



# SIPO

## Statement of Investment Policy and Objectives

**Adopted by the Trustee 28 March 2025**

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# 1

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## Introduction

This Statement of Investment Policy and Objectives ("SIPO") applies to the NZAS Retirement Fund ("Fund").

### Purposes of Fund

The Fund is an employer-related restricted workplace savings scheme. The purposes of the Fund are to provide retirement and leaving service benefits to and in respect of Members. The Fund offers Members the choice of four investment options – three multi-sector options and a cash option.

### Trustee

The Trustee of the Fund as at the date of this SIPO is NZAS Retirement Fund Trustee Limited ("Trustee").

### Investments

The Fund utilises a sector specialist investment management structure. The underlying investment fund managers ("Underlying Fund Managers") currently utilised are specified in Appendix 2.

### Asset Base

The total market value of the Fund's investment assets as at 31 December 2024 was approximately \$178 million.

### Effective Date

This SIPO takes effect on 28 March 2025.

### Review Date

The review date of this SIPO is anticipated to be no later than June 2026 (or sooner if market conditions warrant or the investment structure or management of any of the underlying investment funds is materially altered). Changes to this SIPO are undertaken by the Trustee.

### Availability

The most current version of this SIPO is available on the Scheme Register entry for the Fund on the Disclose website at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

### Trust Deed

The Fund was established by a Trust Deed dated 26 May 1995 and is currently governed by a Trust Deed dated 23 January 2024.

The Trust Deed provides the Trustee with broad authority to invest the Fund's assets.

The Trustee must manage the Fund in a manner expected to ensure continuing compliance with the Financial Markets Conduct Act 2013 ("FMCA") and all other relevant legislation.

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### Roles and Responsibilities

#### Trustee

The **Trustee** is responsible for investing the Fund's assets in accordance with legislative requirements, the Trust Deed and this SIPO.

In that context the Trustee's responsibilities include:

- Maintaining the investment governance framework for the Fund, including effective investment policies
- Determining its investment beliefs and establishing an investment process
- Setting, and regularly reviewing, the investment objectives and risk profile for each of the four investment options
- Determining the investment strategies for the Fund and each investment option and reviewing them as appropriate. This includes the Benchmark Asset Allocations, ranges, other limits and appropriate indices
- Engaging with an Investment Consultant to provide advice to the Trustee in respect of its responsibilities
- Implementing the investment strategies. This includes determining the appropriate number of Underlying Fund Managers, and selecting and monitoring those Underlying Fund Managers
- Ensuring safe custody of the investment assets
- Monitoring investment performance relative to objectives and compliance with strategy limits
- Reviewing this SIPO at least annually
- Ensuring compliance with the SIPO
- Satisfying reporting requirements under the FMCA and related legislation (and any applicable regulator guidance).

#### Investment Consultant

The **Investment Consultant** is responsible for the following:

- When requested by the Trustee, evaluating the appropriateness over time of the Trustee's long term asset allocation policies (including Benchmarks and Ranges) and Underlying Fund Manager structure
- When requested by the Trustee, assisting in the review and selection of Underlying Fund Managers
- Monitoring the actual asset allocations for each of the Fund's investment options, comparing those to the Benchmarks and Ranges and reporting the results to the Trustee on a monthly basis
- Rebalancing as per the *Rebalancing Policy* in Section 6

- Monitoring the investment performance of the Fund and the Underlying Fund Managers, comparing this to the various objectives and benchmarks, and reporting the results to the Trustee on a monthly basis
- Monitoring and reporting on the Underlying Fund Managers' compliance with the guidelines and constraints for their underlying investment funds
- Providing investment fund data to enable the Trustee to fulfil its reporting obligations under the FMCA
- Assisting the Trustee in the annual and other reviews of this SIPO.

### **Underlying Fund Managers**

Each **Underlying Fund Manager** is responsible for the following:

- Managing the relevant assets of the Fund in accordance with the signed agreement between the Trustee and the Underlying Fund Manager, and in accordance with the governing and offer documents of the relevant underlying investment fund(s)
- Ensuring that the investment fund governing or offer documents include guidelines setting out eligible investments, performance measures, constraints and exposure limits, derivative limits, monitoring and reporting requirements
- Advising any changes or variations in the operation of the underlying investment fund(s) or to any fund guidelines or constraints
- Providing appropriate reporting to the Trustee and attending meetings with the Trustee's directors as reasonably required.

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## Investment Philosophy and Process

### Investment Beliefs

The Trustee believes that a set of well-founded investment beliefs provides a sound foundation for investment success. The Trustee's investment beliefs are as follows:

- Effective governance and efficient management can reduce costs and risks, and lead to better investment outcomes.
- Risk and return are related. Over the long term investors are rewarded for taking on additional risk.
- Broad diversification among asset classes is the cornerstone of modern portfolio management. The differing characteristics of the varying asset classes provide risk-reducing benefits from diversification when they are aggregated into a total portfolio.
- Asset allocation has a greater impact on investment returns than decisions concerning which specific securities to invest in.
- Markets are behavioural in nature and not always perfect. Active management of securities and asset allocation can sometimes (but not always) add value and reduce risk.
- External investment specialists are able to offer greater resources and flexibility in relation to investment strategy design and implementation.
- A responsible investment approach, which considers the integration of environmental, social and governance ("ESG") factors into investment decision-making, can help to identify opportunities and risks, resulting in better risk-adjusted financial outcomes over time.

### Investment Approach

Reflecting the investment beliefs set out above:

- The Trustee is a long-term investor.
- The Trustee will seek investment strategies that include a diverse set of investment assets.
- An Investment Consultant will be used to assist in the design of investment strategies and the selection of Underlying Fund Managers.
- The investment structure should not be so complex as to introduce unnecessary costs.
- Sector specialist Underlying Fund Managers will be preferred.
- Manager-of-managers strategies are considered a useful means of implementation.
- Active management is favoured, but passive management may be considered appropriate in some cases.

- As a long-term investor, the Trustee will emphasise monitoring the Fund's investment strategy and Underlying Fund Managers over the medium-to-long term, although it recognises that short-term monitoring also has a role to play.
- The extent to which fund managers integrate ESG factors into their investment processes is considered when selecting and reviewing Underlying Fund Managers.

### **Investment Process**

The Trustee, based on advice from the Investment Consultant, determines what it considers to be an appropriate investment strategy for the Fund as a whole and for each investment option, which is designed to achieve the stated investment objectives. Setting the investment strategy is a continual process that aims, first and foremost, to ensure alignment between agreed investment objectives and the structure of each individual investment option.

The methodology used by the Investment Consultant to assist the Trustee in developing the investment strategy for each investment option in the Fund involves, as a first step, consideration of:

- expected risk and return relative to the investment option's objectives;
- the overall composition of the investment option's investments including the adequacy of diversification;
- the liquidity of selected investments having regard to expected cash flow requirements;
- expected tax consequences; and
- the costs of investing and any other relevant matters.

The investment strategy is then formulated with reference to the investment option's risk and return objectives (plus the further considerations listed above) and in a manner that utilises the benefits of diversification within and between asset classes. The investment option's Benchmark Asset Allocation is then set, and is modelled on a periodic basis to assess its ongoing appropriateness in the light of expected market conditions and the investment option's expected ability to deliver on the stated investment objectives.

Strategic Asset Allocation ("SAA") involves setting a Benchmark Asset Allocation for the long term and setting permitted Ranges around each Benchmark (but subject to reviews).

The investment strategy for each investment option is periodically reviewed to ensure an appropriate balance between risk and return. Asset allocation modelling is undertaken on potential alternative SAAs to assess the impact of desired changes on the investment option. The Investment Consultant formulates capital markets forecasts and employs proprietary modelling tools to support these processes.

This analysis is used to test the appropriateness of the Trustee's investment strategy for the investment option by estimating, among other metrics, the likelihood that the investment option will achieve its performance objectives, the expected return, the expected volatility and the probability of a negative return.



### **Reviewing the Investment Strategy**

The Trustee, together with the Investment Consultant, undertakes a formal investment strategy review at least every three years. Any recommended changes are supported by detailed analysis setting out the rationale for the changes and the expected impact on the characteristics of the relevant investment option. In undertaking the strategy review the Trustee will take into account:

- new research by the Investment Consultant;
- investment environment factors including significant market events; and
- long-term market/industry trends and the outlook for growth.

Potential enhancements considered in formal reviews may include the addition of a new asset class or a new type of investment.

The primary aim of any adjustment to the Trustee's investment strategy for an investment option is to improve the balance between risk and return.

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## Objectives

The leaving service and retirement savings benefits provided by the Fund are the accumulation of member and company contributions (and, where a lock-in applies, government contributions) with investment earnings (net of taxes and expenses).

### Investment Objective

The primary investment objective underlying the investment policy for the Fund is:

- To maximise long term investment returns, subject to investment constraints aimed at containing fluctuations in returns over shorter periods within acceptable limits.

### Performance Objectives

More specifically, the Fund's investment policy, plus expected added value from the Underlying Fund Managers, aims to earn returns after tax and investment related fees that at least 65% of the time and over the rolling periods shown in the table below:

- for the Cash option, are in line with those from the relevant benchmark portfolio (currently the S&P/NZX 90 Day Bank Bill Index); and
- for the Conservative, Balanced and Growth options, exceed consumers price index ("CPI") increases by the average amounts shown:

Investment Option	Target Net Real Rate of Return	Investment Timeframe
Cash	In line with the benchmark portfolio	Rolling 1 year period
Conservative	0.5% p.a. above CPI increases	Rolling 5 year period
Balanced	1.5% p.a. above CPI increases	Rolling 8 year period
Growth	2.0% p.a. above CPI increases	Rolling 10 year period

In addition, for each investment option other than Cash, outperformance will be sought relative to the return from the benchmark portfolio over periods of one year and longer.

The Trustee, after taking advice, has designed the investment options with the aim of achieving their targeted rates of return 65% of the time. This means the Trustee expects that 35% of the time (or 7 years in every 20) the investment options will not meet these targeted rates of return.

## **Investment Risk**

Fund members bear the investment risk, as fluctuations in investment performance results over time directly affect members' benefits. The future is uncertain and investment markets are unpredictable. Based on past experience and future expectations, the Trustee anticipates that returns will vary over time and that they could be both better and worse than targeted, especially over shorter periods.

The Risk Profiles of each investment option are detailed below:

### **Cash**

The Cash option is intended for members who do not want any nominal loss in the value of their investments and who expect to require their funds in the shorter term.

### **Conservative**

The Trustee is advised that, assuming 'normal' market volatility, returns for the Conservative option (after taxes and fees) in any one year could reasonably be expected to range from 1.4% to 6.9%, that a negative return could reasonably be expected every 6 years and that in the event of a crisis the annual return could be as low as -8.5%. In the event of unusually adverse market conditions the annual returns could be even worse, potentially materially (depending on how adverse those conditions are).

### **Balanced**

The Trustee is advised that, assuming 'normal' market volatility, returns for the Balanced option (after taxes and fees) in any one year could reasonably be expected to range from 0.0% to 9.4%, that a negative return could reasonably be expected every 4 years and that in the event of a crisis the annual return could be as low as -18.5%. In the event of unusually adverse market conditions the annual returns could be even worse, potentially materially (depending on how adverse those conditions are).

### **Growth**

The Trustee is advised that, assuming 'normal' market volatility, returns for the Growth option (after taxes and fees) in any one year could reasonably be expected to range from -2.0% to 10.9%, a negative return could reasonably be expected every 4 years and in the event of a crisis the annual return could be as low as -29.6%. In the event of unusually adverse market conditions the annual returns could be even worse, potentially materially (depending on how adverse those conditions are).

For the purposes of the above a **crisis** is any market condition or other factor which would result in annual returns being an average of the worst 5% of outcomes in a one in twenty-year event.

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## Investment Strategy

The assets of the Fund will be diversified across different asset classes to reflect the intended risk profile and performance objectives for the Fund and for each investment option.

Members can select from among the four investment options and can elect to switch between options no more frequently than monthly. Periodically the Trustee may offer additional options.

The Fund invests in a wide variety of assets. These assets are diversified by type, location and risk factors. What's more, they are managed by a number of sector specialist managers, which the Trustee is advised also helps to mitigate risks and take advantage of opportunities.

### Permitted Investments

The Fund can be invested in the following general asset classes:

- New Zealand equities, incorporating an allocation to Australian equities (recognising the close economic relationship with Australia).
- International equities, focusing on large capitalisation stocks from developed markets, but possibly also including emerging market and small capitalisation equities.
- International listed property.
- International listed infrastructure.
- New Zealand fixed interest, which can be sub-categorised into sovereign and non-sovereign.
- International fixed interest, which can be sub-categorised into sovereign, non-sovereign and absolute return.
- Cash and cash equivalents.

As well as single sector underlying funds, the Trustee may also invest in managed investment schemes or other collective investments which the Trustee considers fall predominantly within one of the above general asset classes.

### Strategic Asset Allocation

The **Strategic Asset Allocation** ("SAA") or **Benchmarks and Ranges** that, in the Trustee's view, can be expected to best meet its objectives are as follows:

### Cash investment option

Asset Class	Benchmark (%)	Range (%)
Australasian Equities	-	-
International Equities	-	-
Listed Property (International)	-	-
Other (International Listed Infrastructure)	-	-
<b>Total Growth Assets</b>	<b>-</b>	<b>-</b>
New Zealand Fixed Interest	-	-
International Fixed Interest	-	-
Cash and Cash Equivalents	100	-
<b>Total Income Assets</b>	<b>100</b>	<b>-</b>
Foreign Currency Exposure	-	-

### Conservative investment option

Asset Class	Benchmark (%)	Range (%)
Australasian Equities	6	4.8 – 7.2
International Equities	16	13.6 – 18.4
- Mercer Overseas Shares Plus Fund	8	6.8 – 9.2
- Mercer Hedged Overseas Shares Plus Fund	8	6.8 – 9.2
Listed Property (International)	4	3.4 – 4.6
Other (International Listed Infrastructure)	6	5.1 – 6.9
<b>Total Growth Assets</b>	<b>32</b>	<b>28.8 – 35.2</b>
New Zealand Fixed Interest	21	17.9 – 24.2
International Fixed Interest	18	15 – 21
- Hunter Global Fixed Interest Fund	10.8	9.2 – 12.4
- Salt Sustainable Global Fixed Income Opportunities Fund	7.2	6.1 – 8.3
Cash and Cash Equivalents	29	10 - 40
<b>Total Income Assets</b>	<b>68</b>	<b>64.8 – 71.2</b>
Foreign Currency Exposure	8	6.8 – 9.2

### Balanced investment option

Asset Class	Benchmark (%)	Range (%)
Australasian Equities	10	8.5 – 11.5
International Equities	35	29.8 – 40.2
- Mercer Overseas Shares Plus Fund	17.5	14.9 – 20.1
- Mercer Hedged Overseas Shares Plus Fund	17.5	14.9 – 20.1
Listed Property (International)	6	5.1 – 6.9
Other (International Listed Infrastructure)	9	7.7 – 10.4
<b>Total Growth Assets</b>	<b>60</b>	<b>55.0 – 65.0</b>
New Zealand Fixed Interest	12	10.2 – 13.8
International Fixed Interest:	18	15.1 – 21
- Hunter Global Fixed Interest Fund	10.8	9.2 – 12.4
- Salt Sustainable Global Fixed Income Opportunities Fund	7.2	6.1 – 8.3
Cash and Cash Equivalents	10	0 - 25
<b>Total Income Assets</b>	<b>40</b>	<b>35.0 – 45.0</b>
Foreign Currency Exposure	17.5	14.9 – 20.1

### Growth investment option

Asset Class	Benchmark (%)	Range (%)
Australasian Equities	18	15.3 – 20.7
International Equities	54.5	46.3 – 62.7
- Mercer Overseas Shares Plus Fund	27.25	23.15 – 31.35
- Mercer Hedged Overseas Shares Plus Fund	27.25	23.15 – 31.35
Listed Property (International)	6	5.1 – 6.9
Other (International Listed Infrastructure)	11.5	9.8 – 13.2
<b>Total Growth Assets</b>	<b>90</b>	<b>85.0 – 95.0</b>
New Zealand Fixed Interest	2	1.6 – 2.4
International Fixed Interest	6	4.8 – 7.2
- Hunter Global Fixed Interest Fund	3.6	2.9 – 4.3
- Salt Sustainable Global Fixed Income Opportunities Fund	2.4	1.9 – 2.9
Cash and Cash Equivalents	2	0 - 15
<b>Total Income Assets</b>	<b>10</b>	<b>5.0 – 15.0</b>
Foreign Currency Exposure	27.3	23.1 – 31.3

### Currency Hedging

Asset Class	Target % (on an after tax basis)
International Equities	50
International Listed Property	100
International Listed Infrastructure	100
International Fixed Interest	100

Australian currency exposure within the Australasian Equities portfolio may be hedged at the discretion of the Underlying Fund Managers.

### Foreign currency exposure

The foreign currency exposure of an investment option is the percentage of the underlying assets of that investment option which are not New Zealand dollar assets or hedged back to the New Zealand dollar.

Note that, as explained under “Currency Hedging” above, the foreign currency exposure benchmarks do not include Australian currency exposure within the Australasian Equities portfolio.

### Date

The SAAs set out above apply from the date of this SIPO.

### Review

The appropriateness of the Benchmarks and Ranges will be formally assessed at least once every three years and kept under constant review for the purpose of ensuring that the Benchmarks and Ranges reflect any fundamental changes in the investment environment and changes to the Fund's investment strategy.

The next review should occur no later than June 2026.

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## Investment Policies

### General

In taking decisions on investment strategies, the Trustee will have regard to the overall circumstances of the Fund and will comply with all applicable legislative requirements.

### Asset Allocation Policy

In the normal course of events, the Trustee will not alter the asset allocation of the Fund's investments away from the Benchmarks and Ranges. However, some drift away from the Benchmarks and Ranges may occur due to market fluctuations.

### Rebalancing Policy

The exposures to the various asset classes will be monitored monthly by the Investment Consultant and reported to the Trustee in a Monthly Investment Monitoring Report.

If the allocations to growth and income assets move outside the SAA Ranges for growth and income assets within any investment option, then sufficient assets will be transferred, on the Investment Consultant's authority, to bring the split between growth and income assets back to at least the point midway between the bounds exceeded and the benchmarks.

The Investment Consultant has the discretion to allow the allocation to a particular asset class to vary within the SAA Ranges for that asset class over the shorter term.

However, if the allocation to any asset class is outside the relevant SAA Range, then action will be taken, on the Investment Consultant's authority, to bring the weights to within the SAA Ranges.

In considering when and how to rebalance asset classes, the Investment Consultant may take into account recent volatility and the likelihood of market movements resulting in asset classes moving back to within the relevant Ranges, along with the transaction costs likely to be incurred in any transition.

The regular cashflow requirements of the Fund provide an opportunity for the Investment Consultant to assist in rebalancing an investment option towards target weights, by directing the outflows to the overweight asset class(es) and any inflows to underweight asset class(es). Rebalancing can also be undertaken by selling overweight asset classes to fund the acquisition of underweight asset classes.

The Investment Consultant, within 5 business days of becoming aware of the asset allocation in an investment option being outside the relevant Benchmarks and Ranges, must reweight that investment option to be within the SAA Ranges and notify the Trustee of that breach.



## Liquidity Policy

The Trustee requires liquidity to meet payment obligations that include:

- operational expenditure;
- rebalancing requirements; and
- member switches between investment options, benefit payments and transfers to KiwiSaver schemes.

Members are able to switch between investment options at any time, effective on the 1<sup>st</sup> of the following month. Switching activity may increase at times of market volatility, when for example members may react by adopting more conservative investment strategies. This may necessitate selling underlying growth funds and buying underlying income funds at short notice.

Additionally:

- members who are permitted (and choose) to leave their balances in the Fund after retiring or leaving service have the right to withdraw part or all of their standard balances (and if they are aged 65+, any locked-in balances) at any time;
- members may make in-service withdrawals in certain circumstances such as buying a first home or significant financial hardship; and
- a member with a locked-in account balance may transfer some or all of that balance to a KiwiSaver scheme at any time.

The Trustee requires a high degree of confidence that, even during any periods of extreme market volatility, liquidity demands can be met. The Fund's primary source of liquidity is its Cash investments. Cash investments also play a role in the Fund's investment strategy, providing a stable return with low volatility. The Fund's investment strategy also supports the Trustee's liquidity requirements by predominantly investing in listed securities.

The Trustee will ensure that liquidity is maintained at an appropriate level. In determining this, the Trustee will consider historical switching, transfer and withdrawal patterns, both in normal circumstances and in stressed liquidity environments. A key consideration will be the requirement to meet cash flow needs without adversely impacting on member equity.

In managing liquidity risk, the Trustee will:

- review the Fund's liquidity requirements on a 3-yearly basis;
- consider liquidity when setting and reviewing asset allocations;
- receive annual updates on the liquidity policies of the underlying funds in which the Fund invests; and
- be alert to changes in the prevailing transaction costs (buy/sell spreads) in investment markets.

In managing cashflows during periods of significant market illiquidity, the Trustee will consider avoiding trading underlying funds where transactions costs are elevated.

### **Taxation Policy**

The Trustee prefers to use New Zealand based managed investment schemes qualifying as PIEs. It may, on the advice of its tax advisors, change its Prescribed Investor Rate (PIR) for the products in which the Fund invests.

### **Currency Policy**

Currency risk is the risk that foreign currency denominated assets will lose value (in New Zealand dollar terms) due to the effect of an adverse exchange rate movement. Unmanaged currency movements can have a material impact on investment returns, particularly over the short term.

Currency hedging is essentially protection against changes in currency exchange rates. Those assets which are not hedged will have exposure to currency exchange rate movements, resulting in a benefit when the New Zealand dollar goes down, and a decrease in value when the New Zealand dollar goes up, against the other relevant currency/ies.

The Trustee's currency policy for International Equities investments is for those investments to be 50% hedged on an after-tax basis. Australian currency exposure within the Australasian Equities portfolio will be hedged at the discretion of the relevant Underlying Fund Managers.

The Trustee's currency policy for International Listed Property, International Listed Infrastructure and International Fixed Interest investments is for those investments to be fully hedged on an after-tax basis.

### **Derivatives Policy**

The Underlying Fund Managers must not use derivatives, physical securities or any combination of the two to produce financial exposures that would result in the assets of the Fund being leveraged (that is, the Fund's net exposure to investment markets exceeding the value of the Fund's assets). Derivatives should only be used to produce financial exposures which would otherwise be obtained through the use of securities in the absence of leverage. In addition, the Underlying Fund Managers may not lend securities or investment assets or "short sell" securities. However, the managers of investment funds into which the Underlying Fund Managers invest may use derivatives otherwise than in accordance with this policy.

### **Responsible Investment Policy**

The Trustee is committed to considering ESG factors as part of its investment decision making process. However, it has determined that investing through commingled funds offered by professional investment managers is the most practical and efficient way of delivering desired investment outcomes to members (a "commingled" fund is one which consists of assets combined from multiple investors).

Accordingly, on an operational basis the Trustee recognises that it has no direct influence over either:

- the individual investments held (or excluded) by; or
- the investment policies, voting decisions or engagement activities of;

the investment managers whom it chooses as Underlying Fund Managers.

Rather, the Trustee's influence is primarily one of assessing and engaging with investment managers and deciding whether or not to add or remove Underlying Fund Managers or particular managed investment funds.

Reflecting this, when considering whether to initiate or retain an investment in a managed investment fund, the Trustee takes into consideration the extent to which the manager of that fund:

- incorporates responsible investment practices and ESG considerations into its business and investment processes; and
- invests in a manner that is in line with or contrary to the Trustee's policy and beliefs.

At a minimum, the Trustee aims to avoid, where practical, investment in companies whose activities are contrary to the intent of New Zealand legislation or various international agreements to which New Zealand is a signatory. These activities currently include the manufacture of:

- cluster munitions;
- anti-personnel mines;
- nuclear explosive devices; or
- tobacco products.

The Trustee recognises that Responsible Investment is an area that is constantly evolving. The Trustee aims to keep abreast of product and market developments through its interactions with its Underlying Fund Managers and will review this Responsible Investment Policy annually as part of the regular SIPO review.

This Responsible Investment Policy must be implemented consistently at all times with the Trustee's fiduciary duty to invest prudently in pursuit of its investment performance objectives.

### **Investment Education**

The Trustee will endeavour to remind members to seek advice from a financial advice provider before selecting their investment option(s) and may provide access to specialist investment education for members from time to time.

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## **Investment Management**

### **Underlying Fund Manager Selection**

The Trustee focuses on selecting Underlying Fund Managers who are specialists within their particular investment markets and who the Trustee considers have demonstrated capability and conviction in portfolio construction and the execution of investment strategies.

The Trustee seeks advice from the Investment Consultant as to suitable Underlying Fund Managers for appointment. The core aim is to achieve a level of returns meeting or exceeding the objectives set, from time to time, for the relevant investment option and which is consistent with the risk profile for that investment option.

The Trustee also seeks advice from the Investment Consultant as to whether the fees proposed by or negotiated with each Underlying Fund Manager are consistent with market practice and the expectation for excess returns (after fees). Where appropriate, the Trustee may select a manager of managers (i.e. a manager who invests in managed funds managed by other managers) to achieve manager diversification that would otherwise not be practicable.

From time to time, the Trustee, with the assistance of the Investment Consultant, will review the Underlying Fund Managers to ensure they remain appropriate for the Fund.

The Trustee will take its Responsible Investment Policy into account when selecting Underlying Fund Managers and when reviewing whether or not to add or remove Underlying Fund Managers or particular managed investment funds.

### **Underlying Fund Managers**

The Fund's current Underlying Fund Managers are detailed in Appendix 2.

### **Investment Guidelines**

The investment guidelines and constraints of the Fund will largely be determined by the governing and offer documents of the sector specialist funds into which the Fund invests.

The governing or offer documents for those funds will typically include guidelines setting out permitted investments, performance measures, constraints and exposure limits, derivative limits, monitoring and reporting requirements.

Any direct or indirect investment in Rio Tinto (or a related company) is required to be reported to the Trustee by the Underlying Fund Managers in quarterly investment reports and is subject to the related party transactions and in-house assets restrictions in sections 172 to 177 of the Financial Markets Conduct Act 2013 (and in regulations 100 to 106B of the Financial Markets Conduct Regulations 2014) which apply to the Fund as an employer related restricted workplace savings scheme.

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## Investment Performance Monitoring

This policy describes the principles and processes governing investment performance monitoring, having regard to the investment strategies of the Fund.

The principal goals of performance monitoring are to:

- Assess the extent to which each investment option's investment objectives are being achieved
- Compare the performance of the Fund's Underlying Fund Managers against market indices, out-performance targets, and the performance of other relevant professional managers
- Ascertain the existence of any particular weakness in the Underlying Fund Managers or the Underlying Fund Managers' products utilised
- Allow the Trustee to continually assess the ability of the Underlying Fund Managers to successfully meet the Fund's objectives.

### Fund Performance

The Trustee will monitor the performance of the Fund and each investment option each month. Performance will be assessed against:

- The Fund's and each investment option's long-term investment performance objective.
- The performance of the investment option's benchmark index (assessed by reviewing the performance of the specific market index or indices for each asset class, in proportionate weights as per the Benchmarks and Ranges).
- From time to time the Trustee will also assess each investment option's performance against peer funds.

### Underlying Fund Manager Performance

The Underlying Fund Managers must report at least quarterly in accordance with a format agreed with the Trustee.

The Underlying Fund Managers' performance will be monitored quarterly with a view to an annual evaluation of rolling three year results. Performance will be assessed against:

- Market indices as per the benchmarks detailed in Appendix 1
- Out-performance targets
- Peers.

The Underlying Fund Managers' roles will be reviewed by the Trustee on a regular basis. Factors taken into account in these reviews will include investment style, people, organisational strength, investment performance relative to objectives, and any other factors considered relevant to each Underlying Fund Manager's continuing ability to meet the applicable investment objectives.

As noted under *Responsible Investment Policy* in Section 6, when reviewing the Underlying Fund Managers' roles the Trustee will also take into account the extent to which each Underlying Fund Manager:

- incorporates responsible investment practices and ESG considerations into its business and investment processes; and
- invests in a manner that is in line with (or contrary to) the Trustee's policy and beliefs.

### **Underlying Fund Manager Review Policy**

In order to ensure that the Underlying Fund Managers remain appropriate for the mandates to which they have been appointed, the Trustee will:

- Formally review the appointed Underlying Fund Managers every three years. A formal review involves reviewing the following as a minimum requirement:
  - Performance against benchmarks over the 3 year period
  - Performance against peers over the 3 year period
  - Longer term performance comparisons
  - Investment philosophy and process
  - Personnel.
- Periodically meet with the Underlying Fund Managers at their offices or receive visits from the Underlying Fund Managers, and receive presentations from their senior personnel.
- Receive and scrutinise the Investment Consultant's manager research to determine whether the Underlying Fund Managers are highly regarded by the Investment Consultant. The Trustee reserves the right to appoint Underlying Fund Managers which are not highly regarded by the Investment Consultant.
- Formally review an Underlying Fund Manager if its rating from the Investment Consultant falls below B+ (e.g. to B or C). The review will involve scrutinising the reasons for the Investment Consultant's downgrading and is likely also to involve a consideration of suitable alternatives.

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## Limit Breaks

The FMCA requires reporting of material breaches of any limits in this document on either:

- the nature or type of investments that may be made; or
- the proportion of each type of asset that may be invested in (i.e. the SAA Ranges).

### Materiality

Whether or not a breach of any such limit is material is determined at the discretion of the Trustee. In considering whether or not a breach is material, the Trustee will give consideration to:

- The nature of the breach
- The cause of the breach, including whether or not the breach is the result of sharp short-term market movements
- The size of the breach
- Whether or not the breach involved any related party transactions or matters prescribed in a recent offer document for the Fund
- Whether the breach was promptly addressed after coming to light.

A breach of a Range limit resulting from market movements, which is corrected within 5 business days, will not ordinarily be deemed material for limit break reporting purposes.

### Monitoring process

The Trustee will monitor the Fund for compliance on a monthly basis, including reviewing:

- Reports from the Underlying Fund Managers certifying as to:
  - Compliance with the investment agreement or the governing and offer documents for the investment product
  - Whether or not the Underlying Fund Manager is aware of any breach of this SIPO
- Reports from the Investment Consultant regarding the asset allocation of the Fund's investments.

### Resolution and Reporting

Where the Trustee becomes aware of a breach, the relevant Underlying Fund Manager, or the Investment Consultant, will be instructed to remedy the breach.

Where the Trustee determines that a breach is material and that breach is not corrected within 5 business days, the Trustee will report it to the Financial Markets

Authority (“FMA”) as required by the FMCA and the Financial Markets Conduct Regulations 2014.

Where a material breach is corrected within 5 business days the Trustee will report it to the FMA following the quarter-end as required by the Financial Markets Conduct (Restricted Schemes—Disclosure and Reporting) Exemption Notice 2022.



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## **Review**

### **Effective Date**

This SIPO takes effect on 28 March 2025.

### **Review Date**

The review date of this SIPO is anticipated to be no later than June 2026 or sooner if market conditions warrant or the investment structure or management of any of the underlying investment funds is materially altered.

### **Review Process**

The Trustee is responsible for the review of this SIPO, with assistance, as appropriate, from the Investment Consultant.

# Appendix 1

## Benchmarks

Performance for the Fund (composite benchmark) and each Manager will be measured against market indices as follows:

Underlying Fund Manager(s) and Sector	Index
Harbour and Nikko – Australasian Equities	S&P/NZX50 Gross Index (with imputation credits)
Mercer - International Equities	MSCI World Index with net dividends reinvested (50% hedged to NZD on an after-tax basis)
Mercer - International Listed Property	FTSE EPRA/NAREIT Global Real Estate Index (with net dividends reinvested) (100% hedged to NZD on an after-tax basis)
Mercer – International Listed Infrastructure	FTSE Global Core Infrastructure Capped 50/50 Index (100% hedged to NZD on an after-tax basis)
Mercer - New Zealand Fixed Interest	Bloomberg NZBond Composite 0+ Yr Index
Harbour & Salt - International Fixed Interest	Bloomberg Global Aggregate Index (100% hedged to NZD on an after-tax basis)
Mercer - Cash and Cash Equivalents	S&P/NZX 90 Day Bank Bill Index

# Appendix 2

## Mandates and Underlying Fund Managers

As at the date of this SIPO, the Underlying Fund Managers and investment funds, and the Underlying Fund Managers' out-performance targets (all targets are over rolling 3 year periods) are as follows:

### Harbour Asset Management Limited

Asset Class	Fund	Out-performance target (p.a.)	Tracking Error Target
Australasian Equities	Harbour Australasian Equity Fund	+3.0%	4.0% - 7.0%
International Fixed Interest	Hunter Global Fixed Interest Fund	+1.0%	n/a

### Mercer Investments

Asset Class	Fund	Out-performance target (p.a.)	Tracking Error Target
International Equities	Mercer Overseas Shares Plus Fund*	+1.5%	1.5% - 4.0%
	Mercer Hedged Overseas Shares Plus Fund*		
	*Current target allocation to each fund is 50% of International Equities assets		
International Listed Property	Mercer Global Listed Property Fund	+1.0%	n/a
International Listed Infrastructure	Mercer Global Listed Infrastructure Fund	+1.0%	n/a
New Zealand Fixed Interest	Mercer Macquarie NZ Fixed Interest Fund	+0.5%	n/a
Cash and Cash Equivalents	Mercer Macquarie NZ Cash Fund	+0.1%	n/a

### **Nikko Asset Management (New Zealand) Limited**

<b>Asset Class</b>	<b>Fund</b>	<b>Out-performance target (p.a.)</b>	<b>Tracking Error Target</b>
Australasian Equities	Nikko AM Wholesale Core Equity Fund	+2.0%	2.0% - 5.0%

### **Salt Investment Funds Limited**

<b>Asset Class</b>	<b>Fund</b>	<b>Out-performance target (p.a.)</b>	<b>Tracking Error Target</b>
International Fixed Interest	Salt Sustainable Global Fixed Income Opportunities Fund	+1.0%	n/a