

30 June 2025

Hon Nicola Willis
Minister of Finance
Parliament Buildings
Wellington 6011

Hon Shane Jones
Associate Minister of Finance

Dear Ministers,

Update on progress towards net zero 2050

This letter provides an update on how we are responding to the Crown Responsible Investment Framework (CRIF), which was issued to the Board and other Crown Financial Institutions¹ (CFIs) in 2021 via an Enduring Letter of Expectations.

The ultimate goal of the CRIF is for the CFI investment portfolios to be carbon neutral by 2050. The CRIF requires that we set challenging interim targets to provide assurance that investment portfolios are on track to meet that goal.

In appendix 1 we set out progress and activities against each element of the CRIF. You have previously asked that we provide your office with this progress report on an annual basis. A copy of the report will be published on our website when we publish our 2025 Financial Statements.

Our original June 2025 target was for a 50% reduction in the carbon intensity of the listed equity portfolio versus a 2019 baseline. We will report to the Treasury on whether that target has been met once the data for 30 June 2025 are received.

The Board has now set the following target for March 2030: *Reduce the carbon footprint of the listed equity and credit portfolio by 65%, with a minimum reduction of 60%, versus a 2019 baseline.*

The addition of listed credit to the target is in line with global best practice. The 65% reduction target is ahead of many peers, in line with the CRIF's expectations that CFI's take a leadership position where possible.

We continue to engage with the other CFIs when considering the most appropriate pathway to carbon neutral by 2050, and we have an open dialogue on this with the Treasury. Climate change remains a key consideration for many investors, and best practices, including with respect to targets and metrics, continue to evolve at some pace.

Yours sincerely,



Louise Edwards
Board Chair

¹ The Crown Financial Institutions include: the Guardians of New Zealand Superannuation in relation to the New Zealand Superannuation Fund, ACC, the Government Superannuation Fund Authority and the National Provident Fund (NPF). While the NPF is not a Crown Entity, it was included with the CFIs for the purposes of the CRIF.

Appendix I – Status Report against Crown RI Framework

Board of Trustees of the National Provident Fund (NPF) Status Report against Crown Responsible Investment Framework June 2025

This report is written for the benefit of NPF Schemes' members and the Crown. It compares our progress against the expectations set out in the Crown Responsible Investment Framework (CRIF). Please note that this report and associated analyses relate to investments held in the Global Asset Trust.

After consulting with us, and a group of other institutions collectively known as Crown Financial Institutions (CFIs), in 2021, the Minister of Finance issued an Enduring Letter of Expectations with respect to a CRIF for us and the other institutions. We have voluntarily adopted the CRIF, and it establishes the basis for our approach to reducing the carbon footprint of our investments.

The various superannuation schemes that NPF manages have been closed to new members since 1991. Some of the schemes will continue to exist up to and beyond 2050. The benefits payable to members and other beneficiaries under the schemes are guaranteed by the Crown. We have a primary duty to act in the best long-term interests of NPF's members, having regard to the Crown's guarantee.

We invest the scheme assets across a wide range of entities globally, in both equity and fixed income securities. We believe that environmental, social and governance (ESG) issues, of which climate change is a key example, can affect the performance of NPF's investment portfolios. Many, if not most, of the entities NPF invests in will be impacted by climate change. We consider that it is in the best interest of NPF members to continue to take a measured approach to reducing carbon emissions.

Expectations set out in the CRIF

The CRIF sets out expectations under three headings: Measure; Reduce; Influence

Measure
1: Carbon footprint metrics for your investment portfolios should be reported transparently, on a consistent basis, enabling public scrutiny over progress towards carbon neutral portfolios by 2050. In the case of fossil fuel reserve owners, you should also account for emissions from the end-use of their products. 2: Reporting should align with the Taskforce for Climate-related Financial Disclosure recommendations, until the External Reporting Board's (XRB) climate related disclosure framework has been issued, at which point it should apply, and should continue to evolve in line with global best practice standards. 3: You should strive for consistency of measurement standards across the CFI²s so that relative performance on carbon emissions reduction can easily be interpreted.

² The CFIs (Crown Financial Institutions), for the purpose of the CRIF, consist of the Accident Compensation Corporation, Government Superannuation Fund Authority, New Zealand Superannuation Fund and the National Provident Fund.

Status:

The carbon footprint of the Schemes has been reported annually since 2022. The 2024 footprint is available at: [Investment Publications - NPF](#). We will publish the carbon footprint as at 31 March 2025 on the website after publication of the NPF's Financial Statements.

In his March 2025 Letter of Expectations to the NPF Board, the Associate Minister of Finance, in response to a request from the NPF Board, advised that NPF is no longer expected to report against the Climate Reporting Standards issued by the XRB. In lieu of this, the Associate Minister expects that NPF will report, annually, to his office on progress against the CRIF. This report fulfils that expectation.

We are working with the other CFIs to achieve as much consistency as possible when determining carbon targets and metrics. Policy decisions driven by differing investment objectives have led to some divergence in the rate of decarbonisation of portfolios and the metrics used. NPF will consider adopting multiple relevant metrics in order to strive for comparability with other CFIs.

Reduce

1: CFI investment portfolios must be carbon neutral by 2050.

2: You should set challenging minimum carbon reduction targets at interim periods to provide assurance that investment portfolios are on track to be carbon neutral by 2050. In the case of fossil fuel reserve owners, reduction targets should also address emissions from the end-use of their products.

3: Interim targets should be aligned with global best practice standards to maintain a 1.5-degree global warming outcome.

4: Your first interim target should be for 2025 and should be refreshed prior to the start of that year for 2030. This process is to be repeated every five years thereafter.

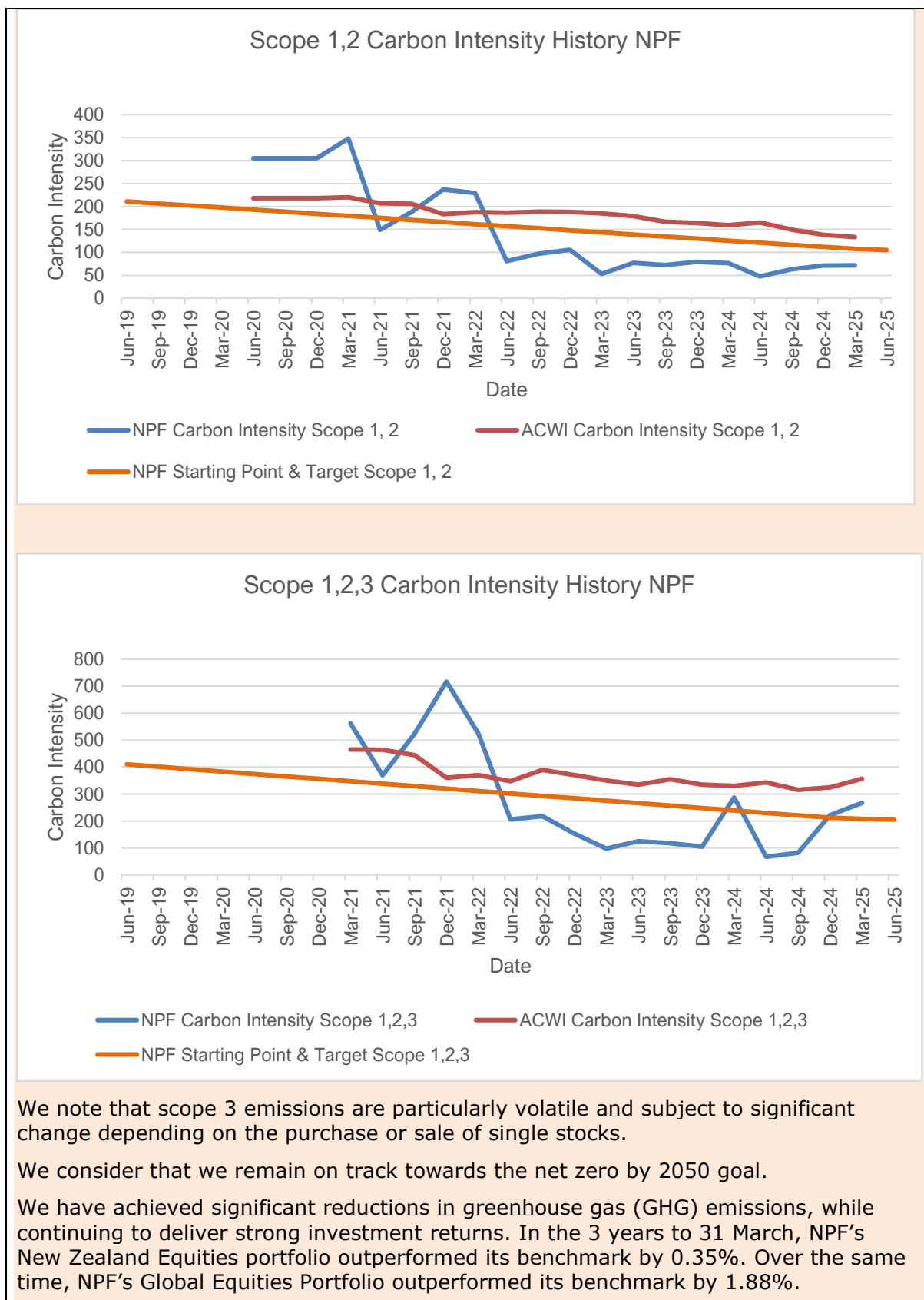
5: Where investment strategies allow, you should take a leadership position ahead of minimum reduction expectations to demonstrate how return on investments can be achieved through low carbon strategies.

Status:

NPF has two existing targets that apply to the NZ and Global Equity Portfolios:

- A 50% reduction by 2025 in scope 1 and 2 Carbon Intensity from a 2019 baseline
- A 50% reduction by 2025 in scope 1, 2, and 3 (Fossil Fuel Upstream) Carbon intensity from a 2019 baseline

As of 31 March, NPF is on track to hit the Scope 1 and 2 target, but not the scope 3 target.



We are a member of the [Paris Aligned Asset Owners](#) organisation and have committed, on a best endeavours basis, to its [Net Zero Investment Framework](#). This is the most widely used guide by investors to set targets and produce related net zero strategies and transition plans.

Influence

- 1:** You should utilise your long-term risk and return strategies to actively identify positive investments that generate additionality to the transition to a low carbon economy.
- 2:** Recognising that success in reducing carbon exposure for investment portfolios relies on investee companies to transition to low carbon solutions, you should utilise your position as significant investors to engage with New Zealand and global companies on developing transition strategies.

Status:

Strategies targeting carbon solutions are most prevalent in private equity and venture capital; both types of unlisted investments require a longer time horizon than available to NPF, which faces steadily diminishing assets under management as schemes mature.

As of 31 March 2025, NPF's listed equity portfolios held an inherent 11.8% exposure to carbon solutions.³

Through our external managers and third-party agents, we engage both globally and in New Zealand. In May 2023 the CFIs launched a collaborative engagement with NZX50 listed companies on climate change. Investee company alignment with net zero pathways is integral to our ability to reach net zero goals.

While our company engagements are confidential, the CFIs undertook to report aggregated information to Ministers about the engagement. The CFIs set a target to engage with 10 companies in calendar 2024, focusing on companies without have emissions reductions targets. By the end of December 2024, all 10 engagements had been completed.

The engagement meetings gave the CFIs insight into company climate strategies and their willingness to address climate issues. These meetings allowed the organisations to show their commitment to net zero and support for transparency on climate risks and opportunities.

For NPF, this initiative is led by GNZS and ACC. The CFIs are currently reviewing progress and deciding on future engagement work.

Corporate Emissions:

The Crown RI Framework does not require NPF to report against corporate emissions. Nevertheless, we do so here for completeness.

While the vast majority of NPF's emissions are Financed Emissions from the Scheme's investments, NPF also generates some corporate emissions. For FY2025, those gross emissions were 19.40 tCo₂e. NPF's net corporate emissions after carbon credit offsets for FY2025 were 7.84 tCo₂e.

³ Source: MSCI Climate Risk Dashboard, from MSCI ESG Research LLC.