

		<b>GAPP PRINCIPLE 1</b>
<b>NARRATION</b>	<p><b>The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).</b></p> <ul style="list-style-type: none"> <li>○ <b><i>GAPP 1.1 Subprinciple</i></b> The legal framework for the SWF should ensure the legal soundness of the SWF and its transactions.</li> <li>○ <b><i>GAPP 1.2 Subprinciple</i></b> The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and the other state bodies, should be publicly disclosed.</li> </ul>	
<b>RESPONSE</b>	<p>The legal framework and structure for the Guardians of New Zealand Superannuation ('Guardians', 'we', 'our') and the New Zealand Superannuation Fund ('Fund') are clearly and publicly disclosed in the New Zealand Superannuation and Retirement Income Act 2001 ('Act'). The full wording of the Act is available via the Fund website at <a href="http://www.nzsuperfund.co.nz">www.nzsuperfund.co.nz</a></p>	
		<b>GAPP PRINCIPLE 2</b>
<b>NARRATION</b>	<p><b>The policy purpose of the SWF should be clearly defined and publicly disclosed</b></p>	
<b>RESPONSE</b>	<p>The purpose of the Fund is to reduce the tax burden on future taxpayers of the cost of New Zealand Superannuation. The purpose of the Guardians is to manage and administer the Fund. Both are expanded on in more detail in our Statements of Intent, Annual Reports and on the Fund's website.</p>	
		<b>GAPP PRINCIPLE 3</b>
<b>NARRATION</b>	<p><b>Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.</b></p>	
<b>RESPONSE</b>	<p>Not applicable.</p>	
		<b>GAPP PRINCIPLE 4</b>
<b>NARRATION</b>	<p><b>There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.</b></p> <ul style="list-style-type: none"> <li>○ <b><i>GAPP 4.1 Subprinciple</i></b> The source of SWF funding should be publicly disclosed.</li> <li>○ <b><i>GAPP 4.2 Subprinciple</i></b> The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.</li> </ul>	
<b>RESPONSE</b>	<p>The funding formula for the Fund is publicly disclosed on the Fund's website and on the website of the New Zealand Treasury <a href="http://www.treasury.govt.nz/government/assets/nzsf/contributionratemodel">http://www.treasury.govt.nz/government/assets/nzsf/contributionratemodel</a> Under current Government projections, contributions made subject to the formula will resume in 2020 and withdrawals will begin in 2031.</p>	

<b>GAPP PRINCIPLE 5</b>	
<b>NARRATION</b>	<b>The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.</b>
<b>RESPONSE</b>	Performance data is reported monthly, publicly via the Fund's website, and directly to the New Zealand Treasury for incorporation within the Crown Accounts (which are published on the Treasury website).
<b>GAPP PRINCIPLE 6</b>	
<b>NARRATION</b>	<b>The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.</b>
<b>RESPONSE</b>	<p>The New Zealand Superannuation and Retirement Income Act 2001 establishes clear operational independence for the Guardians and establishes standards of public accountability.</p> <p>The Guardians have a Delegations Policy that provides for clear separation, within the constraints of our enabling legislation, of governance (the Board) and management (the Executive) responsibilities.</p>
<b>GAPP PRINCIPLE 7</b>	
<b>NARRATION</b>	<b>The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF's operations.</b>
<b>RESPONSE</b>	<p>The objectives are set by statute as: managing in a prudent commercial basis in a manner consistent with:</p> <ul style="list-style-type: none"> <li>• Best practice portfolio management;</li> <li>• Maximizing return without undue risk;</li> <li>• Avoiding prejudice to New Zealand's reputation as a responsible member of the world community.</li> </ul> <p>Procedures for appointing Board members are set out in the Act and are published on the Fund's website.</p> <p>Provisions for public accountability, including independent reviews at least five-yearly, are set out in the Act. The first independent review (conducted in 2004) is available on the Fund's website, as will be subsequent reviews.</p>
<b>GAPP PRINCIPLE 8</b>	
<b>NARRATION</b>	<b>The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.</b>
<b>RESPONSE</b>	The Guardians sole purpose is to manage and administer the Fund and we have all the legal powers necessary to do so. The mandate is clear as set out above in response to Principle 7.

		<b>GAPP PRINCIPLE 9</b>
<b>NARRATION</b>	<b>The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.</b>	
<b>RESPONSE</b>	The Guardians have a Delegations Policy that provides for clear separation, within the constraints of our enabling legislation, of governance (the Board) and management (the Executive) responsibilities.	
		<b>GAPP PRINCIPLE 10</b>
<b>NARRATION</b>	<b>The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.</b>	
<b>RESPONSE</b>	Accountability is established in our Act, which is available publicly. The Guardians are required to produce an Annual Statement of Intent and an Annual Report, both of which are public (and are tabled in Parliament). The Guardians also report quarterly to the Minister of Finance.  Our Delegations Policy clearly sets out accountabilities between Board and Management.	
		<b>GAPP PRINCIPLE 11</b>
<b>NARRATION</b>	<b>An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.</b>	
<b>RESPONSE</b>	Our International Financial Reporting Standards-compliant and audited Annual Report is prepared annually, according to a deadline set by statute, and is available publicly on the Fund's website.	
		<b>GAPP PRINCIPLE 12</b>
<b>NARRATION</b>	<b>The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.</b>	
<b>RESPONSE</b>	Financial statements in our Annual Report and Statement of Intent are annually audited in compliance with IFRS and with requirements specific to our organisation. Both are tabled in Parliament and published on the Fund's website.	
		<b>GAPP PRINCIPLE 13</b>
<b>NARRATION</b>	<b>Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.</b>	
<b>RESPONSE</b>	The Guardians have adopted a Board Charter and Employee Code of Conduct both of which are published on the Fund's website.	

		<b>GAPP PRINCIPLE 14</b>
<b>NARRATION</b>	<b>Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.</b>	
<b>RESPONSE</b>	All third-party dealings are based on economic and financial grounds. The Guardians have a variety of internal policies dealing with how they interact with third parties. These include policies relating to due diligence, procurement and sensitive expenditure.	
		<b>GAPP PRINCIPLE 15</b>
<b>NARRATION</b>	<b>SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.</b>	
<b>RESPONSE</b>	The Guardians have no direct operations or activities in foreign countries. Through third-party sources, the Guardians actively monitor legislative developments in jurisdictions in which the Fund holds significant investments.	
		<b>GAPP PRINCIPLE 16</b>
<b>NARRATION</b>	<b>The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.</b>	
<b>RESPONSE</b>	The framework, objectives and our operational independence from the New Zealand Government are set out in our enabling legislation and published on the Fund's website and within our Annual Report and Statement of Intent.	
		<b>GAPP PRINCIPLE 17</b>
<b>NARRATION</b>	<b>Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.</b>	
<b>RESPONSE</b>	Audited financial accounts are published in our Annual Report and Statement of Intent. Both are public.  Fund size and absolute and relative returns are published on the Fund's website and updated monthly.	

<p><b>NARRATION</b></p> <p><b>RESPONSE</b></p>	<p style="text-align: right;"><b>GAPP PRINCIPLE 18</b></p> <p><b>The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.</b></p> <ul style="list-style-type: none"> <li>○ <b>GAPP 18.1 Subprinciple</b> The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.</li> <li>○ <b>GAPP 18.2 Subprinciple</b> The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.</li> <li>○ <b>GAPP 18.3 Subprinciple</b> A description of the investment policy of the SWF should be publicly disclosed.</li> </ul> <p>Our Statements of Investment Policies, Standards and Practices are available on the Fund's website.</p>
<p><b>NARRATION</b></p> <p><b>RESPONSE</b></p>	<p style="text-align: right;"><b>GAPP PRINCIPLE 19</b></p> <p><b>The SWF's investment decisions should aim to maximise risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.</b></p> <ul style="list-style-type: none"> <li>○ <b>GAPP 19.1 Subprinciple</b> If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.</li> <li>○ <b>GAPP 19.2 Subprinciple</b> The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.</li> </ul> <p>Our mandate requires us to invest the New Zealand Superannuation Fund (Fund) on a prudent, commercial basis and, in doing so, to manage and administer the Fund in a manner consistent with:</p> <ul style="list-style-type: none"> <li>(a) Best-practice <b>portfolio</b> management;</li> <li>(b) Maximising <b>return</b> without undue <b>risk</b> to the Fund as a whole; and</li> <li>(c) Avoiding prejudice to New Zealand's reputation as a responsible member of the world community.</li> </ul>
<p><b>NARRATION</b></p> <p><b>RESPONSE</b></p>	<p style="text-align: right;"><b>GAPP PRINCIPLE 20</b></p> <p><b>The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.</b></p> <p>By virtue of our independence from the Government we have no access to privileged Government information.</p>

<p><b>NARRATION</b></p> <p><b>RESPONSE</b></p>	<p style="text-align: right;"><b>GAPP PRINCIPLE 21</b></p> <p><b>SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.</b></p> <p>Exercise of ownership rights is covered in our Statement of Responsible Investment, Standards and Procedures, which is published on the Fund's website.</p> <p>Details of our proxy voting activity are published regularly on our website.</p>
<p><b>NARRATION</b></p> <p><b>RESPONSE</b></p>	<p style="text-align: right;"><b>GAPP PRINCIPLE 22</b></p> <p><b>The SWF should have a framework that identifies, assesses, and manages the risks of its operations.</b></p> <ul style="list-style-type: none"> <li>○ <b><i>GAPP 22.1 Subprinciple</i></b> The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.</li> <li>○ <b><i>GAPP 22.2 Subprinciple</i></b> The general approach to the SWF's risk management framework should be publicly disclosed.</li> </ul> <p>The Guardians have adopted a Risk Management Policy and associated Risk Management Framework. Details of that framework are included within our Statements of Intent and Annual Reports which are published on the Fund's website.</p>
<p><b>NARRATION</b></p> <p><b>RESPONSE</b></p>	<p style="text-align: right;"><b>GAPP PRINCIPLE 23</b></p> <p><b>The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.</b></p> <p><b>What is reported</b></p> <ul style="list-style-type: none"> <li>• We report absolute performance of the Fund relative to both our low-cost reference portfolio and to our performance reference point of New Zealand Treasury Bills plus 2.5% p.a. over time.</li> <li>• We report the returns split into the asset classes present in our actual portfolio, both absolute and relative to the reference portfolio.</li> <li>• We report the value added to the portfolio by classes of active management – public market investment managers, private market investments, strategic tilting and portfolio completion.</li> </ul>

- We report holdings in listed companies, corporate and government bonds.
- We report the external managers we have engaged and the asset classes they manage within.
- Finally we are required to outline our expectations of returns for each financial year. Given the nature of our Fund, we do this by identifying a mid point of an expected range of returns.

**How often is it reported**

- Absolute performance and performance relative to the reference portfolio and to New Zealand Treasury Bills is reported monthly (public), quarterly (via Ministerial Reports) and annually (public, via the Annual Report).
- Asset class and added-value category returns are reported annually (public, via the Annual Report).
- Securities held and managers employed are reported annually (public, via the Annual Report).
- Our return expectations are reported annually (public, via the Statement of Intent).

**GAPP PRINCIPLE 24**

**NARRATION**

**A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.**

**RESPONSE**

This review of the implementation of the GAPP will be completed at least biennially. This first review was completed in September 2009.