

Statement of Intent Tauākī Whāinga

—
GUARDIANS OF
NEW ZEALAND
SUPERANNUATION

—
FOR THE PERIOD
COMMENCING
01 JULY 2022 TO
30 JUNE 2027

—

01

Foreword from the Board Chair
He Kupu Takamua nā te Toihau01

02

Outcome Framework
Te Anga Putanga05

03

Strategic Direction
Te Ahunga Rautaki07

04

Measuring our Performance
Te Ine i ngā Mahi10

- Guardians of New Zealand Superannuation
- NZ Super Fund
- Elevate Fund

05

Legal Disclosures
Ngā whākinga ā-ture22

- Transparency and Reporting to the Minister of Finance
- Acquisitions

Foreword from the Board Chair

He Kupu Takamua nā te Toihau

E manawarū ana ahau ki te tāpae i te Tauākī Whāinga a ngā Kaitiaki o te Penihana Kaumātua o Aotearoa mō te tau 2022 ki te tau 2027. Ko tā te Tauākī Whāinga nei, he whakamārama i ngā whāinga whai rautaki a ngā Kaitiaki me ngā mahi ka pīkauria e pā ana ki ngā Kaitiaki ake i tana tū hei hinonga nā te Karauna i ngā tau āhua roa tonu kei mua i te aroaro; tae atu ki ana whakahau ā-haumitanga e rua: te Tahua Penihana Kaumātua o Aotearoa ("Tahua Kaumātua") me te Tahua Hinonga e kīia nei ko te Tahua Mairanga ("Mairanga").

E hiahia ana au ki te tīmata ki te kaupapa hou a ngā Kaitiaki me ngā tauākī mō te tirohanga whānui:

- **Whāinga:** Kia toitū te haumi hei hua mā ngā tangata katoa o Aotearoa.
- **Te whāinga roa:** Mā te Kotahi ā-kapa, mā te kounga ā-haumi, ka tino eke ki tua.

E hāngai ana tā mātou mahere whai rautaki ki tā mātou kaupapa hou me tā mātou tirohanga whānui, ā, e whai āhua ana i ngā aronga e toru i roto i tā mātou anga whai rautaki: Ngā Hononga, Ngā Tūraru me Ngā Whāinga. Ko tāna, he ārahi i te ahunga o ā mātou rauemi me ō mātou whakaaro e tū kaha ai mātou i te taiao whai rautaki e huri ana.

Te Tahua Kaumātua

He mea whakatū ngā Kaitiaki e te New Zealand Superannuation and Retirement Income Act 2001. I taua wā, ko tana arotahi kotahi he whakahaere i te Tahua Kaumātua, e tū nei hei āwhina i te tōmua o te tuku pūtea penihana whānui mō ngā tāngata katoa i Aotearoa.

Haumi ai ngā Kaitiaki i ngā tahua hautaonga e ukiuki ana ka tukua e te Kāwanatanga ki te Tahua Kaumātua, tae atu ki ngā hua more ka hoki mai e hua ake ana i ngā haumitanga (i muri i te utunga o te tāke i Aotearoa). He huinga haumitanga te Tahua Kaumātua, kua eke nei ki tōna \$58 piriona, e tino whānui ana ōna momo haumitanga, ka mutu e aro nui ana ki te tupuranga, ā, kei roto i te huinga ētehi rawa tūmatanui me ētehi rawa tūmataiti, huri noa i te ao.

I am pleased to present the Guardians of New Zealand Superannuation's 2022 – 2027 Statement of Intent ("SOI"). This SOI describes the Guardians' strategic intentions and medium-term undertakings with respect to the Guardians itself, as a Crown entity ("the Guardians"), and its two investment mandates: the New Zealand Superannuation Fund ("NZ Super Fund") and the Venture Capital Fund, known as the Elevate Fund ("Elevate").

I want to begin with the Guardians' new purpose and vision statements:

- **Purpose:** Sustainable investment delivering strong returns for all New Zealanders.
- **Vision:** An inclusive team creating a better future through investment excellence.

Our strategic plan aligns with our new purpose and vision and is shaped by the three focuses in our strategic framework: Relationships, Risks and Goals. It provides a guide to where we will focus our resources and thinking in order to face the changing strategic environment.

NZ Super Fund

The Guardians was established by the New Zealand Superannuation and Retirement Income Act 2001. At the time, its sole focus was to manage and administer the NZ Super Fund, the purpose of which is to help pre-fund universal superannuation for New Zealanders.

The Guardians invests ongoing capital contributions made by the Government to the NZ Super Fund, as well as the net returns generated from the investments made (less tax paid). By using the NZ Super Fund to save now in order to pay for future retirement benefits, the Government aims to smooth the cost of New Zealand superannuation between today's taxpayers and future generations.

Investing began in 2003 and since then the NZ Super Fund has generated strong investment returns, in excess of 10% p.a. (after costs, before New Zealand tax). Now totalling around \$58 billion, the NZ Super Fund is a highly diversified, growth-oriented investment portfolio holding a mix of public and private assets around the world.

Ka timata tā te Tahua Kaumātua tuku pūtea hei āwhina i ngā nama e hāngai ana ki te penihana kaumātua, atu i te takiwā o te tau 2034. Hei roto i ngā tekau tau kei mua, i a ia ka eke ki tōna tihi, mā te Tahua Kaumātua, otirā mā āna utu tahua hautaonga me te tāke i Aotearoa e whakaea tētehi haurima nei o te tapeke ā-tau o ngā utu o te penihana kaumātua o Aotearoa, i runga i ngā whakaritenga ā-kaupapa here o te wā nei.

Hei roto i te wā, e matapaetia ana ka nui ake tā te Tahua Kaumātua o Aotearoa whiwhi pūtea mā te Kāwanatanga i ngā hua ā-haimitanga ka hoki mai, tēnā i te penapenatanga ka hua i te utu pūtea taurewa, arā, e matapaetia ana te tupu o te hauptū rawa o te Karauna i te Tahua Kaumātua o Aotearoa, ā, mā reira e pai ake ai te kaha o ngā kāwanatanga o anamata ki te whakaea i ngā utu teitei ake o te penihana kaumātua.

He wero kei roto i te whakarite me te whakamāori i ngā ine e pā ana ki te angitu, i roto i tētehi Tauākī Whāinga, e rima tau tōna roa, mō ngā putanga i te pae tawhiti o te Tahua Kaumātua o Aotearoa. E pēnei ana, he uaua nō te matapae i ngā hua ā-pūtea i runga i te tika e whaihua ana, i ngā rerenga wā poto, ki ngā rōpū katoa e haumi pūtea ana mō te pae tawhiti.

Mai i a Hepetema o te tau 2003, kua haumitia te Tahua Kaumātua o Aotearoa, heoi anō e pai ana tērā roa o te wā e whai māramatanga whaihua ai mātou ki tōna angitu. E kitea ana i te kauwhata e whai ake nei te angitu o te Tahua Kaumātua o Aotearoa i matapaetia rā, i tutuki rā anō hoki, mai i taua wā. E whakaatu ana te rārangi hāuratea i te angitu i matapaetia rā ka hua ake i te Tahua Kaumātua o Aotearoa i roto i te wā, ā, e whakaatu ana te rārangi kikorangi i ngā āhuetanga i āta puta mai. Ka kite koutou, kua pai ake tā te Tahua Kaumātua o Aotearoa i tā mātou i matapae tuatahi ai. E whakaatu ana ngā rārangi ira i ō mātou matapae mō te anamata.

Ko te matapaenga angitu e whakaaturia ana e te rārangi hāuratea e tohu ana ka 2.8% i te tau te taumata iti katoa o te nui ake o ngā hua o te Tahua Kaumātua o Aotearoa i te pāpātanga hokinga moni kāore nei ōna tūraru (e inea nei e ngā Pire 90-rā a te Tai Ōhanga, arā, e te kaiwhakakapi i te utu o te pūtea taurewa ka pikauria e te Kāwanatanga), ko tōna toharite e rere ana i ngā rua tekau tau. E noho tonu ana te Tahua Kaumātua o Aotearoa hei whakahau matua, hei aronga matua hoki mā ngā Kaitiaki, ā, kei roto i tēnei Tauākī Whāinga ētehi momo inenga i tōna angitu mō te wā poto, mō te wā waenga, mō te wā roa anō hoki.

The NZ Super Fund will start paying out to help with superannuation costs from around 2034. Many decades into the future, at its peak the NZ Super Fund, through capital payments and New Zealand tax, will be covering around a fifth of the total annual cost of New Zealand superannuation, on today's policy settings.

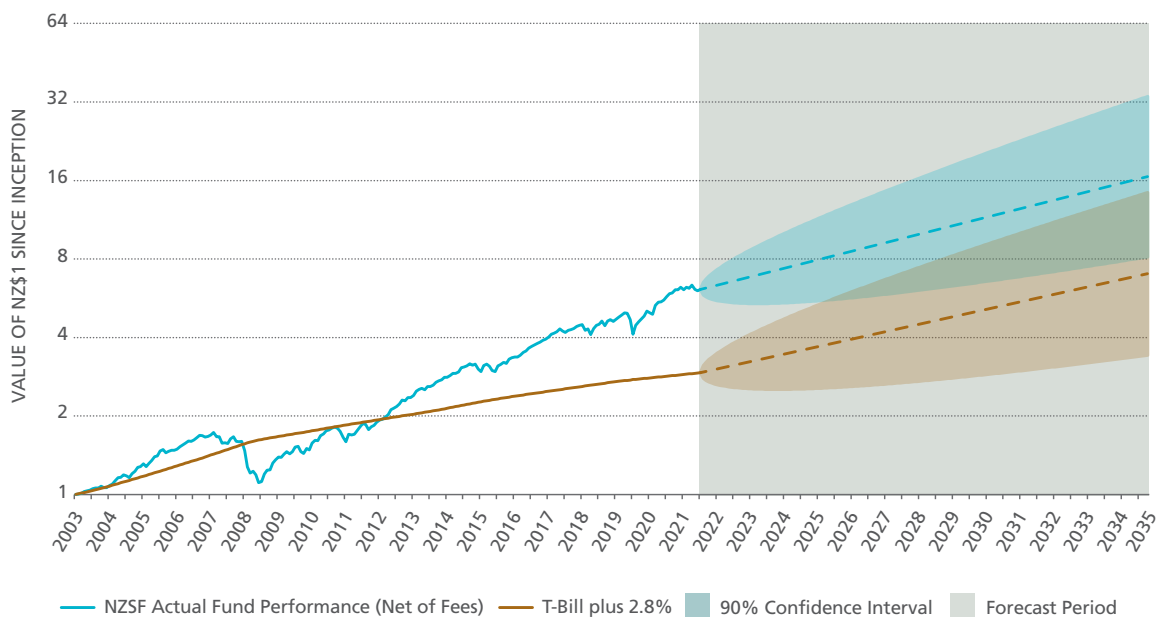
Over time, the NZ Super Fund is expected to earn more for the Government in investment returns than it would save in debt servicing. This means the NZ Super Fund is expected to add to Crown wealth, thereby enhancing the ability of future governments to meet increased superannuation costs.

Setting and interpreting performance measures in a five-year SOI for the NZ Super Fund's long-term outcome presents a challenge. This is because, as for any long-term investor, predicting financial returns with useful accuracy over short-term periods is difficult.

The NZ Super Fund has now been invested since September 2003, however, a long enough period over which to gain useful insights into its performance. The following graph plots actual and forecast NZ Super Fund performance since then. The beige line shows the performance we expected the NZ Super Fund would deliver over time and the blue line shows what has actually happened. As you can see, the NZ Super Fund has done better than originally forecast. The dotted lines show our projections for the future.

The performance expectation shown by the beige line is that the NZ Super Fund will outperform the risk-free rate of return (as measured by 90-day Treasury Bills, a proxy for the Government's cost of debt) by at least 2.8% p.a.,* averaged over rolling 20-year periods. For more information on the 2.8% p.a. assumed long-run equilibrium risk premium, refer to our Statement of Performance Expectations ("SPE"). The NZ Super Fund remains the principal mandate and focus of the Guardians and this SOI sets out a range of short-, medium- and long-term measures of its performance.

* For the future period to 2035, a forecast projection of the NZ Super Fund's return is used based on our long-run equilibrium return expectations. For any future date, there is substantial forecast uncertainty given the nature of market returns. We expect that 90% of possible outcomes would fall within the range indicated by the confidence interval shown on the graph on the following page. For the period the NZ Super Fund has been invested, the benchmark uses the actual risk-free rate of return.



Te Tahua Mairanga

He mea whakatū te Tahua Whāngai Hinonga Mōrea, e kīia nei ko te Tahua Mairanga e te Venture Capital Fund Act i te tau 2019, ā, e \$260 miriona te nui o tā te kāwanatanga tukunga tahua hautaonga i te tuatahi. Ko tana kaupapa, he whai wāhi ki te oranga tautini me te whaihua o te ōhanga o Aotearoa, mā te whakapiki i ngā tahua whāngai hinonga mōrea i te tīmatanga e wātea ana ki ngā kamupene o Aotearoa kātahi tonu ka whakatūria. Mā konei, e āwhinatia ai e te Tahua Mairanga ngā kamupene rangatahi e auaha ana kia tupu hei pakihī angitu mō ngā tautini, mā konei hoki e whakatenatena te whakawāteatanga o ngā tahua whāngai hinonga mōrea i ētehi atu puna, ā, mā reira hoki e tupu ai te taiao tahua whāngai hinonga mōrea i Aotearoa.

Kua kopoua e ngā Kaitiaki a New Zealand Growth Capital Partners (NZGCP) hei whakahaere i te Tahua Mairanga. Ko tā mātou, he titiro ki ngā mahi a NZGCP e hāngai ai āna mahi ki ngā tikanga pai katoa o te haumitanga ā-whakahaere i ngā wāhi tauhokohoko i Aotearoa mō ngā tahua whāngai hinonga mōrea. Ko te Tahua Mairanga te "tahua o ngā tahua". Tohaina ai e NZGCP he pūtea ki ngā kaiwhakahaere tahua o te rāngai tūmataiti e herea nei kia rite ngā tukunga pūtea ki ngā tahua hautaonga mai i te rāngai tūmataiti. Ā, ko tā ngā kaiwhakahaere tahua, he tuku tahua hautaonga ki ngā kamupene paku o Aotearoa me ngā mea āhua rahi tonu e whai ana i ngā ara o te tupuranga. Kitea ai ētehi pārongo atu anō mō te Tahua Mairanga ki ngā whārangi 20-21.

Elevate Fund

The Venture Capital Fund, known as the Elevate Fund ("Elevate") was established by the Venture Capital Fund Act in 2019, with initial government capital contributions of \$260 million. Its purpose is to contribute to the sustainability and productivity of the New Zealand economy, initially by increasing the venture capital available to early-stage New Zealand companies. In doing this the Elevate Fund will help young, innovative companies to grow into successful and sustainable businesses, encourage the availability of more venture capital from other sources, and help grow the venture capital ecosystem in New Zealand.

The Guardians has appointed New Zealand Growth Capital Partners ("NZGCP") to manage the Elevate Fund. Our role is to oversee NZGCP to ensure that it is doing so in line with best practice for institutional investment in New Zealand venture capital markets. Elevate is a "fund of funds" programme. NZGCP allocates funds to private-sector fund managers who are required to match these contributions with capital from the private sector. In turn, these fund managers deploy capital to small- to medium-sized New Zealand companies seeking growth opportunities. Further background information about the Elevate Fund can be found at pages 20-21.

Te Noho Haepapa me te Pūataata

E takoto ana i te Tauākī Whāinga nei ngā inenga angitu mō ngā Kaitiaki, mō te Tahua Kaumātua o Aotearoa me te Tahua Mairanga, mō ngā tau 2022 – 2027. Kitea ai he inenga angitu ā-tau atu anō e whāiti ana ki te Tauākī Matapae Angitu (SPE) mō te tau e hāngai ana. Ka whakapūrongo mātou i ngā kōrero e hāngai ana ki ngā inenga ā-Tauākī Whāinga me ō te Tauākī Matapae Angitu i te Tauākī Angitu i ā mātou Pūrongo ā-Tau. He huarahi whakahirahira te huringa ā-pūrongo o te Tauākī Whāinga, o te Tauākī Matapae Angitu me te Pūrongo ā-Tau mō te noho haepapa me te pūataata ki ngā Kaitiaki me ana whakahau. E ai ki ngā inenga angitu kua whakatakotoria e mātou, e teitei ana ngā paerewa hei eke mā mātou, ā, i ngā wā ka taea, ka whakawhirinaki ki ngā tohu tūāpapa ā-ao, ā-ranga rāwaho anō hoki.

E mārara ana mātou, e whakaaweawetia ana hoki mātou e te hiranga ā-motu o ā mātou whakahau e rua, ā, hōhonu ana ō mātou whakaaro ki ō mātou haepapa hei kaitiaki mō ngā moni i heke ai te werawera o ngā tāngata o Aotearoa. I a mātou ka anga whakamua ki ngā tau e rima e whai ake nei, ka kōkiri tonu ā mātou mahi whakahirahira hei āwhina atu i te oranga tautini o te pūnaha pūtea mō Aotearoa whānui.

Nāku noa

nā te Toihau, nā Catherine Drayton



CATHERINE DRAYTON, CHAIR

Accountability and Transparency

This SOI sets out performance measures for the Guardians, the NZ Super Fund and the Elevate Fund, for the period 2022 – 2027. Additional specific annual performance measures can be found in the Statement of Performance Expectations (SPE) for the relevant financial year. We report against the SOI and SPE measures in the Statement of Performance in our Annual Reports. The SOI, SPE and Annual Report cycle is an important accountability and transparency mechanism for the Guardians and its mandates. As reflected in the performance measures we have set, we hold ourselves to high standards, and rely where possible on global and third-party benchmarks.

We are conscious of and motivated by the national significance of both our mandates, and take our responsibilities as stewards of New Zealanders' hard-earned money very seriously. As we look forward to the next five years, we will continue to progress our important work in contributing to a sustainable financial system for all of New Zealand.

Outcome Framework

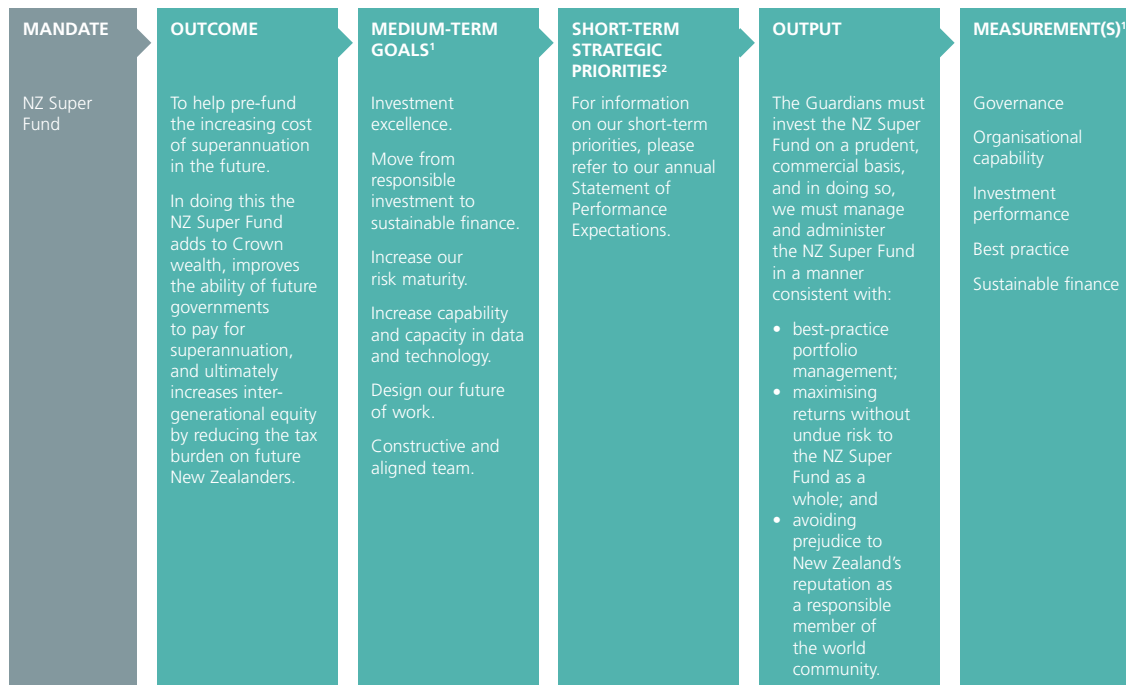
Te Anga Putanga

The Guardians' function is to manage two mandates; the NZ Super Fund and the Elevate Fund.

Our strategic framework, which we summarise on pages 7 and 8, sets out how we will focus our organisational resources and energy to achieve these long-term outcomes.

The Measuring our Performance section (pages 10 to 21) sets out a series of performance measures for the Guardians as an organisation; and in respect of its management of the NZ Super Fund and the Elevate Fund mandates.

For specific activities we expect to achieve on an annual basis, see the relevant SPE. We report on our performance against these measures in the Statement of Performance section of our Annual Report.



1. Reported in SOI and Annual Report.

2. Reported in SPE and Annual Report.



1. Reported in SOI and Annual Report.
 2. Reported in SPE and Annual Report.

Strategic Direction

Te Ahunga Rautaki

Established in 2001, the Guardians has developed into, and has a strong ambition to remain, a world-class organisation.

Our 2022 to 2027 strategic framework was approved by the Board in April 2022. This plan sets out what success will look like for the Guardians in the medium term, and sets out the key activities we will undertake in the shorter term. These are summarised in our Statement of Performance Expectations ("SPE").

Our new purpose and vision set the scene for our strategic framework. Three key focuses shape how our purpose and vision will be delivered in accordance with our risk appetite, and reinforce what we must focus on to succeed. These strategic focuses include: Relationships, Risks and Goals.

RELATIONSHIPS

In addition to the Crown, Parliament and the Minister of Finance, we build and manage relationships with a wide range of stakeholders including: our team of employees and contractors; the public of New Zealand; suppliers; asset and investment managers; co-investors; other Crown Financial Institutions; investee companies; investor groups; iwi; Māori; media; non-government organisations; peer funds; prospective employees/recruitment pool; regulatory bodies in New Zealand and globally and relevant New Zealand public sector agencies.

RISKS

Taking risks is an integral part of what we do as an investor. Understanding and managing them helps us ensure the risks taken are appropriate for the returns anticipated. We use all reasonable measures, without imposing excessive costs or constraints, to manage risks which we outline in detail in our Annual Report. Our SPE outlines the key risks to our performance and how we intend to manage these.

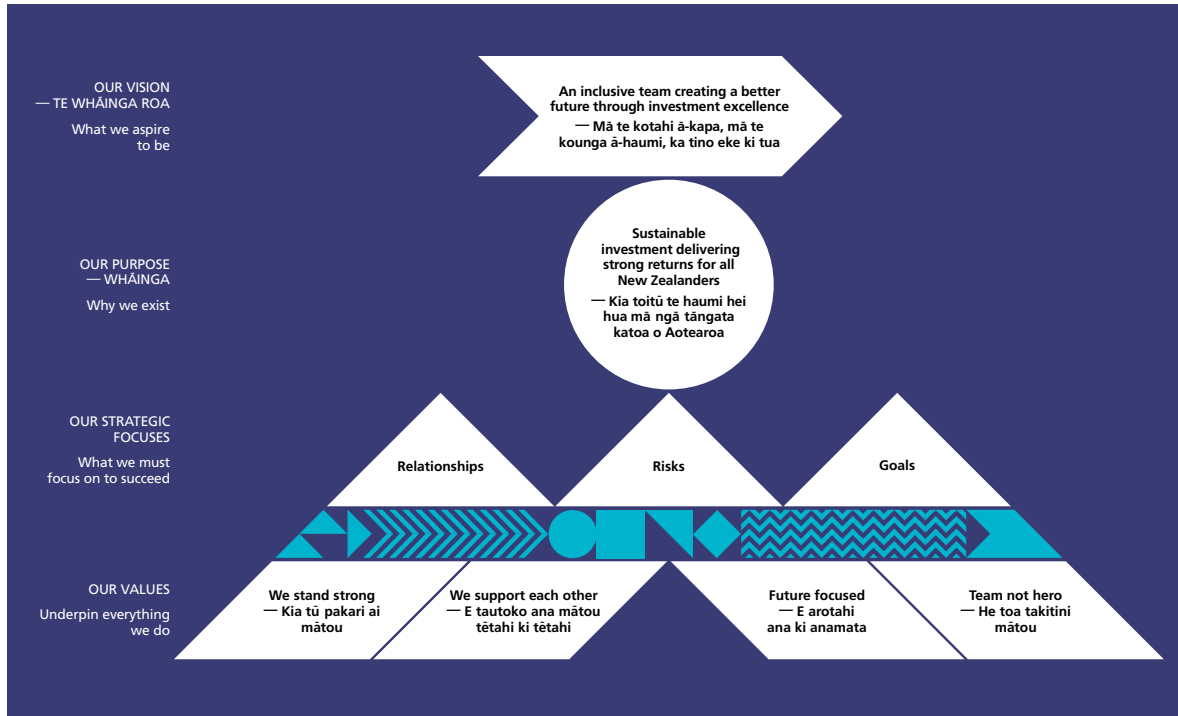
GOALS

We have developed new strategic goals that provide us with a medium-term focus to build the capabilities and capacity required to deliver our purpose and vision. Aspects of these goals are things that we already do that we need to keep doing. Others are things that need to evolve as the Guardians matures and the NZ Super Fund increases in size, or that we need to target to reflect the changing environment around us. More detail on our new strategic goals can be found on page 9.

VALUES

Our values underpin everything we do. They are critical in guiding how we operate as a team and as an investor.

OUR STRATEGIC FRAMEWORK



ORGANISATIONAL HEALTH AND CAPABILITY

Achieving our long-term purpose requires strong leadership; a shared understanding among staff of our vision and values; and talented, committed people with access to quality data, systems and tools.

To ensure the success of our organisational health and capability, we continue to focus on embedding the Guardians' purpose, vision, values and culture as a meaningful part of the business. This means translating our strategies into clear role requirements, accountabilities and competencies; and driving productivity and business performance through compensation, performance management and leadership and coaching programmes.

People sit at the heart of what we do. It is our people and the decisions we make each day that enable us to execute on our mandate. At the heart of great decision-making is diversity of thought in an inclusive environment where everyone's opinion is valued. Diversity of thought is ultimately underpinned by diversity of people; people from different demographics, different backgrounds and with different life experiences and skillsets. Therefore, having a diverse and inclusive workforce is critical to us achieving our mandate.

In recent years we have included a number of Diversity, Equity and Inclusion ("DE&I") initiatives, such as the introduction of our Diversity and Inclusiveness Policy, a comprehensive review of staff leave and benefits, and enhanced public reporting on organisational demographics and pay equity. Continuing to mature and develop our DE&I practices, including our understanding and integration of Te Ao Māori, is a key area of focus and is reflected in our strategy.

OUR STRATEGIC GOALS

Here we provide more detail on our new strategic goals. More information about how we measure our performance against these goals can be found in the next section of this report.

Goals	Description	Measure(s)
Investment excellence	The people, processes and technology that support and enable investment are effective and efficient and continue to evolve to meet our purpose and vision.	<p>Guardians</p> <ul style="list-style-type: none"> • Governance – five-yearly independent review <p>NZ Super Fund</p> <ul style="list-style-type: none"> • Investment Performance measures • Best Practice measures • Sustainable Finance measures <p>Elevate Fund</p> <ul style="list-style-type: none"> • Conviction Review
Move from responsible investment to sustainable finance	The environmental, social and governance ("ESG") context is evolving rapidly, with changing stakeholder expectations. While responsible investment focuses on the ESG risks in investments, sustainable finance also considers the impact of investments on the environment and society, which is critical to us as a long-term investor. We will move to a sustainable finance approach and support the development of sustainable financial systems.	<p>Guardians</p> <ul style="list-style-type: none"> • Governance – five-yearly independent review <p>NZ Super Fund</p> <ul style="list-style-type: none"> • Investment Performance measures • Best Practice measures • Sustainable Finance measures
Increase our risk maturity	Embed deep maturity about the different types of risks we manage, including our ability to identify and take appropriate risk to achieve our purpose.	<p>Guardians</p> <ul style="list-style-type: none"> • Governance – five-yearly independent review • Organisational Capability measures <p>NZ Super Fund</p> <ul style="list-style-type: none"> • Best Practice measures
Increase capability and capacity in data and technology	We will be expert at using data and technology to operate efficiently, and to support our investment processes and decision making. Decisions about data and technology will be business-led and balance the need for security, stability and reliability with increased data analytics, information management and collaboration capabilities across the team.	<p>Guardians</p> <ul style="list-style-type: none"> • Governance – five-yearly independent review • Organisational Capability measures
Design our future of work	Incorporate evolving approaches to work while maintaining our great culture. Our success depends on the knowledge and capabilities of our staff, attracting and retaining diverse talent, and leveraging global networks. We will embrace new ways of working.	<p>Guardians</p> <ul style="list-style-type: none"> • Governance – five-yearly independent review • Organisational Capability measures
Constructive and aligned team	<p>Maintaining and continuing to develop a strong, diverse and inclusive team with a constructive culture is essential to fulfil our purpose and vision and effectively embrace ongoing external and internal challenges.</p> <p>A team that has the same focus is greater than the sum of its parts. Together it can harness diversity to tackle complex challenges and maximise opportunities. "Team not hero" is one of our values.</p>	<p>Guardians</p> <ul style="list-style-type: none"> • Governance – five-yearly independent review • Organisational Capability measures

Measuring our Performance

Te Ine i ngā Mahi

Guardians

In this section, we outline how we measure our performance against our medium-term strategic goals.

Governance

Sound governance is at the heart of how we manage our mandates and is critical to maintaining stakeholder and public confidence in the Guardians of New Zealand Superannuation ("Guardians"). As an autonomous Crown entity, the Guardians is legally separate from the Crown. This means that, although we are still accountable to the Minister of Finance and Parliament, we have operational independence regarding investment decisions and are, instead, overseen by an independent board. The Guardians is subject to ongoing monitoring from The Treasury, as well as annual reviews from auditors on behalf of the Auditor-General, and five-yearly independent reviews.

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
Independent reviews	Five-yearly	2024/25 Annual Report	<p>The New Zealand Superannuation and Retirement Income Act requires that an independent review of how effectively and efficiently the Guardians is performing its function is carried out every five years. The Minister of Finance sets the terms of reference for the review, which is conducted by an independent body appointed by the Minister. The report is then presented to Parliament.</p> <p>The Guardians has had three reviews since inception; all are published on our www.nzsuperfund.nz, website.</p> <p>The most recent review was conducted in 2019; the next will be undertaken in 2024.</p>	<p>Ongoing good reviews in the five-yearly independent review, with the review report and our responses published on our www.nzsuperfund.nz, website.</p> <p>By good review we mean that no material concerns about the effective and efficient performance of the Guardians' functions are identified.</p>	This measure is applicable to all goals.

Organisational Capability

Workplace culture is a significant and important challenge for the financial services industry globally. At the Guardians, we strive for a positive workplace culture: behavioural norms that support our values – team not hero; we support each other; future-focused; we stand strong. A great culture assists in our efforts to gain a competitive advantage over other investors by building and retaining a great team. Equally, high quality leadership, strong engagement and a "whole of Fund" culture are critical to ensuring we are making the best possible investment decisions across the organisation.

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
Developing and maintaining a constructive workplace culture	Annually in the Statement of Performance and Annual Report 2022/23 – 2026/27	We report on our culture development activities and progress annually in our Annual Report. Quantitative evaluations of our culture are not undertaken every year, however. Where we do undertake such an evaluation, we will report the result in our Statement of Performance for the applicable year. Qualitative discussion is contained in the Our People section of each Annual Report.	Culture plays a significant role in keeping staff engaged, with implications for financial performance, recruitment, retention, risk awareness / management and ethical behaviour.	Achieve the constructive benchmark in the Human Synergistics OEI Survey, which translates to averaging above the 60 th percentile for the Constructive Styles, and below the 50 th percentile for both sets of Defensive Styles, or equivalent ratings in equivalent surveys, bearing in mind that over time our preferred survey methodology might change.	This survey will measure how much progress are making towards our "design our future of work" and "constructive and aligned team" goals.

Measuring our Performance

Te Ine i ngā Mahi

NZ Super Fund

MEASURING OUR PERFORMANCE

Here we set out a series of performance measures relating specifically to the Guardians' management of the New Zealand Superannuation Fund ("NZ Super Fund"), in the areas of:

- Investment performance;
- Best practice; and
- Sustainable finance.

Investment Performance Measures

We employ three different quantitative measures, each over 1-, 5-, 10-, 20-year and since-inception time frames (where applicable), against which to view the investment performance of the NZ Super Fund. Note: Predicting short-term financial market returns with useful accuracy is difficult. Making predictions with absolute confidence for a one-year period is impossible. We therefore employ our equilibrium expectations of the Reference Portfolio as the basis for the expected outcomes shown here. The 2.8% p.a. expected outcome represents the assumed long-run equilibrium risk premium expected to be earned on a portfolio with the same amount of market risk exposure as the NZ Super Fund's low-cost, passively managed benchmark – its Reference Portfolio. To learn more about how we define the long-run equilibrium risk premium (2.8% p.a.), refer to our Statement of Performance Expectations.

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
Reference Portfolio returns above 90-day Treasury Bills (per annum)	1, 5, 10, 20 years and since inception	Annually in the Statement of Performance 2022/23 – 2026/27	<p>We expect that the NZ Super Fund will return at least the 90-day Treasury Bill return + 2.8% p.a. over any 20-year moving average period. Simply put, if we are successful in achieving this measure, we will have delivered more benefits to taxpayers than they could have achieved by simply paying down debt.</p> <p>Ninety-day Treasury Bills, which are wholesale debt securities issued by the Crown, are an appropriate measure of the NZ Super Fund's performance. This is because they represent the cost to the Government of contributing capital to the NZ Super Fund, instead of using the money to repay debt, and are seen as the most risk-free asset.</p> <p>Our expectation is based on the long-run equilibrium return assumption for each asset class within the NZ Super Fund.</p>	2.8% p.a.	While work towards all the goals in our strategic framework will contribute to the NZ Super Fund's investment performance, this is primarily a measure of our success in achieving the investment excellence goal.

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
Actual Fund returns above Reference Portfolio (p.a., net of costs)	1, 5, 10, 20 years and since inception	Annually in the Statement of Performance 2022/23 – 2026/27	<p>We expect that the NZ Super Fund will outperform its Reference Portfolio or passive benchmark by, on average over time, 1% p.a.</p> <p>The Reference Portfolio is a simple portfolio of passive, low-cost, listed investments suited to the NZ Super Fund's long-term investment horizon and risk profile. This Reference Portfolio has an 80:20 split between growth and fixed-income investments and its foreign currency exposures are 100% hedged to the New Zealand dollar.</p> <p>A proportion of the NZ Super Fund is invested in line with the Reference Portfolio, but we also make investments outside this – into active investments such as (to give just one example) private market assets. These investments are expected to bring a higher expected return and/or offer diversification benefits, albeit with more complexity and cost. This measure is a way of evaluating how successful we have been in undertaking these active investments and attempting to add value to the NZ Super Fund, over and above what the Reference Portfolio would deliver.</p> <p>Detailed information about the Reference Portfolio approach is contained in our Annual Reports and on our website: www.nzsuperfund.nz/how-we-invest/reference-portfolio.</p>	1% p.a.	While work towards all the goals in our strategic framework will contribute to the NZ Super Fund's investment performance, this is primarily a measure of our success in achieving the investment excellence goal.

WHAT IS 'PASSIVE' INVESTMENT?

Passive management or 'index tracking' is a style of investment management through which a fund's portfolio mirrors a market index. Stocks move in and out of the portfolio according to their market capitalisation rather than through active investment decisions.

WHAT IS 'ACTIVE' INVESTMENT?

Active investment management is where a fund's manager attempts to beat the market through various investing strategies and buying/selling decisions. Active managers rely on analytic research, forecasts and their own judgement and experience in making investment decisions. Active investment strategies are more complex and expensive to implement than passive management.

WHAT IS THE 'SHARPE RATIO'?

We use a risk-adjusted performance metric, the Sharpe ratio, to assess how much return in excess of the Treasury Bill return has been generated per unit of risk taken. The higher the ratio, the greater the return for risk, and vice versa. More information on the Sharpe ratio can be found in our Statement of Performance Expectations ("SPE").

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
In a 1-in-100 year event, potential Reference Portfolio loss is equal to or worse than	1, 5, 10 and 20 years	Annually in the Statement of Performance 2022/23 – 2026/27	<p>Financial market returns are inherently volatile, continually being repriced and moving up and down over time. Over short time frames a wide range of returns are possible – very high and very low. Over longer horizons, however, underlying economic drivers tend to determine returns.</p> <p>In considering how much risk to take, we need to consider trade-offs around these time frames and the potential need to convert assets quickly into cash.</p> <p>We measure how much risk is being carried by the Reference Portfolio, by estimating what the worst outcome could potentially be among 100 random samples, over different time periods. If losses of this magnitude were to happen more often than expected, then either a rarer-than-expected event has occurred, or the Reference Portfolio was carrying more risk than we understood.</p>	1 year: -30.5% 5 years: -11.5% 10 years: -5.9% 20 years: -1.7%	While work towards all the goals in our strategic framework will contribute to the NZ Super Fund's investment performance, this is primarily a measure of our success in achieving the investment excellence goal.

Best practice

In this section we set out four measures relating to best practice operations for a sovereign wealth fund and/or institutional investor.

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
Best-practice operations – annual updating of the Guardians’ response, as manager of the NZ Super Fund, to the IFSWF ‘Santiago Principles’	Annual	Annually in the Statement of Performance 2022/23 – 2026/27	<p>New Zealand is a member country of the International Forum of Sovereign Wealth Funds ("IFSWF"), a voluntary group of sovereign wealth funds established under the auspices of the International Monetary Fund.</p> <p>The Santiago Principles are a set of 24 voluntary IFSWF guidelines that assign best practices for the operations of sovereign wealth funds. The principles recognise that it is important for sovereign wealth funds to demonstrate to their home countries, to the countries in which they are invested, and to the international financial markets in general that they are properly established and that their investments are made on a purely economic basis.</p> <p>The Santiago Principles monitor three important areas of operational practice for sovereign wealth funds: the legal framework, the institutional framework, and the governance framework, along with investment policies and risk management.</p>	<p>A self-assessment of the Guardians' and the NZ Super Fund's adherence to the Santiago Principles is completed, published on www.nzsuperfund.nz and assured by an independent third party.</p> <p>Top quartile or higher ratings in the Geoeconomica Santiago Compliance Index of sovereign wealth funds' compliance with the Santiago Principles; top quartile or higher ratings in other relevant ratings mechanisms.</p>	This measure connects with the investment excellence and risk maturity goals in our strategic framework.
Cost control	Annual	Annually in the Statement of Performance 2022/23 – 2026/27	<p>Cost control is central to the achievement of our mission to maximise returns without undue risk. Striking the right balance between minimising cost and implementing investment strategies that will add the most risk-adjusted value to the Fund over the long term is critical to achieving our mission.</p> <p>We participate in one of the most widely used and comprehensive financial benchmarking services available globally – the annual value-add and cost benchmarking survey by CEM Benchmarking Inc. (CEM). This survey assesses the cost and return performance of the NZ Super Fund against a group of approximately 270 funds from around the world, focusing in on a small number that are of a similar size. The results of each CEM survey are published in our Annual Report and on our www.nzsuperfund.nz, website.</p>	<p>On a rolling five-year basis: median value-adding or better compared to our CEM peer group, with costs below the CEM-calculated cost benchmark.</p> <p>This rating provides an independent benchmark of whether we have struck a good balance between minimising costs and successfully implementing value-adding investment strategies. Succeeding in this area will result in better long-term investment returns for the NZ Super Fund.</p> <p>Summary report published on our www.nzsuperfund.nz, website.</p>	This is a measure of progress towards achieving our investment excellence goal.

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
UNPRI Assessment, Principles and Voting Reports	Annual	Annually in the Statement of Performance 2022/23 – 2026/27	<p>We participate in the annual United Nations Principles for Responsible Investment (UNPRI) assessments. The UNPRI is the international standard for best practice in responsible investment.</p> <p>The UNPRI's standards are evolving over time to incorporate sustainable finance elements.</p> <p>We also report annually on the Guardians' performance and activities against the UNPRI's six principles for responsible investment. These principles are: integration, ownership, disclosure (company reporting), best practice, collaboration and communication.</p> <p>Voting rights are important for maintaining shareholder oversight of investee company directors, boards and company policies. They are therefore central to meeting our obligations under our governing legislation and our commitment to sustainable finance. We exercise our voting rights globally across the NZ Super Fund's segregated equity portfolio.</p>	<p>A or A+ rating for Strategy and Governance in the annual UNPRI assessment.</p> <p>Summary report published on our www.nzsuperfund.nz, website.</p> <p>Publicly-available report on NZ Super Fund activities and outcomes annually against the six United Nations Principles for Responsible Investment.</p> <p>Consistent with our commitment to transparency, we publish voting reports on an ongoing basis on our www.nzsuperfund.nz, website.</p>	This measure connects with our investment excellence, risk maturity and shift to sustainable finance goals.

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
Transparency ratings	Annual	Annually in the Statement of Performance 2022/23 – 2026/27	We strive to be as transparent as commercially possible about our management of the NZ Super Fund and how the NZ Super Fund is performing. Transparency is a central compliance requirement for the Guardians in our management of the Fund, and is also critical to maintaining organisational credibility and stakeholder confidence.	10 out of 10 (100%) in the quarterly rating of Sovereign Wealth Fund transparency published by the Sovereign Wealth Fund Institute; top quartile or higher in other relevant rating mechanisms. Ratings are published on our www.nzsuperfund.nz website. To achieve a rating of 10/10 in the Sovereign Wealth Fund Institute Transparency Index, a fund makes a range of information about its operations and performance publicly available, including: <ul style="list-style-type: none"> • history, including reason for creation, origins of wealth and government ownership structure; • up-to-date, independently audited annual reports; • names and monetary value of all listed companies held; • total portfolio market value, returns and management compensation; • guidelines in reference to ethical standards, investment policies and enforcer of guidelines; • clear strategies and objectives; • subsidiaries and contact information, if applicable; and • external managers, if applicable. 	This measure connects with our risk maturity goal.

Sustainable Finance

In this section, we set out two measures relating to climate change as part of our shift to a sustainable finance approach. The measures reflect our Climate Change Investment Strategy for the NZ Super Fund, developed in 2016. Climate change is a serious and complex issue that presents material risks and opportunities for investors. It is, however, only one aspect of sustainable finance and, as we continue to mature our Sustainable Finance Strategy, we might introduce additional measures to report on. Further information on our response to climate change is available on our website: www.nzsuperfund.nz/how-we-invest/balancing-risk-and-return/climate-change.

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
Climate change investment strategy	2025	Annually in the Statement of Performance 2022/23 – 2026/27	<p>The Guardians developed a climate change investment strategy for the Fund in 2016. As part of this strategy we have set the following carbon reduction targets:</p> <ul style="list-style-type: none"> to reduce the emissions intensity of the Fund's portfolio by 40% by 2025; and reduce fossil fuel reserves by 80%, by 2025. 	Publication of an annual Climate Change Report for the NZ Super Fund, including a third-party assured carbon footprint showing progress made against the Fund's 2025 carbon reduction targets.	This measure connects with our investment excellence and sustainable finance goals.
Commitment to net zero by 2050	2050	Annually in the Statement of Performance 2022/23 – 2026/27	<p>In 2021 the Guardians committed the NZ Super Fund to achieving net zero carbon emissions by 2050.</p> <p>Under the Net Zero Asset Owners Commitment we have pledged to decarbonise the Fund by increasing investment in climate solutions, setting interim targets and undertaking advocacy and engagement in line with net zero goals.</p>	<p>Publication of an annual Climate Change report, including a Climate Change Action Plan as required by our Net Zero Commitment, and detailing progress towards net zero in line with the requirements of the New Zealand Government's 2021 Crown Financial Institutions' Responsible Investment Framework; with specific reference to the setting of interim targets and reporting carbon reduction metrics on a common basis.</p> <p>This Framework is available on our www.nzsuperfund.nz website.</p>	This measure connects with our investment excellence and sustainable finance goals.



Elevate Fund

Measuring our Performance

Te Ine i ngā Mahi

Elevate Fund

Here we provide some contextual information regarding the Venture Capital Fund, known as the Elevate Fund ("Elevate") in order to explain the roles and responsibilities of the Guardians in relation to it.

The Elevate Fund was established in 2019 by the Venture Capital Fund Act 2019 ("VCF Act"), with approximately \$260 million in initial capital contributions from the government. It is a completely separate legal entity from the NZ Super Fund.

As discussed on page 6, the Elevate Fund's ultimate outcome is to contribute to the sustainability and productivity of the New Zealand economy. The Elevate Fund will do this by helping young, innovative companies to grow into successful and sustainable businesses, encouraging the availability of more venture capital from other sources, and therefore developing the venture capital ecosystem in New Zealand.

The VCF Act gives the Guardians a role in relation to the Elevate Fund, requiring us to invest it in New Zealand's venture capital markets using best-practice investment management appropriate for institutional investment in those markets. We must also manage the Elevate Fund in a manner consistent with:

- the Ministerial Policy Statement which sets out critical parameters as to how the Elevate Fund must be managed and invested; and
- avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

The Policy Statement is a critical document, because it is intended to result in achievement of the policy purpose and will directly influence the financial performance of the Elevate Fund. The parameters contained in the Policy Statement have been set with the intention that if the Guardians manages and administers the Elevate Fund in accordance with them, and where necessary the Government successfully implements a range of ancillary measures to support the further development of New Zealand's venture capital markets, the purpose described above is expected to be achieved.

As anticipated in the legislation, the Guardians has appointed New Zealand Growth Capital Partners Limited ("NZGCP") as the external manager for the fund, using a fund-of-funds model. The Management Agreement appointing NZGCP reflects best practice in the context of institutional investment in New Zealand's venture capital markets. As required in the legislation, the agreement was reviewed by the Minister of Finance before it was signed.

NZGCP is responsible for selecting, and allocating capital to, fund managers to match private sector investment and to make other investments (e.g. co-investments). These underlying fund managers will in turn deploy capital to investee entities.

It is expected to take another two to three years, from 2022, to commit the Elevate Fund's capital to underlying funds. These funds will, in turn, deploy their funds over their investment periods. The Elevate Fund will receive capital returns as underlying funds gradually exit investments. Some of this capital may be recycled to support existing investments and new fund vintages. The Elevate Fund may be unwound in the future, where the Government follows a specified process and determines that adequate capital is available to New Zealand's venture capital market from other sources. This is not expected to occur until a minimum of 15 years from commencement.

The Guardians' role in relation to the Elevate Fund is one of governance and oversight.

We are delivering this Guardians' mandate by:

- appointing NZGCP as the external fund manager for the Elevate Fund;
- ensuring the management agreement with NZGCP reflects best practice in the context of institutional investment in New Zealand's venture capital markets and the capital allocation requirement contained in the Ministerial Policy Statement;
- ensuring that information reporting requirements relating to the flow of capital are covered in the management agreement;
- continuing to monitor the performance of NZGCP; and

- ensuring compliance with the Statement of Investment Policies, Standards and Procedures for the Elevate Fund.

It is the responsibility of NZGCP to invest in private sector venture capital fund managers who will select the entities in which to invest.

It is our responsibility to monitor NZGCP's performance in line with the best-practice approach and conviction process we have developed to manage relationships with other local and international investment managers, as applicable to the New Zealand venture capital market.

The Guardians has significant experience in working with external managers, as we use external managers to manage substantial investments for the NZ Super Fund globally. We monitor the performance of external managers through a structured approach to regular reviews. These "conviction reviews" assess managers based on:

- viability, structure and focus;
- risk awareness and management;
- people capabilities;
- strength of processes, policies and compliance with the Statement of Investment Policies, Standards and Procedures;
- the consistency of investment activity with the purpose of the opportunity; and
- performance.

Where a manager does not meet our conviction standard, we work to ensure that improvements are made and that standards are met over time. Ultimately, if standards are not met, we may terminate the contract with the manager.

Below we set out our key performance measure in respect of the Elevate Fund.

INPUTS:

- Up to NZD300 million capital contributed over five years
- Institutional capability
- Governance and oversight

OUTPUT:

- Appointment of an external manager
- Managing the Elevate Fund through a fund-of-funds model
- Best practice standards supported in management agreement
- Allocation of capital by the external manager to funds that attract matching private capital
- Funds deployed to New Zealand entities

IMPACTS:

- Increased venture capital available to New Zealand entities
- More self-sustaining venture capital markets
- New Zealand entities that grow into successful and sustainable businesses

OUTCOME:

- Contribution to a sustainable and productive New Zealand economy

Measure	Horizon	Where reported	Commentary	Expected outcome	Alignment to strategic framework
Manager Monitoring – Conviction Review	Annual	Annual Statement of Performance 2022/23 – 2026/27	<p>We monitor NZGCP's performance in line with the best practice approach we have developed to manage relationships with other local and international investment managers, as applicable to the New Zealand venture capital market.</p> <p>We evaluate our managers by means of a conviction review. Our conviction means our confidence in a manager's competence to execute on an investment opportunity and the general quality and fit of the organisation. Key inputs include the manager's performance, governance and overall conduct.</p>	Successful completion of conviction review.	This measure connects with our investment excellence goal.

Transparency and Reporting to the Minister of Finance

Te Pūataata me te tuku pūrongo ki te Minita o te Tahua

The Guardians prides itself on being a transparent organisation. Our stakeholders, including the Minister of Finance, as well as any other interested parties, can access a wealth of current and historical information on our www.nzsuperfund.nz website.

This information includes detailed historical performance figures for the NZ Super Fund since inception, copies of our media statements, along with speeches and presentations given by Guardians' staff.

A range of formal reporting mechanisms is also in place. A Parliamentary Select Committee, the Finance and Expenditure Committee, reviews the Guardians' and Funds' financial disclosures and the Guardians' performance is reviewed five-yearly by an independent reviewer appointed by the Minister.

As a Crown entity, we are subject to the Official Information Act 1982 and to other transparency requirements such as Parliamentary Questions.

In addition, the Guardians provides a quarterly report on the progress of the Guardians and the Funds to the Minister of Finance. This sets out the performance of the NZ Super Fund and the Elevate Fund, as well as key investment and other operational developments during the preceding quarter.

In common with other Crown entities, we also receive from the Minister an annual Letter of Expectations. The Letter sets out the Minister's expectations for the Guardians for the coming year.

Acquisitions

Ngā Hokonga Mai

In respect of the activities of the Guardians, we have no intention to acquire interests in companies, trusts or partnerships for the benefit of the Guardians. We do, however, undertake such acquisitions as manager and administrator of the NZ Super Fund, and those interests become the property of the NZ Super Fund.

Other than the Guardians' ability to control Fund Investment Vehicles ("FIVs") in line with section 59A of the New Zealand Superannuation and Retirement Income Act 2001 ("NZSRIA") and Venture Capital Fund ("VCF") investment vehicles in line with Section 25 of the Venture Capital Fund Act 2019, the Guardians' Board must use its best endeavours to ensure that the NZ Super Fund does not have control of entities (e.g. a company). This requirement is set out more fully in Section 59 of the NZSRIA. Consequently, the investment guidelines we have in place with external managers and our other internal policies and procedures contain controls that ensure compliance with this requirement.

Seeing the bigger picture

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www.nzsuperfund.nz

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