



STATEMENT OF INVESTMENT POLICIES, STANDARDS AND PROCEDURES

**Board of Trustees of the
National Provident Fund**

August 2026

NATIONAL PROVIDENT FUND

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The National Provident Fund (**NPF**) was established in 1910 to provide state-subsidised pensions to low-income earners. Later, it became the statutory provider of superannuation schemes to local government. The NPF Schemes (**Schemes**, or **Scheme**) were closed to new members in 1991.

This Statement of Investment Policies, Standards and Procedures (**SIPSP**) records the governance and management structure for the investment assets of the Schemes, and the policies, parameters and objectives relating to the investment of those assets.

The SIPSP is reviewed and approved periodically by the Board and, in any event, at no less than 12-month intervals. Only the Board can approve material changes to this Statement. Amendments are recorded in a version control document.

Further information on NPF is available via website www.npf.co.nz.

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INTRODUCTION

Legislative Framework

NPF was established in 1910 to provide state-subsidised pensions to low-income earners. Later, it became the statutory provider of superannuation schemes to local government. The NPF Schemes (**Schemes**, or **Scheme**) were closed to new members in 1991.

The governing legislation for NPF is the National Provident Fund Restructuring Act 1990 (the **NPF Act**). Under the NPF Act, the Board is a body corporate trustee of the Schemes and of the Global Asset Trust (the **GAT**). The GAT holds the investment assets on behalf of the Schemes. Section 53 of the NPF Act provides the Schemes may invest only in the GAT and bank accounts.

The Minister of Finance (the **Minister**) appoints the members of the National Provident Fund Board (**Board**) and has the power to direct the Board on matters which affect the Crown's risk as guarantor of the benefits payable by the Schemes.

Section 19 of the NPF Act and clause 4.2 of GAT trust deed set out the Board's power to invest the assets held on behalf of the Schemes.

The Board is not a Crown entity although it was created by statute. The Board is bound by some parts of the Financial Markets Conduct Act 2013 and the Financial Markets Conduct Regulations 2014; the KiwiSaver Act 2006, the Financial Reporting Act 2013, the Income Tax Act 2007, the Trusts Act 2019 (except that the provisions relating to investment of trust funds shall not apply in respect of the trust deed of an existing Scheme or its property¹) and various other legislation and regulations. The Board has a framework in place for monitoring legislative compliance.

Crown Guarantee

Under Section 60 of the NPF Act, the Crown guarantees payment of the benefits owing to every member and/or other beneficiary under any existing scheme.

The trust deeds for NPF's defined contribution and cash accumulation schemes provide for a minimum earnings rate of 4% per annum net of tax and expenses (**minimum earnings rate**). Under section 72 of the NPF Act, in any financial year, where a deficiency (or increase in deficiency) arises as a consequence of the application of the minimum earnings rate to the employer-sponsored defined contribution Schemes, the Crown will pay to the Board (by way of subsidy out of public money) such amount as may be required to meet the deficiency.

Nature of the Schemes

Each Scheme has its own trust deed. There are currently seven Schemes plus the GAT which (in terms of the NPF Act) is also a superannuation scheme. The Schemes are listed below.

Defined Contribution Schemes
• Lump Sum National Scheme
Defined Benefit Schemes
• DBP Contributors Scheme
• DBP Annuitants Scheme
• Aircrew Superannuation Scheme
Cash Accumulation Schemes
• Lump Sum Cash Accumulation Scheme
Pension Scheme
• National Provident Pension Scheme

¹ Refer to section 53 of the National Provident Fund Restructuring Act 1990

DBP Contributors Scheme and Aircrew Superannuation Scheme

Employers are obliged to contribute to these two Schemes as long as the members continue to contribute.

The Minister sets the employer contribution rate for the two Schemes after receiving recommendations from the Board and advice from government officials.

Actuarial reviews for these two Schemes are used to determine the employer contribution rate required to fund the benefits payable. Under section 68 of the NPF Act, actuarial valuations for the Schemes are required to be completed at a minimum every three years. In addition, current Board policy is to complete annual actuarial reviews for the DBP Contributors Scheme and the Aircrew Superannuation Scheme.

Crediting and Reserving Policy, and Member Benefits

To support its minimum earnings rate obligation, the Board has adopted and implemented a crediting and reserving policy (the **Policy**) for the defined contribution and cash accumulation Schemes (the **DC Schemes**).

Under the Policy a portion of the investment earnings above 4% net of tax and expenses in any investment year is held in reserve by the DC Schemes to support both the minimum earnings rate and reduce the risk to the Crown in respect of the payment of benefits in the future.

The Board sets target reserve levels for each DC Scheme. The current target reserve level is 10% of the contributors' total credits (account balances).

Under the Policy, a DC Scheme's earnings rate is determined by the following formula:

- when the Scheme reserves are greater than or equal to the target reserve level, the earnings rate is equal to the actual investment return, subject to a minimum of 4% net per annum;
- when the Scheme reserves are less than the target reserve level, the earnings rate is $4\% + \frac{\text{Scheme reserve level}}{\text{target reserve level}} \times (\text{actual investment return} - 4\%)$, subject to a minimum of 4% net per annum.

Pension Increases

Pension increases for members of the National Provident Pension Scheme may be granted at the discretion of the Board. In exercising its discretion the Board seeks advice from the Actuary. A key factor taken into account by the Board in considering whether to approve an increase in pensions is the funding level of the Scheme.

Annual pension increases for members of the DBP Annuitants Scheme are based on the annual increase of the Consumer Price Index as provided for in the trust deed.

GOVERNANCE

The Board's powers and discretions are defined in the NPF Act. The Board is the governing body of the NPF and is responsible for all decisions relating to its management.

The Board has all the powers necessary for managing, directing and supervising the management of the business of NPF.

The Board's governance arrangements are designed to achieve best-practice portfolio management by establishing good decision-making processes, defining fiduciary roles and responsibilities, and providing effective policies and procedures for management of NPF.

The Board has the following objectives:

Scheme Returns

Optimising investment returns (within risk parameters approved by the Board) and managing costs, while maintaining an appropriate level of resources.

Quality

Continuing to improve quality and efficiency.

Service

Delivering a level of service that addresses members' needs and represents good value.

Compliance

Ensuring compliance with Scheme trust deeds, legislation, regulations and Board policies.

Risk

Ensuring significant risks are identified and managed.

Policies

The Board will maintain a Corporate Governance Manual, which establishes the Board's responsibilities, practices and structure in relation to the Board's statutory obligations.

In satisfying its responsibilities, the Board may delegate decision-making and implementation to third parties as it sees fit.

Management and safekeeping of all assets, except cash held for operational liquidity purposes, is outsourced to third-party managers (investment managers) and a custodian.

Investment mandates with investment managers shall include guidelines setting out eligible investments, performance criteria, constraints and exposure limits, including use of derivatives and reporting requirements.

Investment managers require specific written authorisation from the Board to invest outside of the prescribed guidelines. The Board will consider such investments as they arise on application from the investment manager.

A custodian is to be appointed to separate investment decision-making (undertaken by the investment managers) from the holding of assets and securities, transaction settlement, recording and reporting of investment activities (undertaken by the custodian).

All the assets of the GAT Unit Funds and the Schemes, apart from cash holdings required for operational liquidity purposes, are to be held in custody unless specifically authorised by the Board.

Standards

Selection of the custodian and investment managers is to be undertaken in accordance with the Board's policy on procurement of services.

Selection of the custodian and investment managers is to be contestable and generally to be conducted through a request for proposal and interview process unless specific circumstances warrant a different approach.

Investment managers are to be selected after having been subject to appropriate due diligence, which takes into account, among other criteria specific to the role:

- best-practice portfolio management;
- the skills and experience of the manager compared to peers;
- the substance and viability of the manager;
- the costs that can be expected to be incurred;
- the potential for cost savings and other efficiency gains; and
- the existence of appropriate risk management procedures.

This process ensures that the investment managers employed by the Board have the requisite operational capabilities and are best placed to support the Board in achieving its investment objectives.

Procedures

The Board

With respect to investment of the assets of the Schemes, the Board is responsible for:

- determining investment policies, objectives and risk parameters for the Schemes;
- determining asset allocation strategies for the Schemes;
- establishing risk management policies for foreign exchange, interest rates and credit; and
- appointing, terminating and replacing investment managers, the custodian and the investment advisers (if any).

Within six months of the end of each financial year, the Board sends to the Minister:

- the annual reports for each of the Schemes, the GAT and the Board; and
- the report required by Section 67 1(A) of the NPF Act covering:
 - Scheme asset allocations and investment performance;
 - the investment performance of the separate classes of assets;
 - the allocation of expenses to Schemes;
 - any changes in the actuarial basis for valuing Scheme liabilities; and
 - funding levels of the Schemes that provide for discretionary pension increases.

These reports are tabled by the Minister in the House of Representatives.

Delegations and Decision-Making Framework

The Board's decision-making structure is illustrated in the following diagram:

Fiduciary Level	Plan		Implement and Review		
	Policy	Strategy	Management		Control
	<i>Schemes' Policies, Objectives, Risk Parameters and Strategic Asset Allocation</i>	<i>Asset Class Strategy and Structure</i>	<i>Manager Selection</i>	<i>Implementation</i>	<i>Review for Compliance v. Objectives</i>
Minister of Finance	May direct on Crown risk				
NPF Board	Decides	Decides	Decides. Oversight of managers	Oversees	Reviews investment performance at least quarterly, including relevant benchmarks, and ensures adequate resources are in place.
Annuitas	Recommends	Recommends	Recommends	Decides	Manages and monitors investment of the Schemes' assets. Reviews performance of investment Managers, Custodian, Schemes Administrator
Investment Adviser (s)	Regular comments on Annuitas' reviews		Provides recommendations when sought or as required		Reviews SIPSP and compliance with SIPSP.
Custodian				Settles transactions, holds assets.	Values assets monthly. Calculates Unit Fund and investment managers' returns
Investment Managers				Decides on security selection	Investment mandates and guidelines/monthly compliance certification

Investment Committee

Under the NPF Act, the Board may establish committees and delegate to any such committee all or any of its powers. The chairman of the Board is an ex officio member of each committee. The Board has established an investment committee with terms of reference approved by the Board that are reviewed regularly.

Annuitas

The Board and the Government Superannuation Fund Authority have formed a joint venture company, Annuitas Management Limited (**Annuitas**), to engage staff to provide management services to each organisation. The Board has delegated certain operational and advisory functions to Annuitas as set out in the Management Services Agreement between the Board and Annuitas.

Annuitas operates under delegated authorities which are reviewed by the Board on a regular basis. All delegations exercised on behalf of the Board are reported to the Board in arrears.

Delegations continue until they are revoked. Delegations do not prevent the exercise of any power by the Board.

Regarding investment of the Schemes' assets, Annuitas is responsible for:

- implementing the Board's decisions;
- monitoring and reviewing ongoing performance;
- monitoring compliance;
- making recommendations to the Board with respect to changes in policy, strategy and strategic asset allocations;
- dynamic asset allocation (**DAA**) according to prescribed criteria and within prescribed limits;
- evaluating new and monitoring existing investment managers to ensure conviction in their investing abilities; and
- making recommendations to the Board for the appointment, retention or termination of investment managers.

INVESTMENT BELIEFS

The Board's investment beliefs provide a foundation for the Schemes' investment strategies. They represent the Board's views about the sources of investment return and risk, and how these can be captured cost effectively, having regard to NPF's particular features:

- *the nature of the NPF's obligations requires the Board to balance the interests of members, employers and the Crown as guarantor of member benefits*
- *the Schemes have varying tolerances for volatility in returns and little capacity to hold illiquid assets*
- *the Board determines investment strategy and selects and monitors the investment managers that implement it.*

The Board has agreed the Investment Beliefs set out below:

	Investment Beliefs
1	The quality of our governance and decision-making has a direct bearing on our investment outcomes.
2	Our primary investment risk is failing to meet the Schemes' financial objectives, rather than experiencing short-term losses.
3	Investment returns are not normally distributed: therefore, we manage them accordingly.
4	Our investment strategy should be robust to a wide range of economic conditions rather than optimised for a single outlook.
5	Definitions matter: we define active management as any deviation away from the Scheme SAAs.
6	Adding value through active management is possible, but difficult to achieve: we should be selective in how we apply it, giving most weight to our highest conviction strategies.
7	Climate change and other ESG issues present significant investment risks and opportunities.
8	Managing alignment of interests, fees and costs is a critical component of Scheme outcomes.

INVESTMENT OBJECTIVES

The Board manages the Schemes in the financial interests of the members, having regard to the interests of the Crown and employers by setting appropriate investment policies and objectives for each Scheme and through the crediting and reserving policy for the DC Schemes.

In general, any change in asset allocation that reduces investment risk is likely to be at the cost of lower total returns over the longer term.

Policies

1. The Board's trustee responsibilities under common law and statute must be met.
2. Investment decisions will be made on an after-tax basis.
3. Reserves will be maintained at an appropriate level to provide for the payment of the 4% minimum earnings rate for the DC Schemes.
4. Investment risk will be minimised for any level of expected return.
5. An appropriate level of diversification across securities, sectors, asset classes and countries will be maintained.
6. Scheme investments will be sufficiently liquid to accommodate changes in strategy to reflect each scheme's financial position to meet its objectives over time.
7. The Schemes will not be leveraged at any time.
8. All aspects of the investment process will be reviewed regularly, including, but not limited to:
 - quarterly reporting of investment results and benchmarks;
 - annual comparison of manager results with peers;
 - annual reviews of investment managers; and
 - three-yearly reviews of investment policies, objectives and strategies.

Standards

The Board is to determine objectives and risk parameters for each Scheme to maximise the financial interests of its members, having regard to the interests of the Crown and employers, where applicable. These will be based on:

- ensuring the duration and liquidity of each Scheme's assets reflect the time horizon of the commitment to pay benefits;
- the crediting and reserving policy for the DC Schemes; and
- prudent asset risk, return and covariance assumptions.

The investment objectives and risk parameters for each Scheme are set out in the **Appendix Table 1**. The Board is to review these regularly.

Procedures

The Schemes are required by the NPF Act to invest only in the GAT and bank accounts. The GAT consists of separate unit funds comprising different asset classes. The Schemes hold varying exposures to those unit funds in accordance with their individual asset allocations.

Authorised Investments

Section 4 of the GAT trust deed sets out the investment criteria and obligations of the Board and the Second Schedule of the GAT trust deed sets out the authorised investments of each unit fund. The major assets held by the unit funds are summarised as follows:

Fund Name	Major Assets
Cash Unit Fund	Cash, debt securities and derivative products of the asset class with terms less than 12 months
Fixed Interest Unit Fund	Cash, debt securities and derivative products of the asset class
Fixed Interest No.2 Unit Fund	Cash, debt securities and derivative products of the asset class
New Zealand Bond Fund	Cash, debt securities and derivative products of the asset class
Overseas Equity Unit Fund	Shares in companies listed on global stock exchanges and units in unit trusts
New Zealand Equity Unit Fund	Shares in companies listed on the New Zealand and Australian stock exchanges

The Board may amend any of the provisions of the Second Schedule of the GAT trust deed (including asset classes) if, in the opinion of the Board, such amendment, addition or deletion is not materially and adversely prejudicial to the unit holders (the Schemes) in the relevant fund, or with the consent of the unit holders.

INVESTMENT STRATEGY

The investment strategy adopted by the Board establishes a Strategic Asset Allocation (SAA) for each Scheme, which is a default portfolio consistent with the Scheme's objectives and risk parameters.

Management aims to outperform the SAA, net-of-fees, in three ways:

- taking exposure to sources of return not represented in the SAA that are considered to offer systematic reward for bearing risk of loss;*
- capturing returns attributable to investment managers' skill; and*
- periodically adjusting a Scheme's exposure to the asset classes in which it is invested.*

Policies

The Board will determine the investment strategy for each Scheme to achieve its objectives consistent with its policies and each Scheme's risk parameters. The strategy will be based on a strategic asset allocation among authorised assets.

Standards

Each Scheme's SAA must be approved by the Board.

Strategies intended to help a Scheme outperform its SAA must be approved by the Board.

DAA decisions may be determined by Annuitas within limits approved by the Board.

The asset classes and strategies approved by the Board for inclusion in the GAT are:

- equities, comprising equity securities and securities convertible into equities including partly paid ordinary and preference shares (to be held by the Overseas Equity Unit Fund and NZ Equity Unit Fund);
- fixed interest, comprising interest-bearing securities issued or guaranteed by sovereign governments and agencies and issued by non-sovereign issuers (to be held by the Fixed Interest Unit Fund and the Fixed Interest No 2 Unit Fund);
- cash and short-term securities, comprising NZ and foreign currency cash and interest-bearing securities with less than one year to maturity (to be held by the Cash Unit Fund);
- forward foreign currency contracts for the purposes of offsetting foreign currency exposures arising from international assets to achieve the Fund's strategic net exposure and as a value adding return source in the DAA programme (to be held by the Overseas Equity Unit Fund).

The GAT may invest in these asset classes through direct ownership of the assets, through collective investment vehicles (CIVs) that hold the assets or through derivative securities, such as futures, forward contracts, options and swaps. Asset classes or strategies that have not been approved by the Board are not permitted to form part of any Scheme's asset allocation.

Strategic Asset Allocations

The strategic asset allocations of all Schemes are to be reviewed every three-to-five years or more frequently if a Scheme's funding level changes markedly.

More frequent reviews are to be undertaken for the Aircrew Superannuation Scheme and the DBP Contributors Scheme.

The current strategic asset allocation of each Scheme is tabulated in the **Appendix Table 2**.

Dynamic Asset Allocation

From time to time the Schemes' asset allocations may be varied from their strategic asset allocations in response to relative valuation signals. When employed, these variations are expected to add returns over time.

The limits that asset classes and the foreign currency exposure may be tilted away from the strategic allocation for each Scheme are shown in the table in the **Appendix Table 3**.

Manager Selection

Security selection within an asset class is to be delegated to appointed investment managers. Managers are to be selected and appointed based on a contested process to establish their capabilities to deliver the investment outcomes required. Managers should be able to demonstrate:

- organisational stability and alignment with NPF's interests
- credibility of investment thesis and robustness of implementation process
- quality of investment team and research resources
- ability to meet the requirements of the mandate prescribed.

Managers' performance is to be evaluated regularly against agreed benchmarks and peers.

Managers' fees are to be at least market-competitive and any performance-related fee should share any excess returns relative to agreed benchmarks reasonably.

Procedures

The Scheme's SAA positions are implemented by Annuitas allocating each Scheme's capital among GAT Unit Funds according to proportions approved by the Board.

Dynamic asset allocation positions are implemented by Annuitas changing the allocation among GAT Unit Funds for the relevant Schemes at the time of the monthly rebalancing, in accordance with approved DAA limits.

Scheme allocations are rebalanced monthly to within approved tolerances.

The currency exposure of the GAT Overseas Equity Unit Fund may be changed intra-month by instructing the currency overlay manager.

Managers are appointed by the Board following a contested selection process using external expert advice. Contracting is subject to legal advice.

The selection of securities within an asset class is delegated to the appointed investment managers. The investment management agreements (**IMAs**), which govern the relationship between the Board and the investment managers, include mandates which detail the investment guidelines (and benchmarks) and any constraints on security selection set by the Board.

Purchase and sale of securities is the responsibility of the investment managers who instruct the custodian. The custodian reconciles and records transactions, holds the securities on account in NPF's name and values securities monthly with reference to market prices.

The custodian reports valuations and investment performance monthly by each GAT Unit Fund, asset class and manager.

RESPONSIBLE INVESTMENT

The Board's legal responsibilities in relation to investment are clearly set out in each Scheme's trust deed and the Act.

While maximising members' financial interests consistent with the level of risk appropriate to each Scheme, the Board has regard to various other matters encompassed under the heading Responsible Investment (RI). These include environmental, social, and governance (ESG) considerations and climate-related risks and opportunities. They affect economies and business values and, therefore, investment portfolios. As well as presenting investment risks and opportunities to enhance returns, they may present reputational risk.

NPF and the Crown Financial Institutions (CFIs) share a unified framework on ESG matters and climate response in particular that aligns with the Government's objectives while recognising NPF's operating independence and allowing each entity to manage investments according to its particular mandate.

Policies

NPF has committed along with other CFIs to reduce the carbon exposure of the Schemes' portfolios to align with the Government's commitments to international climate change accords. The initial phase required NPF to measure and reduce the carbon intensity of its global equity portfolio by 50% by 2025. The Board has subsequently set a 2030 target to reduce the carbon footprint of NPF's listed equity portfolios and exposure to global credit securities by 65% relative to a 2019 baseline.

ESG factors, including climate-related risks and opportunities, are an integral part of active management. We believe these reductions can be achieved without compromising the Schemes' financial performance.

NPF has also joined the Net Zero Asset Owners' Alliance, a global network of institutional investors pushing companies to disclose their carbon exposures and get on a path to net zero by 2050.

NPF will exclude from the GAT Unit Funds investment in securities of companies involved in certain activities or breaches of the Board's standards. The Board will publish a list of its excluded investments on its website.

Standards

Excluded Investments

The Board will take into consideration whether any investment would be:

- contrary to New Zealand law if conducted in New Zealand;
- contrary to international law or international treaties to which New Zealand is a party, particularly those relating to international security and disarmament and human rights; or
- lead to 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 Schemes and can be implemented in a practicable and cost-effective way.

The Board excludes investments 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 that government.

NPF excludes investments in illegal activities, tobacco companies and some companies with poor practices based on advice from the Responsible Investment team at NZ Superannuation Fund.

NPF measures the carbon footprint of the Overseas Equity Unit Fund and the credit securities within the Fixed Income Unit Fund. Both managers within the Overseas Equity Unit Fund have limits on carbon within their investment guidelines.

Voting Guidelines and Corporate Governance

The Board, as trustee of the GAT, holds securities in a number of New Zealand and international companies. As an owner of securities, the Board is committed to encouraging good corporate governance and disclosure practices.

Managers of New Zealand equities are delegated authority by the Board to exercise voting rights. In general, voting by the managers should be in accordance with the guidelines and recommendations of a recognised proxy voting service. If the investment manager does not intend to vote in accordance with recommendations of the proxy voting service, it must advise the Board.

The Board may direct an investment manager how to vote if the investment manager has a different view on an issue from that recommended by the proxy voting service or where there are conflicting views among the investment managers on the same issue.

Managers of overseas equities are delegated authority by the Board to exercise voting rights in the best interests of Schemes' members. The Board retains the ultimate right to exercise all voting rights.

Procedures

Our investment managers are charged with maximising investment returns relative to a representative market benchmark. Where ESG or climate-related issues are material to their security valuation and selection process we expect them to reflect that in their portfolios.

We evaluate managers' investment processes in terms of how they generate added value and integrate ESG considerations. Different managers have different approaches to how they engage with companies depending on their management style.

In some cases, the Board may direct investment managers with respect to certain investments where ESG considerations are sufficiently important to override purely investment-driven factors. This may be on how to vote our shares or, more typically, to exclude the securities entirely.

Effective engagement with companies on ESG issues requires a substantial commitment of time and resources. Aside from relying on its investment managers, who typically represent a much larger investor clientele, the Board takes account of the actions of the Guardians of New Zealand Superannuation Fund (NZ Super), the Government Superannuation Fund Authority and the Accident Compensation Corporation, which have legislated RI obligations.

With the assistance from NZ Super's RI team, the Board implements its RI policies by:

- monitoring high-risk issues and securities;
- monitoring portfolio investments against the RI policies;
- monitoring investment managers' approaches to ESG and climate-related risks, the GAT's exposures to greenhouse gas emissions and the development of policies to manage these risks;
- analysing RI issues and appropriate responses;

- excluding securities as appropriate;
- communicating the Board's policies and decisions to investment managers;
- participating in collaborative engagements with other investors;
- monitoring investment managers' voting records; and
- publishing its RI policies and exclusion decisions (individual company engagements may be confidential).

In addition to the application of its RI policies to the investments held in the GAT, the Board:

- encourages the adoption of good corporate governance practices, including exercising voting entitlements consistent with maximising shareholder value and RI policies where possible;
- encourages investment managers to consider its RI policies and to integrate ESG factors into their investment analysis and/or engage with corporate entities as part of their investment process; and
- works with similar investors to enhance the effectiveness of its RI policies, which may include supporting collaborative initiatives and engagements.

Annuitas provides regular reports to the Board on the following matters:

- excluded investments pursuant to the Board's RI policies;
- developing issues affecting particular investments or classes of investment; and
- approach taken by investment managers on ESG and climate-related risks, the GAT's exposures to greenhouse gas emissions and the development of policies to manage these risks.

NPF surveys its external managers annually on their ESG and climate approaches. In contrast to passive portfolios, active managers are increasingly attuned to the risk and return implications at a security and portfolio level.

The Board expects its investment managers to have regard to both the immediate risks surrounding transition to a lower-carbon world, through changes in consumer preferences and government policies to limit emissions, and the longer-term risks of global warming.

Pooled Investments

Investment in a collective investment vehicle (**CIV**) may be a practicable and cost-effective way of achieving exposure to some investment markets. The Board will have no influence or control over the structure of the CIV, the corporate securities held by it or individual voting decisions of the CIV's manager.

In applying its ESG policies to a CIV, the Board assesses the value 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.

RISK MANAGEMENT

The Board has developed comprehensive risk management policies and procedures covering all aspects of the NPF business.

The Board regularly monitors the operational and financial aspects of NPF's activities and has aligned reviews of the business to the Australia/New Zealand standard AS/NZ ISO 31000:2009. The Audit and Risk Review Committee assists the Board in fulfilling its responsibilities with respect to internal controls, accounting policies, financial statements approval and risk management.

Annuitas is responsible for recognising, assessing and controlling (either removing or reducing) risks, and reporting to the Audit and Risk Review Committee.

Risk management is further supported by the code of conduct for Board members and Annuitas staff, Board expenditure policies and procedures, defined roles and responsibilities, individual and collective performance accountability processes, and timely disclosure and communication.

The trust deed for each Scheme requires the Board to ensure the financial statements are audited and reported on by the Auditor in accordance with the Financial Markets Conduct Act 2013.

*In addition, under section 65 of the National Provident Fund Restructuring Act 1990, the Minister of Finance (the **Minister**) may direct the Board at any time to provide the Minister with an audited report of any Scheme or the GAT. The Schemes and the GAT are audited on an annual basis.*

This section provides a high level overview of the standards and procedures adopted by the Board with respect to its investment activities. Extensive and detailed standards and procedures are maintained at an operational level and within the IMAs.

Policies

NPF's investment risk will be controlled by:

- specifying an SAA for each Scheme consistent with its objectives and risk parameters;
- specifying a risk budget for each Scheme, i.e. a tolerance for under-performance versus its SAA; monitoring those risks and reporting on them no less than quarterly; and
- specifying, monitoring and reporting no less than quarterly on:
 - each Scheme's total volatility;
 - expected contribution of GAT Unit Funds to each Scheme's total active risk; and
 - expected risk of single strategies and investment managers relative to benchmarks representative of the strategy or the investment manager's style.

The Board will maintain constraints and limits in respect of each asset class or strategy to control risks.

Derivatives may be used for risk management, value adding investment strategies and transactional efficiency.

Standards

A description of various investment, operational and financial risks and the Board's standards is provided below.

Liability Risk

Liability risk is the possibility that the obligations of the Schemes to pay benefits are valued incorrectly.

Asset Risk

Asset risk covers uncertainties in investment returns arising from market risk, credit (and counterparty) risk, liquidity risk, foreign-currency risk, derivatives exposure and manager-specific risk. Deciding the level of risk taken in a portfolio is a central function of any organisation charged with the oversight of financial assets.

Market Risk

Market risk is the potential for adverse movements in asset values due to changes in systemic factors such as interest rates, inflation, etc.

At a Scheme level, market risk is to be managed by:

- adopting a strategic asset allocation for each Scheme consistent with the Scheme's objectives and the nature and time horizon of the Scheme's liabilities;
- limiting the extent to which a Scheme's asset allocation may be varied pursuant to DAA;
- requiring regular rebalancing of Schemes' asset allocations to their target allocations; and
- avoiding concentration of risk by ensuring adequate diversification among and within asset classes and geographically.

Active Risk

Active risk (also referred to as tracking error) measures the expected volatility of returns relative to a scheme's benchmark. It captures the aggregate impact of:

- Active manager decisions
- Portfolio tilts and deviations from benchmark

Rebalancing

To avoid excessive transaction costs by maintaining exact Scheme-specific asset allocations, Schemes' allocations to GAT Unit Funds are permitted to deviate from their target allocations (which are the Schemes' strategic asset allocations adjusted for any temporary DAA positions) within rebalancing ranges prescribed in **Appendix Table 4**. The ranges are designed to be wide enough to limit transactions costs without compromising the risk and return expected from target allocations.

Rebalancing decisions are approved monthly by Annuitas and the minutes of that meeting are provided to the Board.

Market risk is to be further managed by requiring investment managers to manage their portfolios within defined exposure limits. Those limits may include (as appropriate):

- limits on the percentage weight of any individual entity in the portfolio relative to its benchmark weight;
- limits on aggregate investment in entities not represented in the benchmark;
- limits on the maximum investment in any individual entity;
- limits relative to the duration of the benchmark; and
- limits on regional and sector weights.

Credit Risk

Credit risk is the possibility of default by a counterparty to a particular transaction or contract, or an issuer of a security held in a portfolio. The Board sets guidelines for credit and counterparty risk within individual portfolios and at a consolidated level across all exposures.

Credit risk is to be managed by requiring that investment managers meet the following mandate guidelines approved by the Board:

- investing only in debt that is rated by an approved, recognised rating agency or unrated debt within the maximum permitted exposure;
- limiting exposure to different levels of credit rating to agreed guidelines; and
- limiting exposure to any one issuer (including derivatives but excluding OECD-government and government-guaranteed issuers).

Liquidity Risk

Liquidity risk is the possibility that sufficient securities cannot be sold to meet required cash flows or that the price achieved is significantly less than the last valuation.

Assets held by the GAT must be sufficiently liquid to ensure the Schemes can meet all of their future obligations as they become payable. A major consideration for the Board is the declining asset base as each Scheme matures and the effect of this on liquidity requirements and the most suitable investment structure. Investments are selected with consideration given to their effect on liquidity risk as well as the return to be derived.

Liquidity risk is to be managed by:

- investing primarily in securities traded on recognised exchanges with specified maxima for unlisted securities;
- ensuring a sufficient proportion of the Schemes' assets is invested in securities that can be realised in a timely manner without excessive risk of price discounting; and
- ensuring that margin and settlement requirements of derivative positions are fully collateralised by liquid assets.

Foreign Currency Risk

Foreign currency risk is the potential for assets denominated in foreign currencies to lose value due to an adverse NZ dollar exchange rate movement.

Foreign currency risk is to be managed by:

- establishing a foreign currency hedging program for each international asset class appropriate to the Schemes investing in the asset class; and
- specifying the bounds within which each investment manager may take on currency exposures relative to the relevant benchmark.
- Ensuring any forward contracts entered into are with entities that have an appropriate minimum credit rating as determined by an international credit rating agency. For counterparties, industry standard contractual arrangements (such as an ISDA Agreement) must be in place between the investment manager and the counterparty.

The Board's foreign currency hedging ratios for the Overseas Equity Unit Fund and Fixed Interest Unit Fund are set out in the **Appendix Table 5**.

Derivatives Risk

Derivatives risk is the potential for loss from holding or trading derivatives. Derivatives are financial instruments whose value is derived from, or linked to, the value of an underlying security or index that represents either direct ownership of an asset or the direct obligation of an issuer, otherwise known as the physical instrument. Derivatives include a wide assortment of instruments such as futures, swaps, forwards, warrants and all forms of options. Besides the risk from the underlying security, derivatives may introduce counterparty credit risk and risk of errors in pricing and estimation of underlying exposures.

The use of derivatives is subordinate to the investment strategy and must be consistent with the objectives of the investment strategy. The use of derivatives may include the following:

- to manage risk or hedge against movements in interest rates, values or prices in relation to permitted investments and movements in foreign currency exposures;
- to achieve or reduce exposure to assets, all or part of any asset class and foreign currency; and
- to achieve transactional efficiency or reduce the transactional cost of achieving required exposures.

The following derivative instruments may be used:

- derivative instruments traded on recognised exchanges; and
- over-the-counter derivative agreements, subject to the counterparty having a minimum credit rating by an approved, recognised rating agency.

Appropriate contractual arrangements (for example, an ISDA master agreement) must be in place between the investment manager (or, as the case may be, the Board) and the counterparty in a form satisfactory to the Board.

Investment managers are also required to have in place appropriate risk management policies and procedures in a form satisfactory to the Board. Each investment manager must provide the Board with a copy of its current policies relating to derivatives usage and manage its derivative exposures in accordance with those policies.

Obligations pursuant to derivative contracts must be collateralised sufficiently. This means the GAT Unit Funds must hold sufficient cash or securities to satisfy fully any claims arising from derivative positions at current and prospective market prices and ensure the GAT Unit Funds or Schemes remains within permitted risk limits at all times.

Derivative contracts are valued using a mark-to-market methodology unless otherwise specifically approved. The effective duration or credit exposure of any derivative positions will be taken into account when determining compliance with the duration limits of fixed interest portfolios and determining compliance with portfolio exposure limits.

Manager Risk

- Manager risk is the potential for loss arising from a manager failing to meet performance expectations or to comply with its investment mandate. It is to be managed by implementing a comprehensive and robust investment manager evaluation and monitoring process and regularly reviewing the process.

Operational Risk

Operational risk is the potential for loss resulting from inadequate or failed procedures, people and systems, or from external events. These risks are to be managed in accordance with the Board's Risk Policy.

Procedures

The Board has approved the following constraints and limits in order to manage investment, operational and financial risks.

Liability Risk

Liability Risk is managed by:

- an independent actuary (**Actuary**) valuing the liabilities of the Schemes to pay benefits;
- Annuitas reviewing the assumptions used by the Actuary in valuing the liabilities for reasonableness;
- Annuitas reviewing the analysis of Schemes' liabilities to ensure the asset allocations determined for each Scheme remain appropriate for its liabilities; and
- rebalancing Scheme asset allocations monthly to ensure each Scheme remains aligned with the target allocation taking into account known cash flows for the following month. The rebalancing limits are set as a trade-off between the costs of being exactly at the target allocation against the risk that variations in exposures will compromise the Scheme's investment objectives. Rebalancing takes into account investments that are relatively illiquid, such as equity interests in CIVs that are not traded and have contractual restrictions on redemptions.

The rebalancing ranges around the target allocations are shown in the **Appendix Table 2**.

Market Risk

Market risk is managed by:

- specifying the total risk of each Scheme and its various major exposures consistent with the Investment Objective and best-practice assumptions in relation to exposure risks and correlations among them;
- diversifying the asset classes in which GAT invests by adopting the Strategic Asset Allocations described in **Appendix Table 2**;
- seeking professional advice on the investment strategy, the Reference Portfolio and the target allocation;
- consulting with other CFIs and large investment funds;
- requiring investment managers to manage their portfolios within the market exposure limits for each asset class held as defined in the agreements with each manager; and
- setting limits to which investment managers are required contractually to manage their portfolios, which should include:
 - limits on the expected volatility of their total portfolio or their portfolio relative to the benchmark;
 - limits on concentration of exposure to any single issuer of securities; and
 - limits on particular exposures in the investment manager's benchmark and exposures not represented in the benchmark.

Active Risk

Active risk is managed by setting ex-ante active risk limits for each Scheme. These limits are set up in **Appendix Table 4A**.

Leverage Risk

Leverage risk is managed by:

- ensuring that the risk arising from leverage embedded in any equities, shares of a CIV, or derivative positions is managed in accordance with the governing investment management agreement or the terms and conditions of the CIV, and within the risk tolerance of the GAT Unit Funds as a whole;
- requiring any derivative transactions held directly by the GAT Unit Funds to be adequately collateralised with cash or corresponding securities, valued at current market prices;
- entering into commercial arrangements for any charges against the GAT Unit Funds in accordance with generally accepted industry standards, such as the use of agreed counterparty settlement limits and temporary overdrafts for forward currency contracts, swaps and other contracts for difference in value;
- requiring settlement of amounts outstanding from any derivative transactions due to short-term price fluctuations that exceed levels agreed in advance with counterparties;
- the Board satisfying itself that investment managers (including managers of CIVs) have adequate policies and procedures relating to leverage and derivative counterparties and monitoring adherence to their policies; and
- using appropriate industry standard documentation.

Manager Risk

Manager risk is managed by:

- robust selection process for investment managers based on demonstrated ability, comparison with peers and independent expert opinion. Managers are evaluated on several key factors:
 - organisational stability and alignment with NPF's interests
 - credibility of investment thesis and robustness of implementation process
 - quality of investment team and research resources
- diversification among investment managers;
- setting mandates for active investment managers based on best-practice portfolio management that prescribe acceptable risk limits;
- regular assessment and review of investment managers' performance against their agreed benchmark and peers;
- putting in place investment management agreements or other satisfactory contractual terms that separate the GAT Unit Funds' assets from investment managers and protect against investment managers' errors, omissions and wrongful actions; and
- Contracts with investment managers may be terminated without cause at a maximum of 30 days' notice, unless otherwise approved by the Board.

Credit Risk

Credit risk is managed by requiring that investment managers of the GAT Unit Funds' credit investments:

- maintain the credit quality of their portfolios within agreed contractual guidelines and specified according to leading credit rating agencies;
- limit exposure to individual issuers to prescribed limits;

- maintain policies and procedures relating to derivative counterparty selection and management and appropriate industry standard documentation; and
- control counterparty risk by daily collateralisation of open derivative positions or credit quality limits in investment management agreements. Securities lending risk is managed by collateralisation and an indemnity from the custodian.

Liquidity Risk

Liquidity risk is managed by implementing the GAT Unit Funds' target allocation and rebalancing procedures. In addition, liquidity risk is managed by:

- requiring investment managers to invest only in securities listed on recognised exchanges;
- requiring investment managers, within the terms of their individual investment management agreements, to hold diversified portfolios; and
- limiting the credit rating of fixed interest and cash investments to levels detailed in the investment management agreements with each investment manager.

Foreign Currency Risk

Currency risk is managed by:

- requiring global bond managers to hedge their portfolios fully to NZD;
- engaging a currency manager to partially hedge the Overseas Equity Unit Fund to the ratio specified in the standard;
- specifying the bounds within which investment managers may take foreign currency exposures relative to their benchmarks; and
- specifying the instruments that investment managers may use and the minimum creditworthiness of the counterparties in the investment management agreement with each investment manager.

Foreign currency exposure of the Overseas Equity Unit Fund is monitored by Annuitas and rebalanced monthly back to the target ratios.

Derivatives Risk

Derivatives risk is managed as follows:

- all investment managers using derivatives are required to provide the Board with a copy of their policies relating to derivative securities trading and counterparty risk and to manage their derivative exposures in accordance with those policies. The Board recognises that, where the GAT Unit Funds invest in CIVs offered by investment managers, those vehicles may be investing in derivatives and takes that into account in determining the appropriate level of investment for the GAT Unit Funds;
- the risk of derivatives is measured by their effective exposure to underlying assets as well as on a standalone basis. The value of derivatives is measured according to generally accepted industry standards;
- over-the-counter foreign exchange hedging derivative contracts may be entered into only with counterparties that have credit ratings approved by the Board and measured by a recognised rating agency for counterparty risk and domiciled in New Zealand, or in countries with which New Zealand has a double-tax treaty;
- the currency exposure associated with international investing is managed using forward foreign exchange contracts or basis swaps relating to the currencies in which the securities that comprise the portfolio are denominated, or their close proxies;

- the investment management agreements for those investment managers actively using forward foreign exchange contracts include limits for the maximum exposure per counterparty. For other types of derivatives there are dollar limits for the maximum exposure before collateral is required; and
- derivative policies and practices, including foreign exchange hedging, are in accordance with the investment manager's derivatives policies, set out in their offer documents, or as otherwise specified in an investment management agreement. Investment managers are required to maintain policies and procedures relating to derivative counterparty selection and management accordingly and use appropriate industry standard documentation.

Operational Risk

Operational risk is managed by:

- appointing an independent custodian to hold the investment assets of the GAT independently of its investment managers who may issue trade instructions with respect to the assets;
- specifying limits to the authority delegated to Annuitas for DAA decisions;
- requiring transactions to be authorised by at least two persons;
- engaging an independent custodian to settle and record transactions, hold securities in safekeeping, securities lending, value securities and portfolios, report investment results and monitor managers' compliance with mandates;
- having a specific mandate for each investment manager based on best-practice portfolio management, except for investments in CIVs;
- ensuring Annuitas has sufficient resources to conduct the oversight function as part of its overall responsibilities;
- requiring investment managers and the custodian to:
 - provide the Board with assurances against operational risk events;
 - have in place insurance arrangements to cover claims in those events;
 - have in place and regularly confirm the existence and efficiency of internal policies and controls to address those risks;
 - provide regular compliance reporting;
 - reconcile the GAT Unit Funds' recorded positions regularly.
- when a mandate breach occurs, requiring the investment manager to report it to the Board immediately, correct it as soon as practicable, and make good any loss. Breaches outside the control of the investment manager may be reported to the Board in arrears;
- maintaining an effective business continuity plan in conjunction with the custodian and the Schemes' administrator; and
- maintaining a Fraud Minimisation Policy to assist in the identification and mitigation of fraud.

VALUATION, REPORTING AND REVIEW

Policies

Section 4.5 of the GAT trust deed sets out standards for investment records and sections 4.9 and 4.10 set out the valuation principles for authorised investments.

The Board will maintain a reporting framework that enables it to analyse and monitor the performance of the Schemes, asset classes and investment managers against relevant objectives and benchmarks.

All aspects of the GAT's investment programme are to be reviewed regularly in line with the schedule approved by the Board in **Appendix Table 6**.

Standards

Reviews of the investment programme are to be undertaken by Annuitas and provided to the Board for its consideration. In most cases the external investment advisor will provide the Board with its assessment of Annuitas' review.

Investment performance is to be evaluated before tax, net-of-fees. Monitoring of performance is to take place no less than quarterly.

The performance benchmark for each NPF Scheme is the weighted average benchmarks of its constituent GAT Unit Funds, weighted according to its SAA. SAA weights are tabulated in **Appendix Table 2**.

The benchmark should for each GAT Unit Fund be a replicable index representative of the asset class or strategy of that Unit Fund. The performance benchmarks are tabulated in **Appendix Table 5**.

The Board approves performance benchmarks for each investment manager consistent with the risk, return and diversification assumptions underpinning each asset class. Depending on the investment style for which they are engaged, the investment managers are expected to achieve certain return and risk targets relative to the performance benchmark for that asset class. The targets are set out in the IMAs with the investment managers.

The measurement period for assessing performance is generally three to five years, although they are to be monitored no less than quarterly. Returns for short periods (such as quarterly) are important but are not necessarily indicative of long-term performance.

Procedures

The Board reports each Scheme's investment performance annually in its Annual Report to members and on its website www.npf.co.nz.

For reference, the Board also reports to the Treasury quarterly on NPF's investment performance and significant operational issues.

Investment performance is assessed over various time periods by comparing:

- Each Scheme's before tax, net-of-fee returns with its benchmark;
- Each GAT Unit Fund's before tax, net-of-fee returns with its benchmark; and
- Each investment manager's before tax, net-of-fee returns with its benchmark; with the benchmarks relevant to their respective mandates, plus any excess return target expected for active investment managers (reflecting the active risk taken by the investment manager). Investment managers are also compared to peer managers in the same asset class or strategy.

The agreements with investment managers contain reporting provisions to enable the Board to determine the investment managers' compliance with investment guidelines and other business requirements, and success in meeting the investment return and risk objectives set out in the investment mandates.

The periodic reports by the investment managers cover:

- reviews of the portfolio including performance attribution and portfolio valuations; and
- certification that the terms of the IMA have been met.

The custodian provides monthly reports on each investment manager to the Board to enable monitoring and review of performance.

The reports include:

- investment performance measurement and analysis;
- accounting matters including portfolio valuation;
- reconciliation of portfolio values and cash flows with the investment managers;
- taxation matters;
- any overdraft position of each portfolio; and
- quarterly certification that the terms of the custodian contract have been met.

Annuitas provides regular reports to the Board including:

- minutes of the monthly meeting of the ALCO Committee;
- minutes of the monthly DAA meeting;
- quarterly performance of the Schemes against their respective objectives;
- quarterly performance of each investment manager and asset class; and
- latest month end financial statements.

APPENDICES

Table 1 Statement of Investment Objectives by Scheme

SCHEME	INVESTMENT OBJECTIVE	INVESTMENT PARAMETERS/NOTE
LUMP SUM NATIONAL SCHEME	To achieve a return of not less than 4% p.a, net of tax and expenses, during the next 10 years. This is the minimum earnings rate set out in the Schemes' trust deeds.	Risk Budget: not more than a 40% chance that after five years the Schemes will be in deficit, in the sense that the contributors' total credits exceed the corresponding assets.
DBP CONTRIBUTORS SCHEME	Risk Budget: not more than a 5% chance of the funding level being below 100% after three years; and Target Funding Level: the target funding level for the Scheme for the next three years is 100% calculated in an EV basis.	
DBP ANNUITANTS SCHEME	The remaining assets are required to meet the future expenses of the Scheme.	The Scheme has no assets to meet the pension liabilities. Payments due to members are met by the Crown on a pay as you go basis.
AIRCREW SUPERANNUATION SCHEME	Risk Budget: not more than a 1 in 3 chance the TA/TB Ratio will be below 100% after five years; and Target TA/TB Ratio: the target TA/TB Ratio is 100%.	The TA/TB Ratio is assets as a percentage of accrued retirement benefits.
LUMP SUM CASH ACCUMULATION SCHEME	To achieve an average investment return of not less than 4% p.a., net of tax and expenses, over the next seven years, subject to a high level of liquidity being maintained. 4% p.a. net of tax and expenses is the minimum earnings rate set out in the Scheme's trust deed.	Risk Budget: not more than a 50% chance the Scheme will be in deficit after five years.
NATIONAL PROVIDENT PENSION SCHEME	Maintain a ratio of total assets to total liabilities in excess of 100% with liabilities discounted at the zero Sovereign bond discount rates.	Risk Budget: The ex-ante probability of the funding level falling below 100% at any time over the next five years shall be no more than 5%; and Minimum Funding Level: a buffer of 8% of the value of the liabilities, i.e. a Minimum Funding Level of 108%.

Table 2 Schemes' Strategic Asset Allocations

Scheme	Cash Unit Fund %	Fixed Interest Unit Fund ² %	Fixed Interest No. 2 Unit Fund %	New Zealand Bond Fund %	Overseas Equity Unit Fund %	New Zealand Equity Unit Fund %
Lump Sum National	0	30	0	30	32	8
DBP Contributors	100	0	0	0	0	0
DBP Annuitants	0	0	0	100	0	0
Aircrew Superannuation	100	0	0	0	0	0
Lump Sum Cash Accumulation	0	30	0	30	32	8
National Provident Pension	0	0	80	0	16	4

At its meeting of 19 August 2026, the Board resolved to change the strategic asset allocations for Lump Sum National, Lump Sum Cash Accumulation and National Provident Pension to those outlined below. The change to the allocations will be undertaken over a few months and will be completed no later than 31 January 2027.

Scheme	Cash Unit Fund %	Fixed Interest Unit Fund %	Fixed Interest No. 2 Unit Fund %	New Zealand Bond Fund %	Overseas Equity Unit Fund %	New Zealand Equity Unit Fund %
Lump Sum National	25	0	0	55	15	5
Lump Sum Cash Accumulation	100	0	0	0	0	0
National Provident Pension	0	0	100	0	0	0

Table 3 Dynamic Asset Allocation: Approved Limits

	Lump Sum National Scheme	Lump Sum Cash Accumulation Scheme	National Provident Pension Scheme
Global Equities vs Fixed Interest Exposure (%)	+/-8	+/-8	0
Foreign Currency Exposure (%)	+/-8	+/-8	+/-3
NZ Equities vs Global Equities Exposure (%)	+/-2	+/-2	0
Cash vs Fixed Interest	+/-5	+/-5	0

At its meeting of 19 August 2026, the Board also resolved to discontinue its dynamic asset allocation program. Any positions as at that date will be unwound as part of the asset allocation shift described above.

Table 4 Rebalancing ranges - (relative to a Scheme's target allocation)

Unit Fund	Rebalancing Range
Cash	+/- 2%
Fixed Interest No. 2	+/- 2%
Fixed Interest	+/- 5%
New Zealand Bond	+/- 2%
Overseas Equity	+/- 5%
New Zealand Equity	+/- 2%

Table 4A Ex-ante active risk limits

Scheme	Active Risk Limit
DBP A	1.5%
DBP C	0.5%
Aircrew	0.5%
NPPS	1.0%
LSCAS	2.0%
LSN	2.0%

Table 5 Unit Fund Performance Benchmarks

Unit Fund	Unit Fund Performance Measure
Cash	Bloomberg NZ Bond Bank Bill Index
Fixed Interest	Bloomberg Barclays Global Aggregate Index, hedged fully to New Zealand dollars (NZD)
Fixed Interest No. 2	Schemes' Liabilities/Duration matching
New Zealand Bond	Bloomberg NZ Bond Composite 0+ Yr Index
Overseas Equity	MSCI ACWI Low Carbon Target Index, hedged 21.6% (after tax or 30.0% before tax) to NZD ¹
New Zealand Equity	S&P/NZX 50 Gross with Imputation Index

¹ To measure the effects of its decarbonisation commitments relative to a standard market index, the Board will continue to monitor and report on the performance relative to the MSCI ACWI with Net Dividends Index

Table 6 Reporting Schedule

Strategic Issues	
Review ALCO Model	3 yearly (2026)
Investment return assumptions - process for calculation	3 yearly (2026)
SAA for all Schemes	3 yearly (2026)
SAA for LSCAS, DBPC and Aircrew	Yearly
Currency Hedge Ratio	Yearly
Investment Consultant	5 yearly (2024)
Dynamic Asset Allocation Review	3 yearly (2026)
Investment Committee Terms of Reference Review	3 Yearly (2026)
Investment Model	4 yearly (2025)
Investment Beliefs	4 yearly (2026)
Liquidity Policy	4 yearly (2025)
Independent Review of SIPSP	Yearly
Custodian Review	5 yearly (2025)
Operational Issues	
Investment Committee Self Review	Yearly
Rebalancing Policy	3 yearly (2025)
Independent Review of SIPSP compliance	Yearly
Quarterly Investment Review	Quarterly
Global Equities Review	Yearly
Currency Management	3 Yearly
NZ Equities Review	Yearly
Global Fixed Income Review	Yearly
Other Potential Asset Classes	Yearly
Responsible Investment	Each Board Meeting