

RESPONSIBLE INVESTMENT

The Board of Trustees of the National Provident Fund (the **Board**) is a body corporate continuing under Section 12 of the National Provident Fund Restructuring Act 1990 (the **NPF Act**). The Board is trustee of the 10 separate National Provident Fund (**NPF**) superannuation schemes (the **NPF schemes**) and the Global Asset Trust (the **GAT**). Under the NPF Act the NPF superannuation schemes can only invest in the GAT.

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The Board acts in the best financial interests of members, taking into account the financial interests of the Crown as guarantor.

The Board administers the NPF schemes and the GAT in a manner that is both ethical and to a high standard of governance. We invest responsibly for our members by:

- Implementing and maintaining a diversified and well managed investment portfolio.
- Holding the assets in independent custody.
- Applying best practice portfolio management.
- Ensuring clear determination of responsibilities and delegations and decision making on the basis of informed judgement.
- Establishing sound operational procedures, such as investment management evaluation and selection processes.
- Ensuring compliance with legal requirements as trustee of the NPF Schemes and transparency of process.
- Ensuring all stakeholders in NPF are well informed about its activities.
- Carefully monitoring NPF's investment managers to ensure that portfolios comprise investments permitted by the mandate criteria.
- Maintaining an internal governance framework for appropriate fiduciary oversight, performance management and control of functions carried out by the Board and the organisation.
- Focusing on environmental, social and governance (**ESG**) considerations that are likely to have a positive impact on investment performance.

ESG considerations

The Board believes it is well established that higher quality corporate governance (defined broadly as market and institutional features that align shareholder and management interests) has a positive impact on company performance and value.

Some of the Board's investment managers integrate analysis of corporate governance factors and/or engage with companies as part of their investment process where it adds value.

The Board recognises its responsibilities as shareholder and has policies and procedures in place to exercise its voting rights on its investments. The Board will disclose its voting history on request.

The Board acknowledges that social and environmental issues can affect the performance of individual companies and investment portfolios and supports its managers taking account of such factors in their investment processes where it is supported by a robust investment case.

New Zealand and international law

The Board may take into consideration in its investment processes whether a material part of the operations of an international company would be:

- contrary to New Zealand law, if conducted in New Zealand;
- contrary to international law or to international treaties to which New Zealand is a party, particularly those relating to international security and disarmament and human rights;
- involved in severe environmental damage, serious human rights abuses or bribery and corruption as identified by independent research by the Guardians of New Zealand Superannuation;

provided that taking those factors into consideration does not conflict with its legal and fiduciary duties as trustee of the NPF schemes and can be implemented in a practicable and cost effective way.

Excluded stocks

A list of companies that the Board has excluded from its direct investments can be found at

<http://www.npf.co.nz/library/7c592ef7-1ebd-4e3c-99a3-2a3195abb234.cmr>

Collective Investment Vehicles

Investment in Collective Investment Vehicles (**CIVs**) may be a practicable and cost effective way of achieving exposure to some investment opportunities. The Board usually has little influence, however, over the structure of the CIV, the individual securities it holds or its individual voting decisions. In applying its ESG policies to a CIV, the Board assesses value to the Fund of the CIV as a whole rather than each security it may hold. The Board takes into account a CIV's approach to ESG issues, communicates its own ESG policies to managers of CIVs in which it invests and encourages them to consider whether its policies are appropriate for the CIV. In addition, the Board may review its investment if there is a material change in the CIV's mandate or strategy.

Further information on the Board, the GAT and the NPF schemes can be found at www.npf.co.nz.