Statement of Investment Policy and Objectives

New Zealand Post Superannuation Plan

April 2022

The most current version of the SIPO is available on the schemes register at www.business.govt.nz/disclose

CONTENTS

1. Introduction and Background

1.1 Introduction

The purpose of this Statement of Investment Policy and Objectives (**SIPO**) is to document the rules and processes formulated by the Trustee of the New Zealand Post Superannuation Plan (the **Plan**) in relation to the investment of the assets of the Plan.

This SIPO applies to all aspects of the management of the Plan's assets. It describes the investment objectives and policies in detail, together with the procedures for monitoring and reviewing the managers of the Plan's investments (**Investment Managers**).

A copy of this SIPO will be provided to all existing directors of the Trustee and to any new director on appointment.

1.2 Background

The Plan is a registered employer-related restricted workplace savings scheme that provides retirement and other benefits to employees of New Zealand Post and its related companies who become Members.

New Zealand Post closed the Plan to new Members with effect from 1 November 2010.

1.3 Member investment options

The Plan operates a number of elective investment pools (referred to in this SIPO as **Funds**). Each Fund has different investment return objectives.

Under the Plan, Members determine their own investment strategy from the investment Funds available. There are three Funds available to Members: a Short Term Fund, a Medium Term Fund and a Long Term Fund. Each Fund has different objectives and return expectations. Members may split their accumulated balance(s) and future contributions held by the Plan between the Funds as they see fit and may switch between the Funds at any time (within certain guidelines).

Members are exposed to the investment risks of their decision.

Members who do not elect a Fund for their contributions will automatically have their contributions held in the Medium Term Fund.

The Trustee may add and/or remove the Funds available from time to time as it sees fit.

1.4 Current assets

The current assets of the Plan are approximately $137million (as at December 2021). The Plan is closed to new members and is gradually reducing in size.

1.5 Taxation

The balance date of the Plan is 31 March.

The Plan is registered as a Portfolio Investment Entity (PIE) and pays tax on behalf of members at varying rates depending on their income.

1.6 Review of the SIPO

This SIPO may be reviewed and changed by the Trustee from time to time as it sees fit, including but not limited to reflecting changing capital markets, law changes and significant membership changes. The SIPO shall be reviewed at least triennially.

The SIPO review is led by the Investment Manager and External Advisers at a meeting of the Trustee. The Review includes but is not limited to updating and ratifying the General Investment Objectives, the Specific Investment Objectives and the Investment Strategy. If necessary this includes updating and ratifying the benchmark asset allocations and ranges to account for changing market conditions.

1.7 Effective date

This SIPO will take effect on 1 April 2022.

2. Investment governance

2.1 The Trustee

The Plan is governed by the provisions of the Plan's Trust Deed and overseen by the Trustee. The directors of the Trustee are appointed by New Zealand Post. The Trustee is responsible for ensuring the SIPO is adhered to,

2.2 Investment managers

The current Investment Managers are the Plan's in-house manager who acts with assistance and advice from an external manager.

The Investment Managers are required to manage the assets held in each Fund in accordance with the investment strategy set out in Section 3.3 of this SIPO.

2.3 External advisers

Due to the specialised nature of investment markets, the Trustee may from time to time employ independent advisors to assist in the formulation of investment strategies, to monitor the investment managers, and/or to advise on tax which affect the investments of the Plan.

The current Investment advisers are Eriksen & Associates. They provide the Trustee with a monthly report detailing the Plans adherence to the SIPO.

2.4 Prudential standards

Because the Trustee owes a fiduciary duty to the Plan members and their beneficiaries, the Trustee must always act prudently and with discretion regarding the assets of the Plan. In fulfilling this responsibility, the Plan has the following prudential safeguards:

- Delegation: All delegations by the Trustee to third parties are formalised and fully documented.
- Compliance: The Investment Adviser monitors the Investment Managers' compliance with the investment strategy in section 3 of this SIPO.
- Audit: The Plan and its financial statements are subject to external audits.

3. Investment objectives and strategy

3.1 General Investment Objectives

The general investment objectives for the Plan's assets are as follows:

- To invest the assets of the Plan as permitted by the powers under the Trust Deed
- To prudently manage all aspects of risk in relation to the Plan including:
- Ensuring the assets are adequately diversified
- Ensuring the assets have an appropriate level of liquidity
- To ensure there are sufficient assets to meet benefit payments when the benefits fall due.
- To ensure that any third party to whom investment decision making is delegated exercises integrity, prudence and professional skill in fulfilling the investment tasks delegated to them, and that the actions of the third party are fully accountable to the Trustee.
- To meet the different objectives of each of the three investment Funds.

3.2 Specific Investment Objectives

The Trustee's specific objectives for the Plan are:

- a net return for each Fund (after fees and tax at the current maximum rate of 28%) to exceed inflation by the amounts set out below:
- Short Term Fund CPI plus 0.25% over a 3 year period
- Medium Term Fund CPI plus 2% over a 5 year period
- Long Term Fund CPI plus 3% over a 5 year period
- for the probability of a negative return over a 12 month periods (calculated each quarter) of a

Fund to be

- Short Term Fund 5%(or 1 year in 20)

- Medium Term Fund 20% (or 1 year in 5)
- Long Term Fund 25% (or 1 year in 4)
- to achieve a return for each Fund at least equal to the pre-tax and pre-investment fees return of a portfolio with an asset allocation equal to the benchmark asset allocation of the Fund.

3.3 Investment strategy

The investment strategy of a Fund is determined by its asset allocation. Asset allocation is divided into a Fund's target allocation (which is the benchmark asset allocation for a Fund determined by the Trustee) and the tactical asset allocation for a Fund (which is the range for the asset allocation of a Fund which the Investment Managers may move within to react to changes in market conditions so as to protect returns and manage risks within a Fund).

In setting the investment strategy and the benchmark asset allocations of each Fund (including when amending them), the Trustee has regard to the historical and expected risks and future rates of return on the various classes of assets. It recognises that whilst growth assets (e.g. shares and property) are expected to yield a higher total return over the longer term than income assets (e.g. fixed interest and cash), the associated volatility of growth assets is higher, increasing the likelihood of a poor or negative return over shorter time frames.

The Trustee has decided that following target and tactical asset allocations for each Fund's assets are consistent with achieving the specific investment objectives in section 3.2. Refer 1.6 for SIPO reviews.

Each asset class has a benchmark and range. Where the minimum is 0% there could be no holdings of that asset class within the tactical asset allocation of the Fund – for example as at the date of this SIPO The Plan has not held any global bonds for the last 15 years. There is an overriding range for the combined Income Assets (*) and correspondingly the combined Growth Assets (#).

	Short Term Fund			**Medium Term Fund**			**Long Term Fund**		
	Benchmark	Min	Max	Benchmark	Min	Max	Benchmark	Min	Max
NZ Cash	100%	100%	100%	15%	5%	25%	5%	0%	20%
NZ Bonds				20%	5%	30%	15%	5%	25%
Global Bonds				10%	0%	20%	5%	0%	10%
Income Assets*	**100%**	**100%**	**100%**	**45%**	**35%**	**65%**	**25%**	**15%**	**50%**
Australasian Shares				15%	5%	25%	20%	10%	35%
Global Shares				40%	25%	45%	55%	30%	65%
Growth Assets#	**0%**	**0%**	**0%**	**55%**	**35%**	**65%**	**75%**	**50%**	**85%**
TOTAL PLAN	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Currency Exposure									
% Global Shares				50%	30%	70%	50%	30%	70%

3.4 Management of assets

The Trustee has determined that income assets of each Fund will be actively managed by the Investment Manager's, and that growth assets will be more passively managed (through investment in exchange traded funds for Global Shares, and through broadly tracking the S&P/NZX 50 index for Australasian Shares). Appendix A sets out the conditions the Investment Managers must adhere to in investing a Fund's assets in Global Shares and Australasian Shares.

3.5 Currency

The Trustee has decided on a 50% hedging position for global shares with a range of 30% and 70%. The global bond exposure will be fully hedged. Compliance with the hedging policy is monitored through monthly reports (which set out the current hedge ratio) provided by the advisors to the Trustee. ASX shares in the Australasian Shares may be currency hedged.

3.6 Rebalancing

As noted in section 2.2, the Investment Managers are required to manage the assets held in each Fund in accordance with the investment strategy set out in Section 3.3.

If circumstances outside the Investment Managers' control cause a Fund's asset allocation to move materially outside of the permitted ranges (for example, because of changes in the market value of assets held by a Fund), the Investment Managers must act to move the Fund's asset allocation back within the permitted ranges within 5 working days after the date on which they become aware of the limit break.

A material limit break is currently defined as the Fund's asset allocation being 1% or greater outside of the permitted ranges.

Any material limit breaks should be reported immediately to the Trustee, including date aware, nature and cause and steps taken to remedy.

If the material limit break is not corrected within 5 working days after the date the Trustee becomes aware of the limit break, the Trustee must provide a report to the Financial Markets Authority as soon as practicable. The report must contain the information required by the Financial Markets Conduct Regulations 2014.

Monitoring of the actual holdings verse the benchmark and ranges as per the SIPO is included in the detailed monthly report provided by the advisors to the Trustee.

3.7 Liquidity

As noted in section 2.2, the Investment Managers are required to manage the assets held in each Fund such that there is an adequate level of liquidity to meet benefits when benefits fall due.

As per Appendix B the Funds invest in Cash and Bond assets in order to ensure benefits can be met in the short term.

Investment Managers should take note of any planned restructuring and liaise with the Trustee over the appropriateness of the minimum holdings within the SIPO ranges for each Fund.

4. Investment Management Arrangements

4.1 Delegation of Investment Management Responsibilities and Risk Management

The Trustee may delegate the investment of each Fund's assets to one or more investment managers. In the interests of the efficient management of the Plan's assets in accordance with the investment strategies in section 3.3, the Trustee has appointed the Investment Managers to undertake the day-today management of the Plan's daily investment process and related matters.

The Investment Managers must provide the following minimum information to the Trustee:

- the information necessary to enable the Trustee's to assess the Investment Manager's compliance with the investment strategy and asset allocations set out in section 3;
- the investment guidelines within which any pooled investment vehicle operates;
- a list of each Fund's investments as and when required by the Trustee;
- a face to face presentation by the Investment Managers to the Trustee as required by the Trustee.

The Investment Managers must advise the Trustee when any significant incident affecting the Investment Manager's ability to perform its role occurs.

4.2 Investment guidelines

The following investment guidelines and requirements have been set for prudential reasons to ensure there is an adequate level of stability in the management of the investments. They relate to the day-today management of the assets.

All investments must be prudent investments and shall be made in accordance with the requirements of the applicable legislation. Investments in assets other than those contemplated by this policy statement are not permitted.

All cash assets are to be either in overnight cash or a term deposit of up to 2 years term.

Any fixed interest securities held by the Plan will be investment grade securities (a rating of no lower than BBB- by Standard and Poor's or equivalent), issued by government, banks or prime commercial issuers.

Total holdings in bonds in any one company shall not exceed 10% of the market value of the total Fund assets.

Derivatives including futures, swaps and options may be used for the prudential management of the Plans assets including currency hedging. However such instruments are not to be used to gear up or leverage the portfolio. Borrowing is prohibited.

Currency hedging will be applied in respect of international assets in the Global Shares and Global Bonds asset class and may be applied in respect of ASX shares in the Australasian asset class. However currency trading is prohibited.

Transactions that provide for a related party benefit to be given are prohibited, unless permitted under the trust deed and the Financial Markets Conduct Act 2013. In addition, all investments must comply with the restrictions on acquisitions of 'in-house assets' which apply to the Plan by virtue of its restricted scheme status.

Further details on the risk management policy are included in Appendix B.

4.3 Style of management

The Trustee has decided on the following approach for the management of each asset class:

- Australasian Shares S&P/NZX50 with max +/- 3% per stock variance from index weighting. Inclusion of exclusively ASX shares up to a maximum of 33% of the asset class is allowed.
- Global Shares Exchange-tradable collective indexed funds.
- Cash and Bonds Active.

4.4 Role of investment adviser

The investment adviser shall be responsible to the Trustee for:

- assisting the Trustee in the review and development of the Plan's investment policies and objectives;
- monitoring the Investment Manager's performance in terms of the Trustee's evaluation policy and the investment managers' mandates;
- monitoring the Plan's risk management policies;
- monitoring the level of the Plan's investment expenses;
- promptly advising the Trustee of any event it considers will or may have a significant material adverse effect on the investments of the Plan
- any other matters which significantly impact on the Plan's investments.

5. Monitoring of Investment Managers

5.1 Introduction

The Trustee recognises the importance of an on-going process of monitoring the Investment Managers to ensure they continue to demonstrate a sufficient level of skill to meet each Fund's objectives. The Trustee will monitor the extent to which the Investment Managers give effect to the policies set out in this SIPO.

5.2 Performance objectives

A set of measurable performance objectives has been developed that are consistent with the Trustee's expectations for high quality management for each of the assets concerned. These are:

Asset Class	Outperformance Target	Downside Limit
Australasian Shares	To achieve a return equal to the S&P/NZX 50 Gross Index benchmark return plus 0.25%, before fees and tax, over any year..	To avoid negative returns over any 7 year period.

Global Shares	To achieve a return within 1.0% of the MSCI World Index 50% hedged benchmark return, before fees and tax, over any year and within 0.5% pa over rolling 3 year periods.	To avoid negative returns over any 7 year period.
NZ Bonds	To achieve a return equal to the S&P/NZ Government Bond Index benchmark plus 0.5%, before fees and tax over any year.	To avoid negative returns over any 2 year period.
Global Bonds	To achieve a return equal to the Barclays Global Aggregate Index 100% hedged benchmark plus 0.5%, before fees and tax over any year.	To avoid negative returns over any 2 year period.
NZ Cash	To achieve a return equal to the S&P/NZX Bank Bill 90Day Index benchmark plus 0.25%, before fees and tax over any year.	To avoid negative returns over any 1 year period.

5.3 Qualitative monitoring

The Trustee recognises that monitoring of performance alone is not sufficient to assess the capability of the Investment Managers. The Trustee will seek appropriate advice from the investment adviser to assist with satisfying the Trustee that the Investment Managers continue to carry out their work competently, and have the appropriate knowledge and experience to manage the investments of the Funds.

5.4 De-selection criteria

The Investment Managers may be replaced if they fail to meet the Performance Objectives set out above and/or the Trustee believes that an Investment Manager is not capable of achieving the Performance Objectives in the future (by virtue of a loss of confidence in an Investment Manager's ability).

Appendix A – Growth Asset investment requirements

Global Shares

The Investment Managers will invest a Fund's allocation to Growth Assets in Exchange Traded Funds. ETF's that are part of this pool may include:

Vanguard Total World Stock (code VT)

iShares MSCI World (code URTH.P)

Australasian Shares

The Investment Managers will hold a portfolio broadly equivalent to the S&P/NZX 50 index. The portfolio may have a maximum variance on any one stock of 3%. Inclusion of ASX shares up to a maximum of 33% of the asset class is allowed.

Appendix B – Risk Management Policy

It is noted that the Plan's assets in terms of its strategic policies, are exposed to different investment risks that, from time-to-time, will lead to variations in the actual short-term return versus the expected average return. To reduce the potential negative effects of these risks, on the Plan's distributions under its distribution policy, the Trustee operates a Risk Management Policy.

Type of risk	Definition	Plan's management policies
Interest rate risk	The risk that the value of a security, particularly a bond, will temporarily decrease in value as a result of a rise in interest rates.	• Bond holdings are diversified by maturity date. • The cash levels are set allowing for the expected income to minimise the potential need to realise bond assets to meet benefit payments. • Interest rate risk is managed by an investment manager.
Re-investment risk	The risk that interest, or dividends, received from an investment may not be able to be reinvested in such a way that they earn the same rate of return, or more, as the investment that generated them. Also, that at the time an investment matures, interest rates have fallen preventing the capital to be reinvested at the same yield.	• Bonds are structured to maximise diversification by duration and minimise the level of investments that mature at any point in time. • New investments in the bond sector can be deferred if current interest rates are low. • Reinvestment risk is managed by an investment manager.
Default risk	The possibility that an issuer of a bond will fail to make a principal and/or interest payment in a timely manner on the due date.	• Bond investments are restricted to investment grade or better, or the equivalent level of security. • Investments are diversified over a range of companies, industries and maturities. • Exposure to any one issuer is limited. • The default risk is managed by an investment manager.
Currency risk	The risk that changes in exchange rates will reduce the value of the assets.	• Currency risks from Global shares are reduced by being between 30% and 70% hedged. • Global bonds are 100% hedged. • ASX shares in Australasian Shares may be currency hedged.
Inflation risk	The risk that inflation increases the level of retirement savings needed by a member.	• Part of the assets are invested in shares that provide a natural hedge against inflation. • Part of the assets are unhedged, this provides a natural hedge against imported inflation.

Timing risk The risk that investments are made as the market is about to fall, or sold as the markets are about to rise.

Type of risk	Definition	Plan's management policies
Market volatility	The risk that the investments will decrease in value with general market movements over the short-term for the Medium Term and Long Term Funds	• Investments are spread across the asset classes, countries, industries and companies. • Cash holdings are set to limit the need to realise assets and therefore market volatility, does not impact on short-term cash flow requirements. • Cash holdings are increased as required to ensure that assets need not be sold for distributions.
Market downturn risk	The risk that the markets suffer a severe and prolonged period of negative performance.	• Cash and bonds assets are held to ensure that benefits can be met short-term. Share • assets are diversified across the economic regions of the world. • The Trustee seeks specific independent advice on the market outlook as required.
Manager risk	The risk that the discretionary active decisions of a single manager prove to be wrong or that the manager fails.	• The amount of discretion is limited by utilising individual asset class ranges. • Manager risk is reduced by utilising collective passive instruments for Global Shares. • Manager risk is reduced by broadly indexing the Australasian Shares. • Money is moved into new investments of volatile asset classes over time in multiples typically no more than 5% of that investment Fund's assets.