes against management
- ☐ No explanations provided

##### Frequency

- ☐ Quarterly
- ☒ Biannually
- ☐ Annually
- ☐ Less frequently than annually
- ☐ Ad hoc/when requested

##### URL

<https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Voting%20Report%20to%2030%20June%202017.pdf>

#### Listed equity - Incorporation

- ☐ We do not proactively disclose it to the public and/or clients/beneficiaries
- ☐ We disclose to clients/beneficiaries only.
- ☒ We disclose it publicly

The information disclosed to clients/beneficiaries is the same

☒ Yes

☐ No

<b>Disclosure to public and URL</b>	
	<div>Disclosure to public and URL</div> <div> <input checked="" type="radio"/> Broad approach to ESG incorporation  <input type="radio"/> Detailed explanation of ESG incorporation strategy used         </div>
	<div>Frequency</div> <div> <input type="checkbox"/> Quarterly or more frequently  <input type="checkbox"/> Biannually  <input checked="" type="checkbox"/> Annually  <input type="checkbox"/> Less frequently than annually  <input type="checkbox"/> Ad-hoc/when requested         </div>
	<div>URL</div> <div> <a href="https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/integration">https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/integration</a> </div>
	<div>URL</div> <div> <a href="https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/NZSF%20Annual%20Report%202017.pdf">https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/NZSF%20Annual%20Report%202017.pdf</a> </div>

	<b>Selection, Appointment and Monitoring</b>
	<input type="radio"/> We do not disclose to either clients/beneficiaries or the public. <input type="radio"/> We disclose to clients/beneficiaries only. <input checked="" type="radio"/> We disclose to the public
	<div>The information disclosed to clients/beneficiaries is the same</div> <div> <input checked="" type="radio"/> Yes  <input type="radio"/> No         </div>



<b>Disclosure to public and URL</b>	
	<div>Disclosure to public and URL</div> <input checked="" type="checkbox"/> How responsible investment considerations are included in manager selection, appointment and monitoring processes <input type="checkbox"/> Details of the responsible investment activities carried out by managers on your behalf <input type="checkbox"/> E, S and/or G impacts and outcomes that have resulted from your managers' investments and/or active ownership <input type="checkbox"/> Other
	<div>Frequency</div> <input type="checkbox"/> Quarterly or more frequently <input type="checkbox"/> Biannually <input checked="" type="checkbox"/> Annually <input type="checkbox"/> Less frequently than annually <input type="checkbox"/> Ad-hoc/when requested
	<div>URL</div> <a href="https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/integration">https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/integration</a>
	<div>URL</div> <a href="https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/NZSF%20Annual%20Report%202017.pdf">https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/NZSF%20Annual%20Report%202017.pdf</a>

<b>SG 19.2</b>	<b>Additional information [Optional]</b>
----------------	--

We report through a dedicated Responsible Investment section of our website, in our annual reports and other sections of our website where pertinent. For example, publications, Statement of Policies, Standards and Procedures, and also the UNPRI Transparency Report. Voting activity by managers is reported at an aggregated level with some commentary on interesting trends. Reports from our engagement service provider are added to our public website quarterly.

## Listed Equity and Fixed Income Strategies

<b>SAM 01</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway</b>	<b>PRI 1</b>
<b>SAM 01.1</b>	Indicate which of the following ESG incorporation strategies you require your external manager(s) to implement on your behalf for all your listed equity and/or fixed income assets:			
	Active investment strategies			

Active investment strategies	Listed Equity				
Screening	<input checked="" type="checkbox"/>				
Thematic	<input type="checkbox"/>				
Integration	<input checked="" type="checkbox"/>				
None of the above	<input type="checkbox"/>				

#### Passive investment strategies

Passive investment strategies	Listed Equity	FI - SSA	FI -Corporate (financial)	FI -Corporate (non-financial)	Fixed income - Securitised
Screening	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Thematic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Integration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### SAM 01.2

#### Additional information. [Optional]

Exclusion decisions are based on a clear process and principles that are set out in our Responsible Investment Framework. International conventions, New Zealand law, Crown actions, and companies' involvement and activities, are key factors in our decision-making process.

There are two types of exclusions:

- (a) 'product' exclusions, where companies are excluded based on the products they make (for example tobacco, cluster munitions)
- (b) 'poor ESG practices' exclusions, where companies are excluded for systemic breaches of responsible investment standards.

In addition, the Fund will exclude investment in the government bonds of any nation state where there is widespread condemnation or sanctions by the international community and New Zealand has imposed meaningful diplomatic, economic or military sanctions aimed at the government.

More information is available on our website: <https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/exclusions>.

In 2017, we transitioned the passive equities mandates to be lower carbon. This is what we are indicating by ticking 'integration' of passive listed equities.

## Selection

**SAM 02**

**Mandatory**

**Public**

**Core Assessed**

**PRI 1**

**SAM 02.1**

Indicate what RI-related information your organisation typically covers in the majority of selection documentation for your external managers

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised			
Investment strategy and how ESG objectives relate to it	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
ESG incorporation requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
ESG reporting requirements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
No RI information covered in the RFPs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

**SAM 02.2**

Explain how your organisation evaluates the investment manager's ability to align between your investment strategy and their investment approach

Strategy

	LE	FI - SSA	FI - Corporate (financial)?	FI - Corporate (non-financial)	FI - Securitised?			
Assess the time horizon of the investment manager's offering vs. your/beneficiaries' requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Assess the quality of investment policy and its reference to ESG	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Assess the investment approach and how ESG objectives are implemented in the investment process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Review the manager's firm-level vs. product-level approach to RI	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Assess the ESG definitions to be used	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

ESG people/oversight

	LE	FI - SSA	FI - Corporate (financial)?	FI - Corporate (non-financial)?	FI - Securitised?			
Assess ESG expertise of investment teams	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Review the oversight and responsibilities of ESG implementation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Review how is ESG implementation enforced /ensured	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Review the manager's RI-promotion efforts and engagement with the industry	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

Process/portfolio construction/investment valuation

	LE	FI - SSA	FI - Corporate (financial)?	FI - Corporate (non-financial)?	FI - Securitised?			
Review the process for ensuring the quality of the ESG data used	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Review and agree the use of ESG data in the investment decision making process	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Review and agree the impact of ESG analysis on investment decisions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Review and agree ESG objectives (e.g. risk reduction, return seeking, real-world impact)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Review and agree manager's ESG risk framework	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Review and agree ESG risk limits at the portfolio level (portfolio construction) and other ESG objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Review how ESG materiality is evaluated by the manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Review process for defining and communicating on ESG incidents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Review and agree ESG reporting frequency and detail	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Other, specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

**SAM 02.3**

Indicate the selection process and its ESG/RI components

- ☒ Review ESG/RI responses to RfP, RfI, DDQ etc.
- ☐ Review responses to PRI's Limited Partners' Responsible Investment Due Diligence Questionnaire (LP DDQ)
- ☒ Review publicly available information on ESG/RI
- ☐ Review assurance process on ESG/RI data and processes
- ☒ Review PRI Transparency Reports
- ☒ Request and discuss PRI Assessment Reports
- ☒ Meetings with the potential shortlisted managers covering ESG/RI themes
- ☒ Site visits to potential managers offices
- ☐ Other, specify

**SAM 02.4**

When selecting external managers does your organisation set any of the following:

	LE	FI - SSA	FI - Corporate (financial)?	FI - Corporate (non-financial)?	FI - Securitised?			
ESG performance development targets	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
ESG score	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
ESG weight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Real world economy targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Other RI considerations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

If you select any 'Other' option(s), specify

In due diligence, we look at RI strategy(ies), integration of ESG into investment decision making (pre and post investment), engagement and voting activities, RI resources and expertise, and reporting and communication. We also look at a manager's ability to implement our exclusion policy.

**SAM 02.5**

Describe how the ESG information reviewed and discussed affects the selection decision making process.[OPTIONAL]

When selecting a new manager, the RI team works closely with the lead portfolio manager, to feed into the due diligence process that is undertaken before hire. We have a set of RI due diligence questions that we send to managers; we undertake a review of their RI activities, we may attend an onsite visit or hold calls or meetings to better understand their approach to RI.

Once we have obtained the information we require, we rate the manager's RI ability, giving them an RI score, taking consideration of the investment strategy and the type of opportunity that we are trying to access.

If a manager's RI ability is, at that point, lower than what we would expect, then a factor we consider is how willing they are to work with us to further their RI ability. From there, we can set out a plan for improvement, work with the manager and monitor progress over time.

The RI Manager Rating feed into the Investment Team's overall conviction score for managers. The managers must maintain a minimum conviction score. If they drop below a certain threshold, a manager is placed on watch and a deep review of their capabilities, governance and processes is undertaken.

<b>SAM 03</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 2</b>
---------------	------------------	---------------	----------------------------	--------------

<b>SAM 03.1</b>	Indicate how your organisation typically evaluates the manager's active ownership practices in the majority of the manager selection process.
-----------------	---

	Engagement
--	------------

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	
Review the manager's engagement policy	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Review the manager's engagement process (with examples and outcomes)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Ensure that engagement outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Other engagement issues in your selection process specify	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	If you select any 'Other' option(s), specify
--	--

We also look at the resources allocated to undertake engagement activities.

We view engagement with companies to be applicable to equities and bond portfolios. Our managers sometimes have a centralised engagement capability, rather than portfolio specific.

	(Proxy) voting
--	----------------



	LE
Review the manager's voting policy	<input checked="" type="checkbox"/>
Review the manager's ability to align voting activities with clients' specific voting policies	<input checked="" type="checkbox"/>
Review the manager's process for informing clients about voting decisions	<input checked="" type="checkbox"/>
Ensure that voting outcomes feed back into the investment decision-making process	<input checked="" type="checkbox"/>
Review the number of votes cast as a percentage of ballots/AGMs or holdings and available rationale	<input checked="" type="checkbox"/>
Other active ownership voting issues in your selection process; specify	<input checked="" type="checkbox"/>
None of the above	<input type="checkbox"/>

If you select any 'Other' option(s), specify

We also look at whether a manager's voting actions reflect what is stated in their policy.

### **SAM 03.2** Describe how you assess if the manager's engagement approach is effective.

- ☒ Impact on investment decisions
- ☐ Financial impact on target company or asset class
- ☐ Impact on ESG profile of company or the portfolio
- ☒ Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- ☐ Other, specify
- ☐ None of the above

### **SAM 03.3** Describe how you assess if the manager's voting approach is effective/appropriate

- ☐ Impact on investment decisions
- ☐ Impact on ESG profile of company or the portfolio
- ☒ Evidence of changes in corporate practices(i.e. ESG policies and implementation activities)
- ☒ Other, specify

We look at whether a manager's voting actions reflect what is stated in their policy.

- ☐ None of the above

### **SAM 03.4** Additional information [OPTIONAL]

We look at a manager's engagement policy, allocated resource and internal governance procedures. We also review examples of their engagement reporting, which may include, for active managers, how this has influenced their investment view of the company or changes made by the company as a result of engagement.

We look at a manager's voting policy, allocated resource and internal governance procedures. We also review examples of their proxy voting reports. Our New Zealand managers are required to provide voting recommendations

(though we will make the final voting decision) and to undertake relevant engagement with companies.

Sometimes, but not always, the changes in company practices due to voting activities are discussed by managers with companies.

Please note that the engagement undertaken by our service provider covers corporates (both financial and non-financial) from both a listed equity and fixed income perspective. They do not engage on SSA or securitised FI assets.

## Appointment

<b>SAM 04</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 1</b>
---------------	------------------	---------------	----------------------	--------------

<b>SAM 04.1</b>	Indicate if in the majority of cases and where the structure of the product allows, your organisation does any of the following as part of the manager appointment and/or commitment process
-----------------	--

- ☒ Sets standard benchmarks or ESG benchmarks
- ☒ Defines ESG objectives
- ☒ Sets incentives and controls linked to the ESG objectives
- ☒ Requires reporting on ESG objectives
- ☒ Requires the investment manager to adhere to ESG guidelines, regulations, principles or standards
- ☐ None of the above
- ☐ None of the above, we invest only in pooled funds and have a thorough selection process

<b>SAM 04.2</b>	Provide an example per asset class of your benchmarks, objectives, incentives/controls and reporting requirements that would typically be included in your managers' appointment.
-----------------	---

	Asset class
--	-------------

- ☒ Listed equity (LE)

	Benchmark
--	-----------

- ☒ Standard benchmark
- ☐ ESG benchmark, specify

	ESG Objectives
--	----------------

- ☐ ESG related strategy, specify
- ☒ ESG related investment restrictions, specify

Investment restrictions are stated in the Investment Management Agreements (IMAs) for all managers. All agreements, where possible, mandate adherence to our exclusion list. Other examples of restrictions that may be included are investment in derivatives (some mandates) and prudential limits.

GNZS current product exclusions cover the following:

- Manufacture of cluster munitions;
- Manufacture, testing or storing of nuclear explosive devices;
- Manufacture of anti-personnel mines;
- Manufacture of tobacco;
- Processing of whale meat;
- Recreational cannabis; and

GNZS also has a company-specific category for exclusions based on breaches of ESG standards.

The list of excluded companies can be found on our website here: <https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/exclusions>

☒ ESG integration, specify

In 2017, we instructed our passive listed equity managers and our New Zealand Active Equity Managers to transition our portfolios to be low carbon, as specified by us.

Our newer LE managers have ESG integration requirements in their IMAs.

☒ Engagement, specify

Our newer LE investment managers are required to report on their engagement activities. For the older managers, as IMA's are updated, we are planning to implement stronger engagement requirements.

We note here that we also employ an engagement service provider to help ensure our engagement objectives are met.

☒ Voting, specify

All our global LE managers are currently required to vote on our behalf. For our NZ holdings, we do the voting ourselves.

☐ Promoting responsible investment

☐ ESG specific improvements

☐ ESG guidelines/regulation, principles/standards, specify

☐ Other, specify

#### Incentives and controls

☐ Fee based incentive

☒ Communication and remedy of breaches

☒ Termination

☐ No fee/ breach of contract

#### Reporting requirements

☐ Monthly

☒ Quarterly

☐ Bi-annually

☐ Annually

☐ Ad-hoc/when requested

☒ Fixed income - SSA (SSA)

#### Benchmark

☒ Standard benchmark, specify

Our fixed income manager is required to track the Bloomberg Barclays Global Aggregate Index.

☐ ESG benchmark, specify

## ESG Objectives

- ☐ ESG related strategy, specify
- ☒ ESG related investment restrictions, specify

There are a number of investment restrictions outlined in the IMA. From an RI perspective, a schedule provides a restricted list of entities and countries that the manager is prevented from investing in.

Our list of excluded countries consists of those countries facing sanctions from the United Nations.

- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ ESG guidelines/regulation, principles/standards, specify
- ☐ Other, specify

## Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☒ Termination
- ☐ No fee/ breach of contract

## Reporting requirements

- ☐ Ad-hoc/when requested
  - ☐ Annually
  - ☐ Bi-annually
  - ☐ Quarterly
  - ☒ Monthly
- ☒ Fixed income - Corporate (financial)

## Benchmark

- ☒ Standard benchmark, specify

Our fixed income manager is required to track the Bloomberg Barclays Global Aggregate Index.

- ☐ ESG benchmark, specify

## ESG Objectives

- ☐ Other, specify
- ☐ ESG related strategy, specify
- ☒ ESG related investment restrictions, specify

There are a number of investment restrictions outlined in the IMA. From an RI perspective, a schedule provides a restricted list of entities and countries that the manager is prevented from investing in.

- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ ESG guidelines/regulation, principles/standards, specify

#### Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☒ Termination
- ☐ No fee/ breach of contract

#### Reporting requirements

- ☐ Ad-hoc/when requested
- ☐ Annually
- ☐ Bi-annually
- ☐ Quarterly
- ☒ Monthly
- ☒ Fixed income - Corporate (non-financial)

#### Benchmark

- ☒ Standard benchmark, specify

Our fixed income manager is required to track the Bloomberg Barclays Global Aggregate Index.

- ☐ ESG benchmark, specify

#### ESG Objectives

- ☐ Other, specify
- ☐ ESG related strategy, specify
- ☒ ESG related investment restrictions, specify

There are a number of investment restrictions outlined in the IMA. From an RI perspective, a schedule provides a restricted list of entities and countries that the manager is prevented from investing in.

Our list of excluded countries consists of those countries facing sanctions from the United Nations.

- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ ESG guidelines/regulation, principles/standards, specify

#### Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☒ Termination
- ☐ No fee/ breach of contract

#### Reporting requirements

- ☐ Ad-hoc/when requested
  - ☐ Annually
  - ☐ Bi-annually
  - ☐ Quarterly
  - ☒ Monthly
- ☒ Fixed income - Securitised

#### Benchmark

- ☒ Standard benchmark, specify

Our fixed income manager is required to track the Bloomberg Barclays Global Aggregate Index.

- ☐ ESG benchmark, specify

#### ESG Objectives

- ☐ ESG related strategy, specify
- ☒ ESG related investment restrictions, specify

There are a number of investment restrictions outlined in the IMA. From an RI perspective, a schedule provides a restricted list of entities and countries that the manager is prevented from investing in.

Our list of excluded countries consists of those countries facing sanctions from the United Nations.

- ☐ ESG integration, specify
- ☐ Engagement, specify
- ☐ Voting, specify
- ☐ Promoting responsible investment
- ☐ ESG specific improvements
- ☐ ESG guidelines/regulation, principles/standards, specify

#### Incentives and controls

- ☐ Fee based incentive
- ☒ Communication and remedy of breaches
- ☒ Termination
- ☐ No fee/ breach of contract

	Reporting requirements
--	------------------------

- ☐ Ad-hoc/when requested
- ☐ Annually
- ☐ Bi-annually
- ☐ Quarterly
- ☒ Monthly

<b>SAM 04.4</b>	Indicate which of these actions your organisation might take if any of the requirements are not met
-----------------	---

- ☒ Discuss requirements not met and set project plan to rectify
- ☒ Place investment manager on a “watch list”
- ☒ Track and investigate reason for non-compliance
- ☐ Re-negotiate fees
- ☒ Failing all actions, terminate contract with the manager
- ☐ Other, specify
- ☐ No actions are taken if any of the ESG requirements are not met

<b>SAM 04.5</b>	Provide additional information relevant to your organisation's appointment processes of external managers. [OPTIONAL]
-----------------	---

Our RI requirements and expectations of managers have evolved and clarified over the years. Any new managers appointed have specific clauses in their mandates covering restrictions, voting, engagement, ESG due diligence and post-investment management, climate change and reporting requirements.

Our exposure to FI is predominantly through two passive funds that tracks the Bloomberg Barclays Global Aggregate Index. Therefore, our ESG requirements of the managers are broad and apply to the portfolios as a whole rather than to the specific different investments within them. Both of the mandates are segregated which mean they can adhere to our exclusion criteria. Both the managers run a number of mandates with us so we are very aware of their RI capabilities.

The engagement undertaken by our service provider covers corporates (both financial and non-financial) from both a listed equity and fixed income perspective.

Monitoring				
------------	--	--	--	--

SAM 05	Mandatory	Public	Core Assessed	PRI 1
--------	-----------	--------	---------------	-------

<b>SAM 05.1</b>	When monitoring managers, indicate which of the following types of responsible investment information your organisation typically reviews and evaluates
-----------------	---

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non- financial)	FI - Securitised			
ESG objectives linked to investment strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Evidence on how the ESG incorporation strategy(ies) affected the investment decisions and financial / ESG performance of the portfolio/fund	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Compliance with investment restrictions and any controversial investment decisions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
ESG portfolio characteristics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
How ESG materiality has been evaluated by the manager in the monitored period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Information on any ESG incidents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Metrics on the real economy influence of the investments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
PRI Transparency Reports	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
PRI Assessment Reports	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
RI-promotion and engagement with the industry to enhance RI implementation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Other general RI considerations in investment management agreements; specify	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

If you select any 'Other' option(s), specify

We also look at whether there has been any changes in ESG policies, processes or governance structures.

#### SAM 05.2

When monitoring external managers, does your organisation set any of the following to measure compliance/progress



	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	FI - Securitised			
ESG score	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
ESG weight	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
ESG performance minimum threshold	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Real world economy targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Other RI considerations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			

If you select any 'Other' option(s), specify

We have also developed ESG guidelines per investment opportunity. When we are assessing a manager's RI capabilities, we use these guidelines to understand the specific ESG risks and opportunities associated with that investment opportunity. This helps us to add some context around the importance of ESG to that particular investment opportunity. This in turn, helps us to define expectations for what a manager could/should be doing from an RI perspective.

#### SAM 05.3

Provide additional information relevant to your organisation's monitoring processes of external managers. [OPTIONAL]

We rate all of our investment managers on their RI capability and through this process they are given a rating. This is monitored and reviewed every 1-2 years. If a manager's performance is deemed to be below expectation, we put an Engagement Plan in place and seek to work with the manager to improve their performance.

RI concerns or strengths feed into a manager's overall conviction score.

For example, if you require your external managers to undertake carbon portfolio monitoring, you are strongly encouraged to report this here.

SAM 06	Mandatory	Public	Additional Assessed	PRI 1
<b>SAM 06.1</b>	When monitoring managers, indicate which of the following active ownership information your organisation typically reviews and evaluates from the investment manager in meetings/calls			
	Engagement			

	LE	FI - SSA	FI - Corporate (financial)	FI - Corporate (non-financial)	
Report on engagements undertaken (summary with metrics, themes, issues, sectors or similar)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Report on engagement ESG impacts (outcomes, progress made against objectives and examples)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Information on any escalation strategy taken after initial unsuccessful dialogue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Alignment with any eventual engagement programme done internally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Information on the engagement activities' impact on investment decisions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Other RI considerations relating to engagement in investment management agreements; specify	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
None of the above	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

#### (Proxy) voting

	LE
Report on voting undertaken (with outcomes and examples)	<input checked="" type="checkbox"/>
Report on voting decisions taken	<input checked="" type="checkbox"/>
Adherence with the agreed upon voting policy	<input checked="" type="checkbox"/>
Other RI considerations relating to (proxy) voting in investment management agreements; specify	<input type="checkbox"/>
None of the above	<input type="checkbox"/>

<b>SAM 07</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
---------------	------------------	---------------	----------------------	--------------

#### SAM 07.1

For the listed equities for which you have given your external managers a (proxy) voting mandate, indicate the approximate percentage (+/- 5%) of votes that were cast during the reporting year.

☒ Votes cast (to the nearest 5%)

	%
--	---

99

	Specify the basis on which this percentage is calculated.
--	---

- ☒ Of the total number of ballot items on which they could have issued instructions  
☐ Of the total number of company meetings at which they could have voted  
☐ Of the total value of your listed equity holdings on which they could have voted  
☐ We do not collect this information.

<b>SAM 07.3</b>	Additional information [OPTIONAL]
-----------------	-----------------------------------

We have chosen not to answer 7.2 for a number of reasons:

1. When our passive managers track the MSCI IMI (less our carbon restrictions), we have exposure to c. 6000 companies. We do not expect them to engage with this amount of companies.
2. Engagement is very resource intensive and can take years to yield results. Therefore monitoring the number of companies engaged is not reflective of engagement effort or quality.
3. We engage via multiple avenues: directly ourselves, through an engagement service provider, through involvement with collaborations and via our managers. Looking at what our managers do in isolation misrepresents our activities.

If you require your managers to vote on your behalf, you may for example wish to comment on a variety of reasons why managers choose not to vote, including:

- strategic decision not to vote on certain types of assets or funds;
- operational or timing constraints; • share-blocking;
- conflicts of interest;
- administrative impediments (e.g. power of attorney requirements);
- voting fees;
- geographical restrictions (non-home market);
- insufficient information; and/or
- overall cost effectiveness.

## Outputs and outcomes

SAM 08	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
--------	---	--------	-------------	-------

<b>SAM 08.1</b>	Describe how you ensure that best RI practice is applied to managing your assets
-----------------	--

- ☒ Encourage improved RI practices with existing investment managers

	Measures
--	----------

As described previously, we rank our managers on their RI capability and if it is deemed to be below expectations, we develop an Engagement Plan and seek to work with them to improve over time.

- ☐ Move assets over to investment managers with better RI practices
- ☐ Other, specify
- ☐ None of the above

<b>SAM 08.2</b>	Additional information. [Optional]
-----------------	------------------------------------

When the opportunity arises to bring on a new manager, analysis of their ESG capability is a core part of due diligence.

SAM 09	Mandatory	Public	Additional Assessed	PRI 1,6
--------	-----------	--------	---------------------	---------

<b>SAM 09.1</b>	Provide examples of how ESG issues have been addressed in the manager selection, appointment and/or monitoring process for your organisation during the reporting year.
-----------------	---

- ☒ Add Example 1

Topic or issue	Manager monitoring
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input checked="" type="checkbox"/> All asset classes <input type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised
Scope and process	<p>From December 2016 - July 2017, the External Investment Partnerships (EIP) and RI teams updated the RI reviews for all the external managers. The objectives of the process included:</p> <ol style="list-style-type: none"> <li>1. Refresh the RI Manager Reviews;</li> <li>2. Education for the new EIP team members on the RI Manager Review and Scoring process;</li> <li>3. Calibration of the manager scoring to ensure consistency in evaluations across the teams;</li> <li>4. Review of the current RI Manager Review and Scoring process to ensure it is fit for purpose in 2017 and beyond.</li> </ol>
Outcomes	<ul style="list-style-type: none"> <li>• 26 managers were rated</li> <li>• In addition, our internal NZ Active Equities team was rated as were our timber and farm managers.</li> </ul> <p>The conclusions were as follows:</p> <ul style="list-style-type: none"> <li>• The current RI Manager Review and Scoring process is fit for purpose in 2017.</li> <li>• The EIP team has upskilled and gained experience in reviewing and rating the RI capabilities of managers.</li> <li>• Manager ratings have been refreshed.</li> <li>• EIP team to focus efforts over next year on managers where 'Target' RI scores are different to 'Current' RI scores and in understanding how managers are looking at climate change.</li> </ul>

☒ Add Example 2

Topic or issue	Manager monitoring
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised
Scope and process	As part of the review of our listed equity voting policy, we assessed how aligned our managers voting outcomes were with our corporate governance principles and with each other.
Outcomes	The findings of this process, in part, led us to make a decision to bring all our voting in-house to improve voting consistency. This will be implemented in 2018.

☒ Add Example 3

Topic or issue	Manager monitoring
Conducted by	<input checked="" type="checkbox"/> Internal staff
Asset class	<input type="checkbox"/> All asset classes <input checked="" type="checkbox"/> Listed Equity <input type="checkbox"/> Fixed income – SSA <input type="checkbox"/> Fixed income – corporate (financial) <input type="checkbox"/> Fixed income – corporate (non financial) <input type="checkbox"/> Fixed income – securitised
Scope and process	As part of the ENGAGE pillar of our Climate Change Investment Strategy, we started a project to build our understanding of the engagement activities our listed equity managers are undertaking.
Outcomes	The project is on-going and will complete in 2018.

☐ Add Example 4

☐ Add Example 5

☐ We are not able to provide examples

## ESG incorporation in actively managed listed equities

## Implementation processes

LEI 01	Mandatory	Public	Core Assessed	PRI 1
--------	-----------	--------	---------------	-------

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEI 01.1	Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)
----------	--

### ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☒ Screening and integration strategies

Percentage of active listed equity to which the strategy is applied	<div> <div></div> <div>%</div> </div> <div>100</div>
---	--

- ☐ Thematic and integration strategies
- ☐ Screening and thematic strategies
- ☐ All three strategies combined
- ☐ We do not apply incorporation strategies

	Total actively managed listed equities
--	--

100%

LEI 01.2	Describe your organisation's approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.
----------	---

We believe ESG factors can impact investment performance over the long-term. Our approach is to integrate ESG into long-term fundamental analysis through company research, income forecasts, scenario analysis, valuations, buy/sell/hold recommendations, sizing and engagement plans.

Exclusion decisions are based on a clear process and principles that are set out in our Responsible Investment Framework. International conventions, New Zealand law, Crown actions, and companies' involvement and activities, are key factors in our decision-making process.

May include a discussion of the following:

- The main ESG strategies in use, and the motivation for its use.
- Who is responsible for the implementation of these strategies.
- How your ESG incorporation strategies differ (e.g. by sector, geography, etc.).
- If relevant, how combinations of strategies are used.

LEI 02	Voluntary	Public	Additional Assessed	PRI 1
--------	-----------	--------	---------------------	-------

LEI 02.1	Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.
----------	---

#### Type of ESG information

- ☒ Raw ESG company data

#### Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Company-related analysis or ratings

#### Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☒ Sector-related analysis or ratings

#### Indicate who provides this information

- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Country-related analysis or ratings
- ☒ Screened stock list

#### Indicate who provides this information

- ☒ ESG research provider
- ☐ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☐ In-house – analyst or portfolio manager
- ☒ ESG issue-specific analysis or ratings

#### Indicate who provides this information



- ☒ ESG research provider
- ☒ Sell-side
- ☒ In-house – specialised ESG analyst or team
- ☒ In-house – analyst or portfolio manager
- ☐ Other, specify

<b>LEI 02.2</b>	Provide a brief description of the ESG information used, highlighting any different sources of information across your ESG incorporation strategies.
-----------------	--

From an ESG integration perspective, we receive ESG information from three main service providers:

- MSCI - Global ESG ratings, research, business involvement screening and carbon data;
- CAER (Vigeo EIRIS) - NZX50 ESG company research, bespoke research on request;
- ISS - proxy voting research.

All ESG research is available to the investment team. We have 10 licences for MSCI data, one for CAER and three for ISS. The investment teams also have access to Bloomberg's ESG information, broker research and company disclosures.

The RI team produces the company exclusion list. It is updated biannually. We use MSCI's Business Involvement Screening tool to help us with our tobacco, anti-personnel mines, cluster munition and nuclear explosive device and base operators exclusions. For our product exclusion categories where there is no 'off-the-shelf' product (whale meat processors and recreational cannabis), we outsource bespoke research to generate the list of companies to exclude.

<b>LEI 02.3</b>	Indicate if you incentivise brokers to provide ESG research.
-----------------	--

☒ Yes

<b>LEI 02.4</b>	Describe how you incentivise brokers.
-----------------	---------------------------------------

The RI team participates in our annual formal counterparty service review by scoring and providing specific feedback to brokers on RI research. This in turn, contributes to commission paid to brokers. It also impacts the level of trading activity with counterparties.

☐ No

<b>LEI 02.5</b>	Additional information.[Optional]
-----------------	-----------------------------------

We have not indicated that we receive country-related analysis or ratings. This is because our internally managed active listed equity holdings are all in New Zealand.

## (A) Implementation: Screening

<b>LEI 04</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
---------------	------------------	---------------	--------------------	--------------

<b>LEI 04.1</b>	Indicate and describe the type of screening you apply to your internally managed active listed equities.
-----------------	--

## Type of screening

☒ Negative/exclusionary screening

### Screened by

- ☒ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☐ Corporate governance

	Description
--	-------------

Exclusion decisions are based on a clear process and principles that are set out in our Responsible Investment Framework. International conventions, New Zealand law, Crown actions, and companies' involvement and activities, are key factors in our decision-making process.

There are two types of exclusions:

(a) 'product' exclusions, where companies are excluded based on the products they make. Currently, companies that are directly involved in the following activities are excluded from the Fund:

- the manufacture of cluster munitions
- the manufacture or testing of nuclear explosive devices (NEDs)
- the manufacture of anti-personnel mines
- the manufacture of tobacco
- the processing of whale meat
- recreational cannabis (new in 2017).

(b) 'poor ESG practices' exclusions, where companies are excluded for systemic breaches of responsible investment standards. Exclusion on the basis of poor ESG practices is a last resort, factoring in the likely success of engagement, the materiality of the issue and our desire to, as a relatively small investor in global terms, focus our limited resource on companies where we believe we can make a difference.

Decisions to exclude companies from the Fund are made public along with the reason why.

More information is available on our website: <https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/exclusions>.

Describe which ESG screens are used, for which funds and whether they are used in combination with other screens.

☒ Positive/best-in-class screening

### Screened by

- ☐ Product
- ☐ Activity
- ☐ Sector
- ☐ Country/geographic region
- ☒ Environmental and social practices and performance
- ☒ Corporate governance

	Description
--	-------------

We use EIRIS, MSCI, ISS, ACSI and in-house research to identify ESG leaders.

Describe which ESG screens are used, for which funds and whether they are used in combination with other screens.

- ☒ Norms-based screening

#### Screened by

- ☒ UN Global Compact Principles
- ☐ The UN Guiding Principles on Business and Human Rights
- ☐ International Labour Organization Conventions
- ☐ United Nations Convention Against Corruption
- ☐ OECD Guidelines for Multinational Enterprises
- ☐ Other, specify

	Description
--	-------------

EIRIS and MSCI research helps us to identify if there have been any breaches of the UN Global Compact Principles by companies. This research informs our engagement strategy.

#### LEI 04.2

Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.

All product and company exclusion decisions go through both the Investment Committee and Board. The rationales for all decisions are made public on our website. Developing specific criteria for the product exclusions is a part of background research that is undertaken when developing the case for the exclusion. The criteria are agreed by the Investment Committee and Board when the new exclusion is approved.

When we do make a decision to engage or exclude, our decision is based on the clear process and principles that are set out in our Responsible Investment Framework which is publicly available (<https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/Responsible%20Investment%20Framework.pdf>).

LEI 05	Mandatory	Public	Core Assessed	PRI 1
--------	-----------	--------	---------------	-------

**LEI 05.1**

Indicate which processes your organisation uses to ensure screening is based on robust analysis.

- ☒ Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- ☒ Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- ☒ External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- ☒ Third-party ESG ratings are updated regularly to ensure that portfolio holdings comply with fund policies.
- ☒ A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- ☒ A periodic review of the quality of the research undertaken or provided is carried out
- ☐ Review and evaluation of external research providers
- ☐ Other, specify
- ☐ None of the above

**LEI 05.2**

Indicate the proportion of your actively managed listed equity portfolio that is subject to comprehensive ESG research as part your ESG screening strategy.

- ☐ <10%
- ☐ 10-50%
- ☐ 51-90%
- ☒ >90%

**LEI 05.3**

Indicate how frequently third party ESG ratings are updated for screening purposes.

- ☐ Quarterly or more frequently
- ☒ Bi-annually
- ☐ Annually
- ☐ Less frequently than annually

**LEI 05.4**

Indicate how frequently you review internal research that builds your ESG screens.

- ☐ Quarterly or more frequently
- ☒ Bi-annually
- ☐ Annually
- ☐ Less frequently than annually

**LEI 05.5**

Additional information. [Optional]

Our list of excluded companies is updated bi-annually. We use a mix of service provider screening tools, outsourced bespoke research and internal research to develop the final list of companies to exclude.

<b>LEI 06</b>	<b>Voluntary</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1</b>
---------------	------------------	---------------	----------------------------	--------------

**LEI 06.1**

Indicate which processes your organisation uses to ensure fund criteria are not breached

- ☒ Systematic checks are performed to ensure that stocks meet the funds' screening criteria.
- ☒ Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- ☐ Audits of fund holdings are undertaken regularly by internal audit function
- ☐ Periodic auditing/checking of the organisations RI funds by external party
- ☒ Other, specify  
The Compliance and Operations teams, as well as the Custodian, are constantly monitoring the Fund's holdings to ensure no breaches.
- ☐ None of the above

**LEI 06.2**

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

A breach will be picked up by either our Custodian or one of the Operational Staff. They will then inform the relevant investment professional as well as the investment manager. The investment manager is then required to exit the stock as soon as possible.

**(C) Implementation: Integration of ESG issues****LEI 08****Mandatory****Public****Core Assessed****PRI 1****LEI 08.1**

Indicate which ESG factors you systematically research as part of your investment analysis and the proportion of actively managed listed equity portfolios that is impacted by this analysis.

ESG issues	Proportion impacted by analysis
Environmental	<div> <div></div> <div>Environmental</div> </div> <p> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%         </p>
Social	<div> <div></div> <div>Social</div> </div> <p> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%         </p>
Corporate Governance	<div> <div></div> <div>Corporate Governance</div> </div> <p> <input type="radio"/> &lt;10%  <input type="radio"/> 10-50%  <input type="radio"/> 51-90%  <input checked="" type="radio"/> &gt;90%         </p>

**LEI 08.2** Additional information. [Optional]

The NZ Active Equities portfolio holds only between 20-30 stocks at any one time. Therefore, detailed fundamental research (including detailed ESG research) is done on all stocks in the portfolio. Over time, the team is expanding their research to cover their investible universe (NZX50/ASX at 80%:20% split is permitted).

The NZSF Active NZ Equities has a fully integrated research process to ensure they look at ESG issues, assess, integrate and monitor them as necessary. The team has devised their own Good Practice Research Guide and have a research archive which highlights how ESG information is integrated into research for every company they have done fundamental research on.

They have access to MSCI and EIRIS reports on NZX50 companies, ISS voting research and the internal RI team. They provide active input into voting decisions and engage proactively on ESG issues.

As an active member of the New Zealand Corporate Governance Forum, the team is instrumental in the New Zealand market for driving adherence to best practice corporate governance standards.

LEI 10	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 1
--------	---	--------	---------------	-------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**LEI 10.1**

Indicate which aspects of investment analysis you integrate material ESG information into.

- ☐ Economic analysis
- ☒ Industry analysis

Proportion of actively managed listed equity exposed to investment analysis

- ☐ <10%
- ☐ 11-50%
- ☐ 51-90%
- ☒ 90%

- ☒ Quality of management

Proportion of actively managed listed equity exposed to investment analysis

- ☐ <10%
- ☐ 11-50%
- ☐ 51-90%
- ☒ 90%

- ☒ Analysis of company strategy

Proportion of actively managed listed equity exposed to investment analysis

- ☐ <10%
- ☐ 11-50%
- ☐ 51-90%
- ☒ 90%

- ☒ Portfolio weighting

Proportion of actively managed listed equity exposed to investment analysis

- ☐ <10%
- ☐ 11-50%
- ☐ 51-90%
- ☒ 90%

**LEI 10.2a**

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis and/or portfolio construction.

- ☒ Adjustments to forecasted company financials (sales, operating costs, earnings, cash flows)
- ☐ Adjustments to valuation tools (discount rates, terminal value)
- ☐ Other adjustments to fair value projections, specify

**LEI 10.3**

Describe how you integrate ESG information into portfolio weighting.

We identify and assess ESG factors that are most relevant for companies and evaluate their impact on our financial analysis. The information feeds directly into our view of what would be a fair valuation for the stock. The current and calculated fair value of a stock impacts buy/sell/hold decisions and ultimately the weight of the stock in our portfolio.

☒ Fair value/fundamental analysis

Proportion of actively managed listed equity exposed to investment analysis

- ☐ <10%
- ☐ 11-50%
- ☐ 51-90%
- ☒ 90%

**LEI 10.2b**

Indicate which methods are part of your process to integrate ESG information into fair value/fundamental analysis and/or portfolio construction.

- ☒ Adjustments to forecasted company financials (sales, operating costs, earnings, cash flows)
- ☐ Adjustments to valuation tools (discount rates, terminal value)
- ☐ Other adjustments to fair value projections, specify

**LEI 10.4b**

Describe the methods you have used to adjust the income forecast / valuation tool

We identify and assess ESG factors that are most relevant for companies and evaluate the impact either in our central valuation or scenario analysis.

☐ Other, specify

**ESG incorporation in passively managed listed equities****LEI 11**

Mandatory to Report Voluntary to Disclose

Public

Descriptive

PRI 1

**LEI 11.1**

Indicate if you manage passive listed equity funds that incorporate ESG issues in the index construction methodology.

☒ Yes

**LEI 11.2**

Indicate the percentage of your total passive listed equity funds for which ESG issues are incorporated in the index construction methodology.



	(% of total passive listed equity funds)
--	--

- ☐ <10%  
☐ 10-50%  
☐ 51-90%  
☒ >90%

<b>LEI 11.3</b>	Specify index/fund name, provide a brief description of ESG methodology and indicate which of the following ESG incorporation strategies you apply.
-----------------	---

☒ Index/fund 1

Index/fund name and brief description of ESG methodology	ESG incorporation strategy
<p>As part of our climate change strategy, in 2017, we transitioned all New Zealand active investments and all global passive listed equity funds to be more resilient to climate risk via an in-house derived methodology (explained in the climate questions of the Strategy &amp; Governance module). The Climate Change Investment Strategy applies to both our reference portfolio and our actual portfolio.</p> <p>Our ethical exclusions also apply.</p>	<input checked="" type="checkbox"/> Screening <input type="checkbox"/> Thematic <input checked="" type="checkbox"/> Integration of ESG issues <input type="checkbox"/> Other

- ☐ Index/fund 2  
☐ Index/fund 3  
☐ Index/fund 4  
☐ Index/fund 5

☐ No

## Outputs and outcomes

<b>LEI 12</b>	<b>Voluntary</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
---------------	------------------	---------------	--------------------	--------------

<b>LEI 12.1</b>	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
-----------------	---

☒ Screening

Describe any reduction in your starting investment universe or other effects.
---

Currently no NZ companies are listed on our exclusion list, therefore the impact is nil.

Specify the percentage reduction (+/- 5%)
---

%
---

0

☒ Integration of ESG issues

Select which of these effects followed your ESG integration:

- ☒ Reduce or prioritise the investment universe
  - ☒ Overweight/underweight at sector level
  - ☒ Overweight/underweight at stock level
  - ☒ Buy/sell decisions
  - ☐ Other, specify
  - ☐ None of the above
- ☒ Index incorporating ESG issues (for passively managed funds)

Describe the influence on composition or other effects

The implementation of our Climate Change Strategy in 2017 removed two companies from the investible universe of New Zealand companies. This is relevant for both active and passive mandates.

LEI 12.2

Additional information.[Optional]

Our approach is to integrate ESG into long-term fundamental analysis through company research, income forecasts, scenario testing, valuations, buy/sell/hold recommendations, sizing and engagement plans.

## Engagement

### Overview

LEA 01

Mandatory

Public

Core Assessed

PRI 2

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 01.1

Indicate whether your organisation has a formal engagement policy.

☒ Yes

LEA 01.2

Attach or provide a URL to your engagement policy.

- ☐ Attachment provided:
- ☒ URL provided:

URL

<https://www.nzsuperfund.co.nz/how-we-invest/responsible-investment>

**LEA 01.3** Indicate what your engagement policy covers:

- ☐ Conflicts of interest
- ☐ Insider information
- ☐ Alignment with national stewardship code requirements
- ☒ Due diligence and monitoring process
- ☒ Prioritisation of engagements
- ☒ Transparency of engagement activities
- ☒ Environmental factors
- ☒ Social factors
- ☒ Governance factors
- ☐ Other, describe
- ☐ None of the above

**LEA 01.4** Provide a brief overview of your organization's approach to engagement

Our engagement objectives are to monitor, identify and engage with companies which breach international standards of good practice, in particular the UN Global Compact.

Our engagement seeks to encourage companies to address poor ESG practices and improve ESG disclosure.

We have four priority areas for engagement:

- Human rights (child labour; worker safety; operations in weak states)
- Business ethics (bribery & corruption)
- Severe environmental damage
- In addition, in response to our Climate Change Investment Strategy, GNZS adopted a 4th priority in 2017: Climate change

Companies in breach of standards are brought to our attention by MSCI, our ESG research provider, through 'red flag' alerts. If the breach aligns with our priorities, it is added to our Global Engagement Focus List.

Guidance on this indicator available in Explanatory Notes.

☐ No

**LEA 01.6** Additional information [optional]

Additional information on our engagement activities can be found on our website here:  
<https://www.nzsuperfund.co.nz/how-we-invest-responsible-investment/engagement>

A schematic of our Engagement Process can be found here:  
<https://www.nzsuperfund.co.nz/sites/default/files/documents-sys/NZSF-Engagement-process.pdf>

LEA 02	Mandatory	Public	Gateway	PRI 1,2,3
--------	-----------	--------	---------	-----------

LEA 02.1	Indicate the method of engagement, giving reasons for the interaction.
----------	--

Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input checked="" type="checkbox"/> Other, specify Our engagement service provider also seeks to understand issuers' exposure to and management of ESG risks and opportunities. <input type="checkbox"/> We do not engage via service providers

LEA 02.2	Additional information. [Optional]
----------	------------------------------------

We carry out our engagement via five avenues: 1) The RI team engages with companies directly; or 2) we engage through collaborative efforts; 3) we employ BMO as a service provider; 4) we require our managers to engage on our behalf, and; 5) The in-house NZ Active Equities Team engages directly with companies in New Zealand.

## Process

### Process for engagements run internally

LEA 03	Mandatory	Public	Core Assessed	PRI 2
--------	-----------	--------	---------------	-------

New selection options have been added to this indicator. Please review your prefilled responses carefully.

**LEA 03.1**

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

☒ Yes

**LEA 03.2**

Describe the criteria used to identify and prioritise engagement activities carried out by internal staff.

- ☒ Geography / market of the companies
- ☒ Materiality of ESG factors
- ☒ Systemic risks to global portfolios
- ☒ Exposure (holdings)
- ☒ In response to ESG impacts that have already occurred.
- ☐ As a response to divestment pressure
- ☐ Consultation with clients/beneficiaries
- ☐ Consultation with other stakeholders (i.e. NGOs, trade unions etc.)
- ☒ As a follow-up from a voting decision
- ☐ Client request
- ☐ Other, describe

☐ No

**LEA 03.3**

Additional information. [Optional]

Systemic risks are governance and climate change risks.

**LEA 04****Mandatory****Public****Core Assessed****PRI 2**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**LEA 04.1**

Indicate if you define specific objectives for your engagement activities.

- ☒ Yes
  - ☒ Yes, for all engagement activities
  - ☐ Yes, for the majority of engagement activities
  - ☐ Yes, for a minority of engagement activities
- ☐ We do not define specific objectives for engagement activities carried out by internal staff.

**LEA 04.2**

Indicate if you monitor the actions that companies take during and following your engagements activities carried out by internal staff.

- ☒ Yes
  - ☒ Yes, in all cases
  - ☐ Yes, in the majority of cases
  - ☐ Yes, in the minority of cases
- ☐ We do not monitor the actions that companies take following engagement activities carried out by internal staff.

**LEA 04.3**

Indicate if you do any of the following to monitor and evaluate the progress of your engagement activities carried out by internal staff.

- ☒ Define timelines for your objectives
- ☒ Tracking and/or monitoring progress against defined objectives
- ☒ Tracking and or monitoring progress of actions taken when original objectives are not met
- ☒ Revisit and, if necessary, revise objectives on continuous basis
- ☐ Other, please specify
- ☐ We do not monitor and evaluate progress of engagement activities carried out by internal staff

**LEA 04.4**

Additional information. [Optional]

At the beginning of every (direct) engagement, we put together an engagement plan that provides context and reasoning for the engagement as well as setting performance targets and milestones. Progress of the engagement is recorded and reported on quarterly. Monitoring responses (or lack of) are also looked at quarterly.

In 2017, we evolved our engagement tracking system to better provide indicators of progress.

Engagement may be undertaken by any of the investment staff, including CEO or CIO.

## Process for engagements conducted via collaborations

**LEA 05****Mandatory****Public****Core Assessed****PRI 2**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**LEA 05.1**

Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements

- ☒ Yes

**LEA 05.2**

Describe the criteria used to identify and prioritise collaborative engagements.

- ☐ Potential to learn from other investors
- ☐ Ability to add value to the collaboration
- ☒ Geography / market of the companies targeted by the collaboration
- ☒ Materiality of ESG factors addressed by the collaboration
- ☐ Systemic risks to global portfolios addressed by the collaboration
- ☒ Exposure (holdings) to companies targeted by the collaboration
- ☒ In reaction to ESG impacts addressed by the collaboration that have already occurred.
- ☐ As a response to divestment pressure
- ☐ As a follow-up from a voting decision
- ☐ Consultation with clients/beneficiaries
- ☐ Consultation with other stakeholders (i.e. NGOs, trade unions etc.)
- ☒ Other, describe

other description

We also look at fit with priorities, our capacity to contribute and engage directly with target companies; the potential effectiveness of engagement, and; resources required.

☐ No

**LEA 05.3**

Additional information [Optional]

We also have an internal approval process which we need to go through before joining any collaborations.

**LEA 06****Mandatory****Public****Core Assessed****PRI 2**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**LEA 06.1**

Indicate if you define specific objectives for your engagement activities carried out collaboratively.

- ☒ Yes
  - ☒ Yes, for all engagement activities
  - ☐ Yes, for the majority of engagement activities
  - ☐ Yes, for a minority of engagement activities
- ☐ We do not define specific objectives for engagement activities carried out collaboratively.

**LEA 06.2**

Indicate if you monitor the actions companies take during and following your collaborative engagements.

- ☒ Yes
- ☒ Yes, in all cases
  - ☐ Yes, in the majority of cases
  - ☐ Yes, in the minority of cases
- ☐ We do not monitor the actions that companies take following engagement activities carried out collaboratively

**LEA 06.3**

Indicate if you do any of the following to monitor and evaluate the progress of your collaborative engagement activities.

- ☒ Define timelines for your objectives
- ☒ Tracking and/or monitoring progress against defined objectives
- ☒ Tracking and or monitoring progress of actions taken when original objectives are not met
- ☒ Revisit and, if necessary, revise objectives on continuous basis
- ☐ Other, please specify
- ☐ We do not monitor and evaluate progress of engagement activities carried out by internal staff

**LEA 06.4**

Additional information. [Optional]

With international collaborations, we have mainly joined UNPRI-led collaborations. Therefore, we usually only get involved once objectives and milestones have been set. If there is an opportunity to feed into these once we formally join a collaborative engagement, we would contribute as best we could.

With collaborations in New Zealand, we are often the leading investor, doing our best to run the engagement as professionally and successfully as possible.

May include a discussion of the following;

- How collaborative engagement objectives are defined.
- How progress of collaborative engagement activities are tracked, including how you monitor action taken by companies.
- How the decision to terminate or escalate a collaborative engagement programme or activity is made.
- How insights from collaborative engagement are incorporated into investment decision-making.
- How lessons learned are tracked and integrated into future engagement programmes.
- Any relevant examples.

## Process for engagements conducted with/on your behalf by service providers

**LEA 07****Mandatory****Public****Core Assessed****PRI 2,4**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**



**LEA 07.1**

Indicate if you play a role in the engagement process that your service provider conducts on your behalf.

☒ Yes

**LEA 07.2**

Indicate the role(s) you play in engagements that your service provider conducts on your behalf.

- ☒ Discuss the topic (or ESG issue(s)) of engagement
- ☒ Discuss the rationale for engagement
- ☒ Discuss the objectives of the engagement
- ☒ Select the companies to be engaged with
- ☒ Discuss the frequency/intensity of interactions with companies
- ☒ Discuss next steps for engagement activity
- ☐ Participate directly in certain engagements with your service provider
- ☐ Other, specify
- ☐ We play no role in engagements that our service provider conducts.

☐ No

**LEA 07.3**

Additional information. [Optional]

We receive quarterly reports from BMO followed by quarterly calls to discuss progress, priority companies, and upcoming activities. The progress of BMO's engagement activities versus our engagement priorities is reviewed and discussed every quarter.

In addition, we are members of ACSI, an association that conducts engagement with companies on ESG issues.

May include a discussion of the following:

- Your role in setting engagement/active ownership objectives.
- How you monitor/oversee service provider activities.
- Any joint engagement conducted with the service provider.

**LEA 08**

**Mandatory**

**Public**

**Core Assessed**

**PRI 2,6**

**LEA 08.1**

Do you monitor and review the outcomes of the engagement activities undertaken by your service providers on your behalf?

Please select all that apply

- ☒ Yes, periodically
- ☐ Yes, ad hoc basis
- ☐ We do not monitor or review them

<b>LEA 08.2</b>	Additional information. [Optional]
-----------------	------------------------------------

We receive quarterly reports from BMO followed by quarterly calls to discuss progress, priority companies, and upcoming activities.

### General processes for all three groups of engagers

<b>LEA 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Additional Assessed</b>	<b>PRI 1,2</b>
---------------	------------------	---------------	----------------------------	----------------

<b>LEA 09.1</b>	Indicate if insights gained from your engagements are shared with your internal or external investment managers.
-----------------	--

Type of engagement	Insights shared
<b>Individual/Internal staff engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Collaborative engagements</b>	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No
<b>Service provider engagements</b>	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No

<b>LEA 09.2</b>	Additional information. [Optional]
-----------------	------------------------------------

The insights gained from our direct, collaborative and service provider engagements are shared with our internal investment managers and staff.

Our NZ engagement tracker document, our global engagement progress and the quarterly reports from our service provider are made available to all staff via our intranet. Engagement progress is also presented to the Investment Committee on a six monthly basis.

Insights from our direct engagements are also shared, in confidence, with our engagement service provider. A standing item on the agenda of our quarterly calls with BMO is an update on the direct engagements we are undertaking as well as the collaborative engagements we are both involved in. We recognise the importance of keeping BMO informed of our direct engagement activities.

May include a discussion of the following:

- How you decide what information to pass to investment decision-makers.
- What you expect investment decision-makers to do with the insights you pass on.
- How you monitor their use of insights you passed on.
- Whether ESG data collected through engagement feeds into an internal ratings tool/platform.

LEA 10	Mandatory	Public	Gateway	PRI 2
--------	-----------	--------	---------	-------

**LEA 10.1** Indicate if you track the number of your engagement activities.

Type of engagement	Tracking engagements
<b>Individual / Internal staff engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
<b>Collaborative engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track and cannot estimate our engagements
<b>Service provider engagements</b>	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track and cannot estimate our engagements

**LEA 10.2** Additional information. [OPTIONAL]

Engagement progress of companies on our Global Engagement Focus List (direct, collaborative and service provider engagement) is tracked quarterly via a dashboard update. Included in the dashboard is:

- 5.Summary of engagement undertaken (per company on our Focus List)
- 6.Company response (or lack of)
- 7.Milestones
- 8.Any companies being escalated for lack of response or lack of recorded milestones
- 9.Resolved / Closed engagements

New Zealand engagement progress is monitored via a tracking system. Dialogue, requests made, progress and voting implications are all recorded.

May include a discussion of the following:

- The systems in place to track engagement progress.
- A description of the information collected.
- How regularly tracking systems are updated and to whom this information is provided
- Any auditing procedures that occur.

## (Proxy) voting and shareholder resolutions

### Overview

LEA 15	Mandatory	Public	Core Assessed	PRI 1,2,3
--------	-----------	--------	---------------	-----------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**LEA 15.1**

Indicate whether your organisation has a formal voting policy.

☒ Yes

**LEA 15.2**

Indicate what your voting policy covers:

- ☒ Conflicts of interest
- ☐ Share blocking
- ☒ Securities lending process
- ☒ Prioritisation of voting activities
- ☒ Decision making processes
- ☒ Environmental factors
- ☒ Social factors
- ☒ Governance factors
- ☐ Filing/co-filing resolutions
- ☒ Extraordinary meetings
- ☒ Regional voting practices
- ☒ Transparency of proxy voting activities
- ☐ Company dialogue pre/post vote
- ☐ Other, describe
- ☐ None of the above

**LEA 15.3**

Attach or provide a URL to your voting policy. [Optional]

URL

<https://www.nzsuperfund.co.nz/performance-esg-management/voting-reports>

**LEA 15.4**

Provide a brief overview of your organization's approach to (proxy) voting.

Our focus is on encouraging good corporate governance and on protection of shareholder rights in the markets in which we invest. Our voting forms part of this strategy along with engagement on corporate governance with companies, investors and relevant regulatory and market bodies.

NZ is a priority where we vote directly drawing on the recommendations of our managers and our proxy voting agency. We also vote globally by instructing our managers to vote according to their policies or that of a proxy voting agency, depending on the manager's skills set. Our Guidelines include those of the NZ Corporate Governance Forum and ISS recommendations. The OECD Principles of Corporate Governance and the ICGN Global Governance Principles provide a foundation for our Guidelines.

Note that in 2017, we reviewed our Global Voting Policy and made the decision to bring all voting in-house. This will be implemented in 2018.

Guidance on this indicator available in Explanatory Notes.

☐ No

## Process

LEA 16

Mandatory

Public

Descriptive

PRI 2

LEA 16.1

Indicate how you typically make your (proxy) voting decisions.

### Approach

- ☐ We use our own research or voting team and make voting decisions without the use of service providers.
- ☒ We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.

### Based on

- ☒ the service provider voting policy signed off by us
- ☐ our own voting policy
- ☐ our clients' requests or policy
- ☐ other, explain
- ☐ We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- ☐ We hire service provider(s) that make voting decisions on our behalf.

LEA 16.2

Provide an overview of how you ensure your voting policy is adhered to, giving details of your approach when exceptions to the policy are made (if applicable).

We instruct our managers to vote according to their policies or that of a proxy voting agency. We monitor when voting decisions go against that of our proxy voting agency or the company management.

LEA 16.3

Additional information.[Optional]

For international external managers, we instruct them on the policy they should use in implementing voting - generally the manager's own policy or that of a proxy voting advisor depending on the manager's capabilities. For New Zealand mandates, we take recommendations from our external NZ managers and make the final voting decision ourselves. We also use ISS's research and recommendations to inform our decisions.

Note that in 2017, we reviewed our Global Voting Policy and made the decision to bring all voting in-house. This will ensure alignment and adherence with our own corporate governance standards and will be implemented in 2018.

May include a discussion of the following;

- Who is involved in making final voting decisions internally.
- Description of criteria used to review service provider's recommendations.
- Any examples of situations in which there is more than one decision-maker or when decisions are made jointly.

LEA 19	Voluntary	Public	Additional Assessed	PRI 2
--------	-----------	--------	---------------------	-------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 19.1	Indicate if your organisation has a securities lending programme.
----------	---

☒ Yes

LEA 19.3	Indicate how voting is addressed in your securities lending programme.
----------	--

- ☐ We recall all securities for voting on all ballot items
- ☒ We systematically recall some securities to vote on their ballot items
- ☐ We recall some securities to vote on their ballot items on an ad hoc basis
- ☐ We empower our securities lending agent to decide when to recall securities for voting purposes
- ☐ We do not recall our shares for voting purposes.
- ☐ Others
- ☐ No

LEA 20	Mandatory	Public	Core Assessed	PRI 2
--------	-----------	--------	---------------	-------

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

LEA 20.1	Indicate whether you or the service providers acting on your behalf raise any concerns with companies ahead of voting
----------	---

- ☐ Yes, in most cases
- ☒ Sometimes, in the following cases:
- ☒ Votes for selected markets
  - ☒ Votes relating to certain ESG issues
  - ☐ Votes for significant shareholdings
  - ☐ Votes for companies we are engaging with
  - ☐ On request by clients
  - ☐ Other
- ☐ Neither we nor our service provider raise concerns with companies ahead of voting

<b>LEA 20.2</b>	Indicate whether you and/or the service provider(s) acting on your behalf, communicate the rationale to companies, when , you abstain or vote against management recommendations.
-----------------	---

- ☐ Yes, in most cases
- ☒ Sometimes, in the following cases.
- ☒ Votes in selected markets
  - ☒ Votes on certain issues
  - ☐ Votes for significant shareholdings
  - ☐ Votes for companies we are engaging with
  - ☐ On request by clients
  - ☐ On request by companies
  - ☐ Other
- ☐ We do not communicate the rationale to companies
- ☐ Not applicable because we and/or our service providers do not abstain or vote against management recommendations

<b>LEA 20.3</b>	Additional information. [Optional]
-----------------	------------------------------------

We publish our policy on our website. In the New Zealand market where we vote directly, we aim to inform companies of voting decisions pre and/or post AGM if we vote against a resolution.

External investment managers also engage with companies about their policies and voting decisions and provide feedback to us through reporting and/or recommendations.

Sometimes, due to short notice periods in the New Zealand market, if companies release notices too close to the AGM, it is difficult to engage before the vote is taken.

You may like to include information on the criteria used to outline which companies are informed of voting decisions before or after voting takes place.

## Outputs and outcomes

<b>LEA 21</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 2</b>
---------------	------------------	---------------	----------------------	--------------

<b>LEA 21.1</b>	For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
-----------------	--

- ☒ We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

99

Specify the basis on which this percentage is calculated

- ☒ of the total number of ballot items on which you could have issued instructions
- ☐ of the total number of company meetings at which you could have voted
- ☐ of the total value of your listed equity holdings on which you could have voted

#### LEA 21.2

Explain your reason(s) for not voting certain holdings

- ☐ Shares were blocked
- ☒ Notice, ballots or materials not received in time
- ☒ Missed deadline
- ☐ Geographical restrictions (non-home market)
- ☐ Cost
- ☐ Conflicts of interest
- ☐ Holdings deemed too small
- ☐ Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- ☐ On request by clients
- ☐ Other
- ☐ We do not track or collect this information

#### LEA 22

Mandatory

Public

Additional Assessed

PRI 2

#### LEA 22.1

Indicate if you track the voting instructions that you and/or your service provider on your behalf have issued.

- ☒ Yes, we track this information

#### LEA 22.2

Of the voting instructions that you and/or third parties on your behalf issued, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	<div> <div></div> <div>%</div> </div> 90.5
Against (opposing) management recommendations	<div> <div></div> <div>%</div> </div> 9.1
Abstentions	<div> <div></div> <div>%</div> </div> 0.4

100%



**LEA 22.3**

Describe the actions you take in relation to voting against management recommendations.

In the New Zealand market where we vote directly, we aim to inform companies of voting decisions pre and/or post AGM if we vote against a resolution.

The decision to vote against management considers the voting advice of our research provider, the views of our NZ managers, the views of our internal active equities team, the views of the responsible investment team and any insights gained from engagement.

May include a discussion of the following;

- How decision to vote against management is part of your engagement programme.
- How you communicate with interested companies before and after the vote.
- How you monitor a company's reaction and eventual changes to internal ESG ratings.
- How you communicate internally about the vote.

☐ No, we do not track this information

**LEA 22.4**

Additional information. [Optional]

We proactively disclose information on our voting activities on our website biannually.

<https://www.nzsuperfund.co.nz/performance-esg-management/voting-reports>

**Assurance****CM 1 01.1****Mandatory****Public****Core Assessed****General**

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**CM 1 01.1**

Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:

- ☐ Third party assurance over selected responses from this year's PRI Transparency Report
- ☐ Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- ☐ Third party assurance or audit of the implementation of RI processes (that have been reported to the PRI this year)
- ☐ Internal audit conducted by internal auditors of the implementation of RI processes and/or RI data that have been reported to the PRI this year)
- ☒ Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
- ☒ Whole PRI Transparency Report has been internally verified
- ☐ Selected data has been internally verified
- ☐ Other, specify
- ☐ None of the above

CM 1 01.2 & 01.8	Mandatory	Public	Descriptive	
------------------	-----------	--------	-------------	--

CM 1 01.2	Do you plan to conduct third party assurance of this year's PRI Transparency report?
-----------	--

- ☐ Whole PRI Transparency Report will be assured
- ☐ Selected data will be assured
- ☒ We do not plan to assure this year's PRI Transparency report

CM 1 01.3 & 01.9	Mandatory	Public	Descriptive	General
------------------	-----------	--------	-------------	---------

CM 1 01.3	We undertook third party assurance on last year's PRI Transparency Report
-----------	---

- ☐ Whole PRI Transparency Report was assured last year
- ☐ Selected data was assured in last year's PRI Transparency Report
- ☒ We did not assure last year's PRI Transparency report, or we did not have such a report last year.

CM 1 01.4, 10-12	Mandatory	Public	Descriptive	General
------------------	-----------	--------	-------------	---------

CM 1 01.4	We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:
-----------	---

- ☐ We adhere to an RI certification or labelling scheme
- ☐ We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report
- ☐ ESG audit of holdings
- ☒ Other, specify  
We began to investigate certification.
- ☐ None of the above

CM 1 01.7	Mandatory	Public	Descriptive	General
-----------	-----------	--------	-------------	---------

CM 1 01.7	Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed
-----------	--

**Who has conducted the verification**

- ☒ CEO or other Chief-Level staff

#### Sign-off or review of responses

- ☒ Sign-off
- ☐ Review of responses
- ☐ The Board
- ☐ Investment Committee
- ☒ Compliance Function
- ☒ RI/ESG Team
- ☒ Investment Teams
- ☐ Legal Department
- ☒ Other (specify)

**CM 1**  
**01.13**

Additional information for all confidence building measures [OPTIONAL]

Head of Communications also reviewed all responses before submission.