

18 March 2022

PO Box 106 607
Level 12, 21 Queen Street
Auckland 1143, New Zealand
Phone: +64 9 300 6980
Email: enquiries@nzsuperfund.co.nz
Website: www.nzsuperfund.nz
NZBN: 9429041903469

By email: [REDACTED]

Dear [REDACTED]

Official information request for holdings in Russian equities

I refer to your official information request dated 8 March 2022 for the following information:

“The press statement was specific to ‘direct’ holdings in Russia. As of the last holding disclosure date the NZSF has NZ\$19.7bn managed in passive equity portfolios (both global & Emerging Markets) by external managers. At the time of the Ukraine invasion, the country weighting of Russia in the MSCI Global Equity index was about 30bps, and 350bps in the MSCI Emerging Market Equity Index. This, given the passive fund holdings would could equate to approximately NZ\$400m, and NZ\$200mio if Gazprom and Lukoil were excluded.

Are you able to confirm:

1. There are passive holdings in Russian equities through external managers which were not part of, or subject to, the conditions and policies stipulated in the joint statement?
2. If there are passive holdings of Russian equities that they include Gazprom & Lukoil?
3. That the Russian country weights in the passive portfolios is approximately with in line with the MSCI numbers indicated above?”

Our Response

1. *There are passive holdings in Russian equities through external managers which were not part of, or subject to, the conditions and policies stipulated in the joint statement?*

No, there are not. The exclusion applies to all Russian Federation sovereign debt and the securities of majority Russian state-owned enterprises across the NZ Super Fund portfolio. As explained in our statement, companies are not excluded based solely on their Russian domicile as they may have no links or contribution to the aggression of the Russian state. We will monitor the activities of individual companies on a case-by-case basis in the event they are linked to the conflict and meet the threshold for conduct that would see them excluded.

2. *If there are passive holdings of Russian equities that they include Gazprom & Lukoil?*

No, the NZ Super Fund does not hold Gazprom or Lukoil. Refer to the answer to question 3 for more detail. Our portfolio disclosures are published on our website; please see <https://www.nzsuperfund.nz/publications/annual-equity-listings/>

3. *That the Russian country weights in the passive portfolios is approximately with in line with the MSCI numbers indicated above?*

No, we are underweight. Under our climate change investment strategy, we apply a bespoke carbon reduction methodology to our passive equity portfolio. As a result, the NZ Super Fund’s Russian equities holdings are considerably lower than the MSCI weightings – this is because the Russian stock market is

heavily exposed to oil and gas companies which we have removed (shorted) from the portfolio in order to reduce the Fund's exposure to carbon emissions and reserves.

Furthermore, we achieve most of our passive equity exposure through the use of synthetic exposure (derivatives). This is another reason why our physical holdings are lower than the weighting they would ordinarily have in the index.

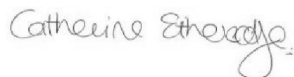
We also note that MSCI now considers the Russian equity market to be uninvestible and has removed it from key emerging market indices.

General

We have not withheld any information, but you have the right to seek an investigation and review by the Ombudsman if you are unhappy with this response. Information about how to make a complaint is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

Please note that it is our policy to proactively release our responses to official information requests where we consider the request to be a material one. Our response to your request will be published shortly at <https://www.nzsuperfund.nz/publications/disclosures/oia/>, with your personal information removed.

Yours sincerely

A handwritten signature in cursive script that reads "Catherine Etheredge".

Catherine Etheredge

Head of Communications