

Chairman's letter

Dear Member

It is my pleasure to provide you with an update on the National Provident Fund (NPF) and its activities over the year to 31 March 2020.

2019/2020 was an extraordinary financial year as the world encountered the Covid-19 pandemic. I am pleased to report NPF was able to continue to operate with full functionality and fulfill all its obligations during these difficult times.

GOVERNANCE

NPF is governed by a Board of Trustees appointed by the Minister of Finance to manage the NPF schemes and the investment assets on behalf of members. The Board's responsibilities include ensuring NPF operates efficiently and in line with legislation.

A well-skilled board with a diverse range of perspectives and experience is a cornerstone of good governance. It also is usual for the composition of a board to change with time and the NPF Board is no different.

This year, we welcomed two new members: Louise Edwards joined the Board in July 2019 and Sarah Park to the Board in February 2020.

- Louise lives in Christchurch and is a Chartered Accountant with over 20 years of senior management experience across several industries in New Zealand and overseas. She has held senior executive positions within the NZ financial services industry and is an experienced leader with a wealth of financial management acumen.
- Sarah brings international corporate finance experience to the Board after a professional career in New Zealand and in London. An Accredited Investment Fiduciary, she worked during her executive career in mergers and acquisitions, equity capital markets and venture capital. Sarah lives in the Hawke's Bay.



INVESTMENTS

While the payment of entitlements to NPF members is guaranteed by the Crown, the investment performance of the assets of the NPF schemes remains subject to market forces, in a similar manner to other New Zealand superannuation schemes. The Board maintains a strong focus on maximising investment returns within appropriate risk parameters, while managing costs.

Investment returns for the NPF schemes for the 2020 financial year were impacted by the Covid-19 pandemic. Returns from international and domestic equities and bonds were positive over the first three quarters of the financial year. With the onset of the pandemic in the final quarter, equities lost ground but bonds performed well because many investors view them as a safe haven. Governments and central banks in many jurisdictions reacted to the pandemic very quickly and markets substantially recovered after the end of the financial year.

Responsible investment and in particular the risks associated with climate change are key areas of interest for the Board. The Board has a responsible investment policy that is reviewed regularly. We work closely with Crown financial institutions in this area and contribute to the shared costs of research into responsible investment matters. NPF participates with other institutional investors as a member of the New Zealand Corporate Governance Forum.

Environmental, social and governance ('ESG') factors feature in decisions concerning investment of the Schemes' assets. We exclude investments in companies that breach NZ law or international treaties to which New Zealand is a signatory. As an active investor, NPF encourages its external investment managers to take account of material ESG factors in their investment processes.

THANKS

I would like to acknowledge the commitment of all members of the Board this year to the governance of NPF. We are well positioned to meet the standards of accountability and continuous improvement that are demanded of superannuation trustees today.

I would also like to thank the management team and staff at Annuitas Management Limited for their continuing focus on achieving outcomes for members in a challenging environment.

As you will be aware the Prime Minister and Ministers announced in April 2020 their intention to take a 20% pay reduction for six months as part of their response to the Covid-19 crisis. In recognition of the financial burden faced by New Zealand as a consequence of Covid-19, all members of the Board and the Chief Executive of NPF similarly volunteered to reduce their remuneration by 20% for six months. The reduction was implemented with effect from 1 April 2020 and will be reflected in the 2021 financial statements.



Kind regards

A handwritten signature in black ink, appearing to read 'Edward Schuck'. The signature is fluid and cursive, written over a white background.

Dr Edward Schuck

Chairman

Board of Trustees of the National Provident Fund

June 2020

PRIVACY AND SECURITY

The Board is very aware of the need to respect members' privacy. We are required to hold personal information about you for the purposes of ongoing management and administration of the NPF schemes. Personal information is data about an identifiable individual or information that could be used to identify you, such as your name and contact details.

We are bound by, and adhere to, the privacy provisions set out in the Privacy Act 1993.

With this in mind, please be aware neither Datacom nor the Board will ever send you a generic email asking for your personal information (for example, your bank account number and your date of birth) or ask you to provide your bank account details over the phone.

Wherever you provide personal information – whether it's by email, letter, completing a form or over the phone – you can be assured we will do everything we reasonably can to protect your personal information from being used in the wrong way.

NPF and Datacom will never:

- ask you for your banking personal identification number (PIN) or password;
- send you a link to an NPF website login page;
- ask you to download any software onto your computer;
- ask you to give us remote access to your computer.

COMMUNICATIONS

The NPF website – www.npf.co.nz – is an important part of our communications strategy and contains comprehensive information on NPF and the schemes. It explains how NPF operates and gives all stakeholders access to the trust deeds and financial statements for each of the schemes.

If your contact details change, please advise the administrator of the NPF schemes, Datacom, so we can contact you if required. Datacom will provide you with a personal details form on request for this purpose. Your personal information is held securely. It is maintained and stored electronically by NPF within a cloud service hosted in New Zealand.

The Board continues to devote resources to finding members for whom we do not hold a current address. All members classified as missing are listed on the Board's website – www.npf.co.nz – under Unclaimed Monies. If you have friends or family who may have been members of NPF in the past you should encourage them to check our website.



