GUARDIANS OF
NEW ZEALAND
SUPERANNUATION

NZ SUPERFUND
Te Kaitiaki Tahua Penihana Kaumātua o Aotearoa

ELEVATE
NZ VENTURE FUND

ANNUAL
REPORT
2024

THE BENCHMARK

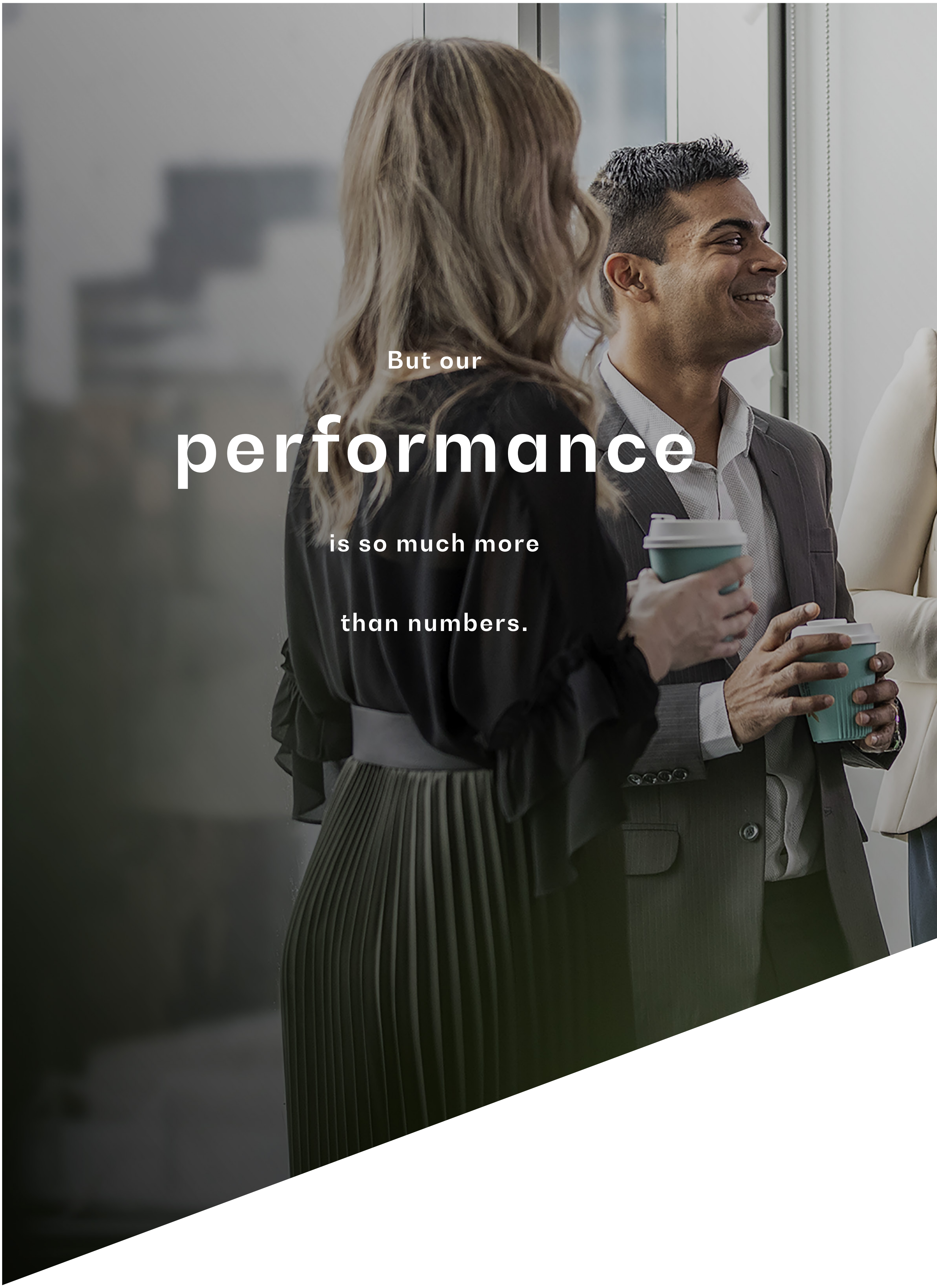
20 YEARS
INVESTING FOR FUTURE GENERATIONS


And
beyond.
2004

When you're investing for future generations, it's the long-term results that really count.

Since we started investing in 2003, we've been looking forward to the moment when we could report on our 20-year performance. Given our long horizon, this is the most appropriate timeframe over which to measure our performance.

We've come through rising and falling market tides well ahead of our benchmarks.



But our

performance

is so much more

than numbers.

Over the last 20 years, we've built a world-class investment organisation committed to global best practice, continued improvement and investing sustainably.


We can't wait to see what the
next 20 years
– and beyond – will bring.

We're proud to be working on behalf of all New Zealanders.

Our year in review

OUR PURPOSE:

Sustainable investment delivering strong returns for all New Zealanders

Kia toitū te haumi hei hua mā ngā tāngata katoa o Aotearoa

OUR VISION:

An inclusive team creating a better future through investment excellence

Mā te kotahi ā-kapa, mā te kounga ā-haumi, ka tino eke ki tua

HIGHLIGHTS FROM 2023/24:

- Independent Statutory Review found the Guardians operating at best-practice level and rated our investment model as an exceptional 'AAA'.
- Finalised and launched refreshed organisational strategy, 'Guardians of the Future'.
- Implemented a new intranet and information management system.
- Celebrated 20 years of investing and commenced reporting rolling 20-year performance returns.
- Appointed new CEO.

PRIORITIES FOR 2024/25:

- Appoint and on-board new Chief Investment Officer, Chief Risk Officer and General Manager Portfolio Completion.
- Welcome two new Board members.
- Consider and respond to Independent Statutory Review recommendations and suggestions.
- Progress our five-yearly Reference Portfolio review.
- Advance our multi-year technology projects.
- Embed our Guardians of the Future strategy.

NZ SUPER FUND SIZE

$76.65b

(EXCLUDING NZ TAX)

20 YEARS

INVESTING FOR FUTURE GENERATIONS

2023/24 RETURN

14.90%

(AFTER COSTS, BEFORE NZ TAX)

In our 20th year of investing, we're pleased to be able to present such strong rolling 20-year returns across our key performance benchmarks. Given the Fund's long-term investment horizon, rolling 20-year returns are the most appropriate timeframe over which to assess the Guardians' performance.

20-YEAR RETURN

10.03%

(AFTER COSTS, BEFORE NZ TAX))

LONG-TERM PERFORMANCE EXPECTATION LAST 20 YEARS

7.80%

(RISK-FREE RATE (4.00%) + EXCESS RETURN AFTER COSTS (2.80%) + REWARD FOR VALUE-ADDING ACTIVITIES (1.00%)

VALUE ADDED LAST 20 YEARS

$17.28b

(VS REFERENCE PORTFOLIO BENCHMARK, AFTER COSTS)

EXCESS RETURN LAST 20 YEARS

49.86b

(VS TREASURY BILL BENCHMARK, AFTER COSTS)

NZ SUPER FUND RETURNS

As at 30 June 2024

ACTUAL FUND RETURN

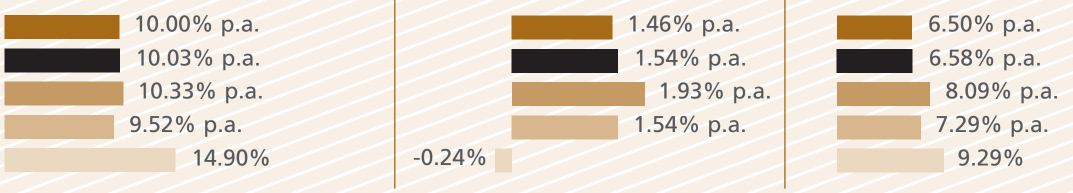
(after costs, before NZ tax)

VALUE ADDED BY THE GUARDIANS

(compared to passive Reference Portfolio benchmark)

RETURN OVER TREASURY BILLS

(returns over and above the Treasury Bill return – the Government's marginal cost of debt)



Since inception (September 2003) • 20 years • 10 years • 5 years • 1 year

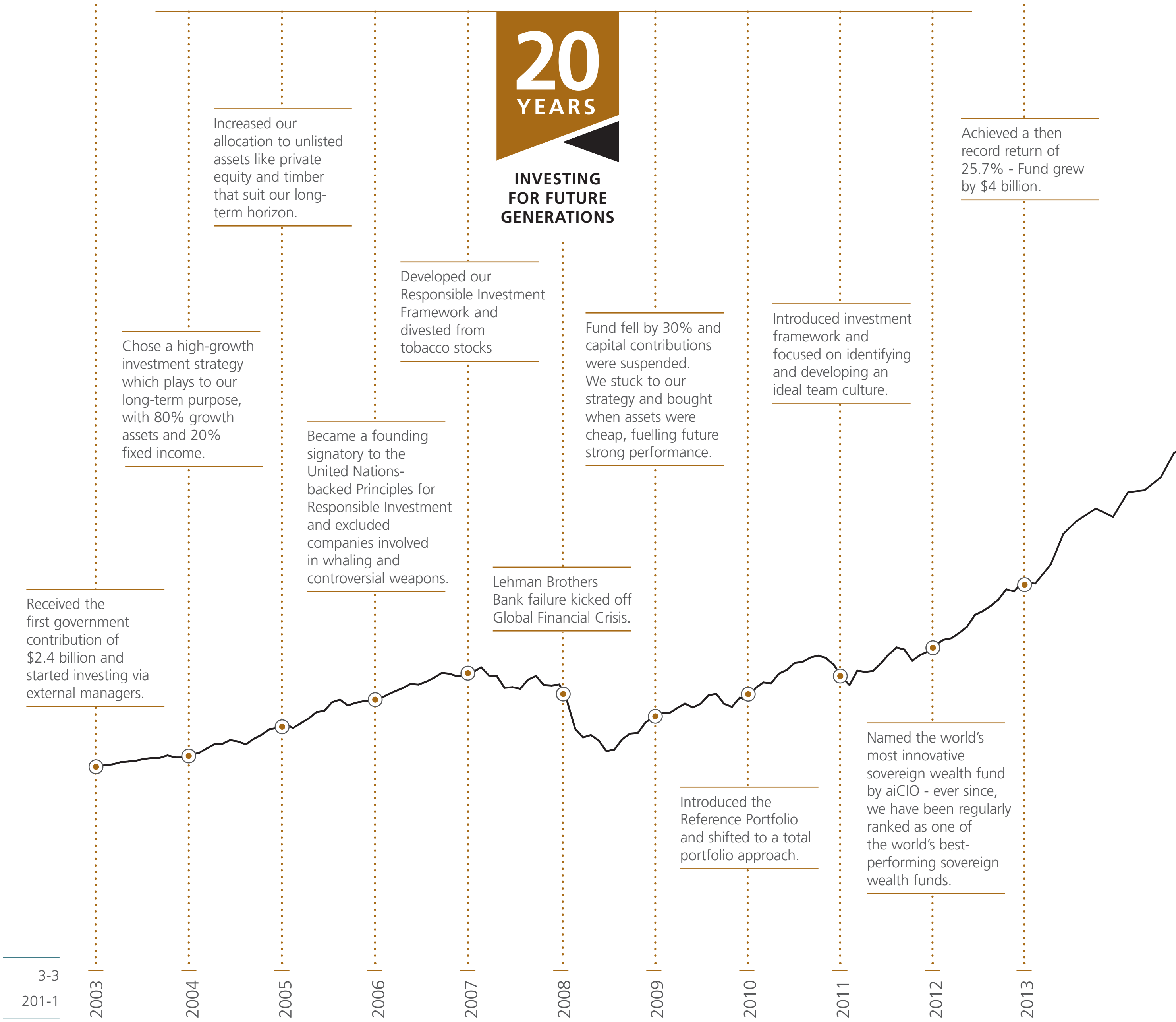
201-1

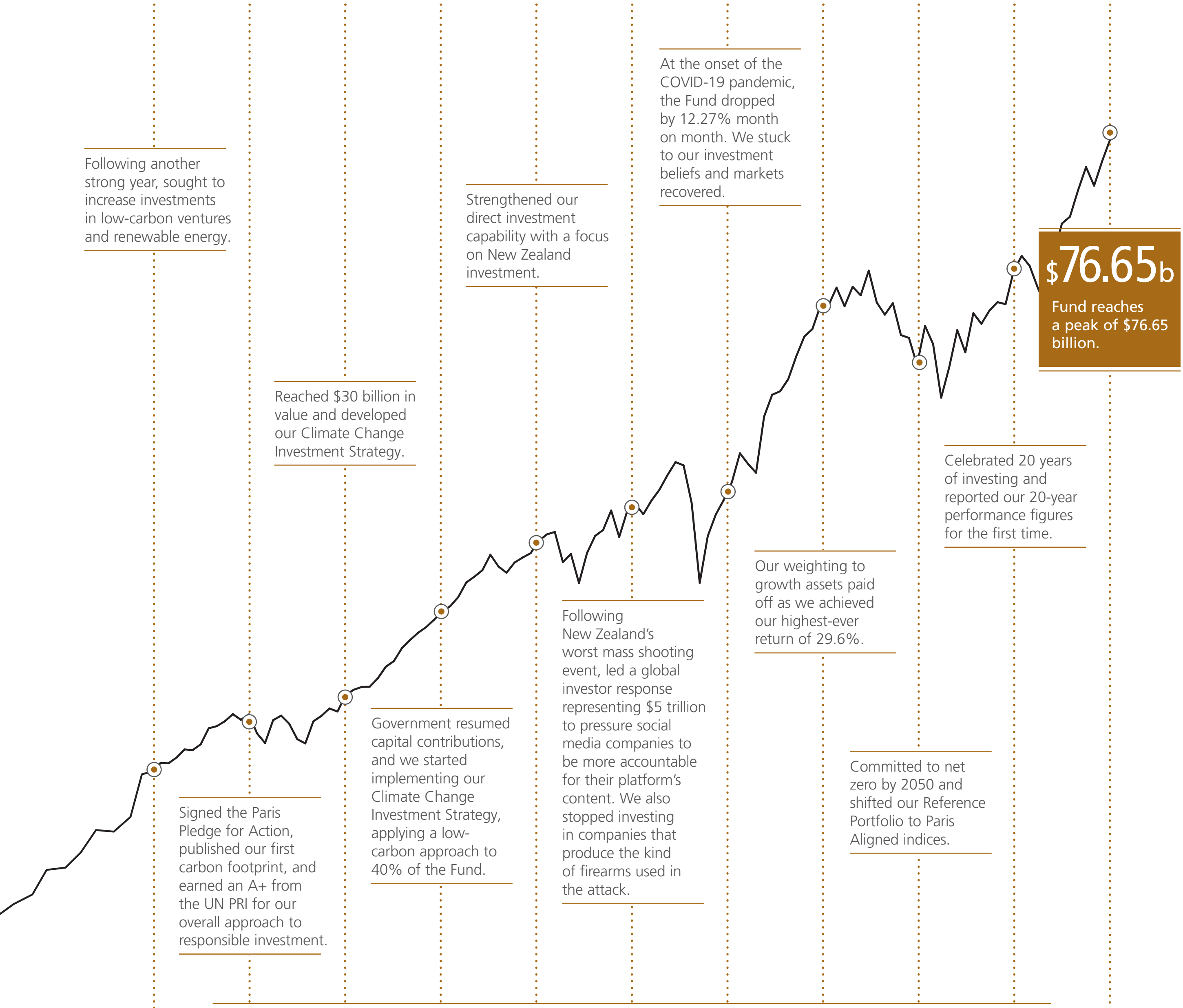
20 years of investing for future generations

WE'RE PROUD OF THE VALUE WE'VE CREATED FOR NEW ZEALANDERS SINCE WE BEGAN INVESTING THE NZ SUPER FUND IN 2003.

Our focus on the long term has enabled us to hold strong on our investment strategies and come out of market ups and downs well ahead of benchmarks. We have developed a world-leading approach with a commitment to sustainable investment.

Our team's dedication to excellence and constructive, inclusive culture have played an important role in bringing us to where we are today.





The next 20 years and beyond

THIS IS JUST THE BEGINNING, AND WE'RE LOOKING FORWARD TO WHAT THE NEXT 20 YEARS AND BEYOND WILL BRING.

Under Treasury's modelling, in 2024/25 our domestic tax payments will exceed government contributions, in 2032/33 the first withdrawals from the Fund will help fund universal superannuation, and by 2043/44 the Fund will be nearly triple its current size.

The last 20 years have been exceptional for the NZ Super Fund, with returns well ahead of expectations. We anticipate that the next 20 years might not be so beneficial to investors, but our investment approach will continue to deliver through the ups and downs.

We have worked to put a strategy in place that will help us manage the NZ Super Fund efficiently and effectively as it grows and adapt our organisation to our changing environment. See page 24 for more information on our new Guardians of the Future strategy.

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201-1

20 years of Guardians leaders

OUR PEOPLE HAVE BEEN AN IMPORTANT PART OF OUR STORY. ON OUR 20TH ANNIVERSARY OF INVESTING WE RECOGNISE THOSE WHO HAVE LED THE GUARDIANS IN BECOMING THE ORGANISATION WE ARE TODAY.

2002

DAVID MAY

David May is appointed as our first Board Chair. David and his Board are tasked with the important role of appointing a CEO and working with him to put in place our investment strategy and operating model, starting up the Guardians from scratch.

2003

PAUL COSTELLO

Paul Costello is appointed as our first CEO. Paul leads the Fund through its establishment phase and begins building a great team to set up our first investments and investment procedures, before heading to Australia to establish the Future Fund.

2007

ADRIAN ORR

Adrian Orr takes over as CEO. He leads the Guardians through the Global Financial Crisis and builds up the capabilities and culture of the Guardians, leading our organisation to become recognised as leaders on a global scale in governance, performance and sustainability.

2012

GAVIN WALKER

Gavin Walker is appointed Chair. Gavin guides the Fund through a period of significant growth and keeps the focus on the long term.

2015

CATHERINE SAVAGE

Catherine Savage is appointed Chair. During Catherine's time on the Board, the Guardians grows its investment frameworks, governance and internal capability to best-practice standards.

2018

MATT WHINERAY

Following Adrian Orr's appointment as Governor of the Reserve Bank of New Zealand, Matt Whineray is appointed CEO. Matt leads the Guardians with a focus on best international practice, doing the right thing by our people, and incorporating sustainable investment into our organisational purpose and investment strategies.

2021

CATHERINE DRAYTON

Catherine Drayton is appointed Chair. Beginning her tenure as Chair as the final COVID-19 lockdowns end, her calmness and commonsense approach help us successfully negotiate a period of considerable uncertainty for markets.

2024

JO TOWNSEND

Jo Townsend is appointed CEO.

JOHN WILLIAMSON

John Williamson is appointed Board Chair.

We look forward to the part they will play in shaping the Guardians' next 20 years.

Our year in pictures

2024

Guardians celebrate 20 years of investing with stakeholders.

The Guardians team welcome new CEO Jo Townsend. Jo is a highly-experienced CEO with a 30-year career in the Australian investment sector, most recently leading the transformation of Funds SA.

Guardians celebrate 20 years of investing with stakeholders.

Leadership Team members Mark Fennell, George Crosby and Stephen Gilmore farewell the Guardians. They have each made a major contribution to our organisation, and we wish them the very best.

HOW TO READ THIS REPORT

This Annual Report has been prepared in accordance with the 2021 Global Reporting Initiative (GRI) Standards. It describes the performance of the New Zealand Superannuation Fund ('NZ Super Fund' or 'the Fund'), the Elevate NZ Venture Fund ('Elevate') and the Guardians of New Zealand Superannuation ('Guardians'), the autonomous Crown entity that manages the funds, over the 2023/24 financial year.

The Overview of the Guardians section includes a performance summary, who we are and what we do, key achievements, our future priorities and the Statement of Performance. The remainder of the report details important aspects of the Guardians and its funds: investment performance and activities, sustainable investment, governance and the financial statements.

An overview of the report and supplementary information are available on our website. The supplementary information includes a Climate Change Report, Stewardship Report, GRI Index and a list of the NZ Super Fund's portfolio holdings as at 30 June 2024.

Previous Annual Reports are available on our website.

We welcome feedback to help us improve our reporting. Comments can be directed via email to enquiries@nzsuperfund.co.nz.

01

OVERVIEW OF THE GUARDIANS

This section provides high-level information on the purpose and mandate of the Guardians and its funds. It also features our Statement of Performance and provides detail on our workforce and operations.

02

INVESTMENT REPORTS

Following on from the information provided in the Overview, the Investment Reports provide details on the investment performance of the NZ Super Fund and Elevate.

03

SUSTAINABLE INVESTMENT REPORT

This section contains information on our sustainable investment approach and work underway. It includes a Q&A with our Head of Sustainable Investment.

04

GOVERNANCE

This section provides detailed information on the Guardians' governance structure and principles. We discuss our risk management approach and provide detail on our remuneration and discretionary incentive scheme.

05

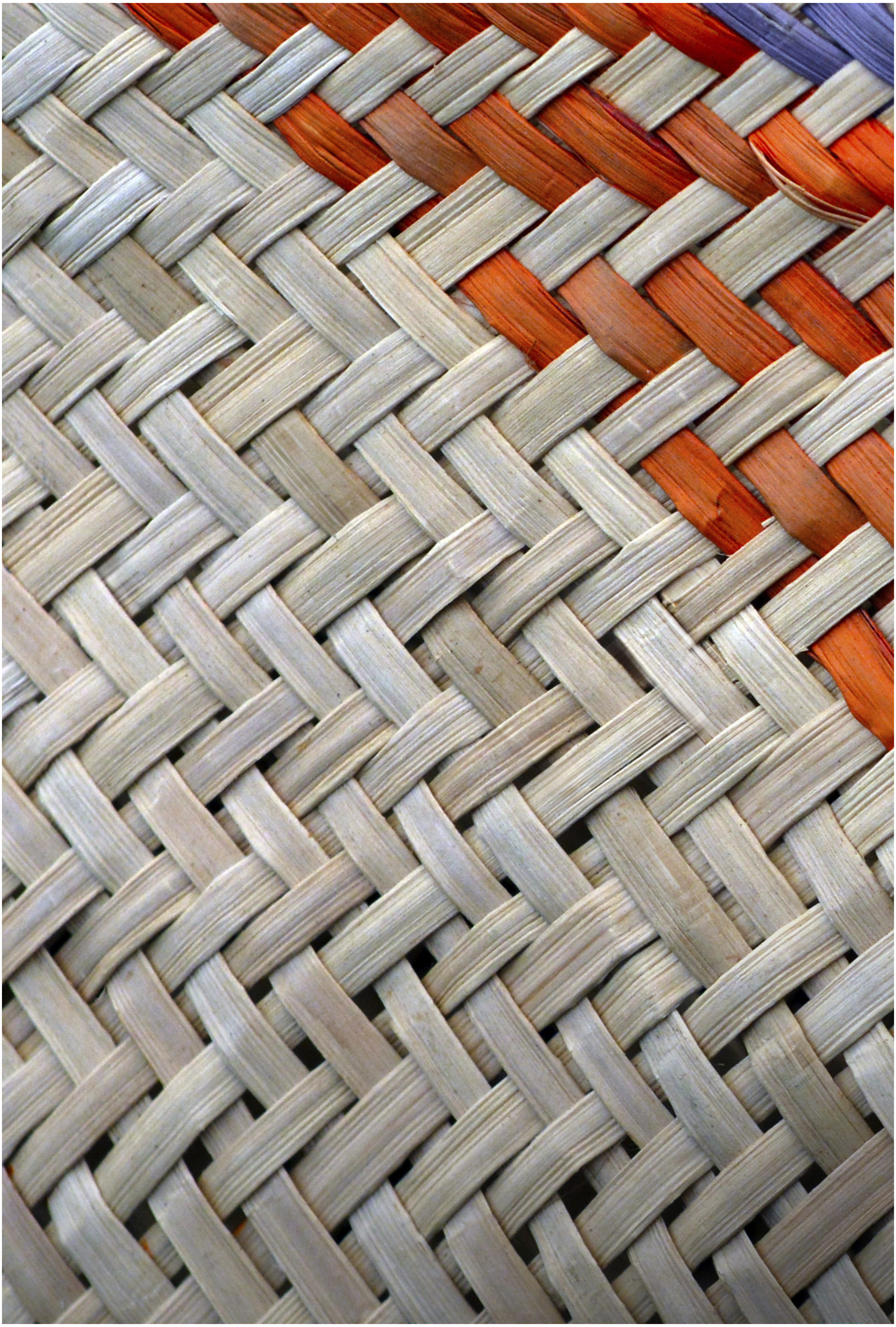
FINANCIAL STATEMENTS

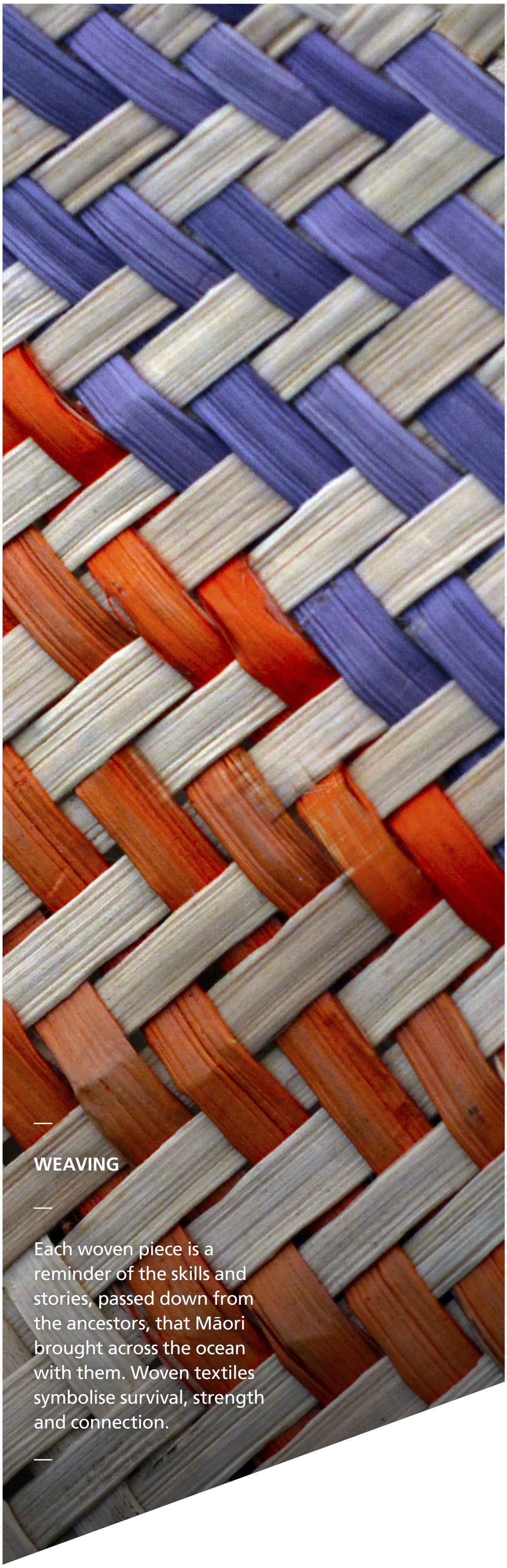
Financial statements are provided for each of the Guardians, the NZ Super Fund and Elevate. This section also provides an overview of key elements such as tax and a five-year financial summary.

06

APPENDIX

Where possible, we have tried to avoid the use of industry-specific words and language. In some cases, however, in the interest of brevity and clarity, these words are unavoidable. Industry terms are explained in our Glossary. This section also provides our compliance statements, index, and Good Employer Reporting.





WEAVING

Each woven piece is a reminder of the skills and stories, passed down from the ancestors, that Māori brought across the ocean with them. Woven textiles symbolise survival, strength and connection.

Overview of the Guardians

He Tiro Whānui ki ngā Kaitiaki me te Tahua

Our mandates

The Guardians is responsible for managing two mandates: the NZ Super Fund and Elevate.

GUARDIANS

The Guardians was established by the New Zealand Superannuation and Retirement Income Act 2001 (NZ Super Act) and manages the NZ Super Fund and the Elevate Fund.

The Guardians comprises over 240 employees. We are guided by our purpose: Sustainable investment delivering strong returns for all New Zealanders; and vision: An inclusive team creating a better future through investment excellence.

NZ SUPER FUND

The NZ Super Fund is the principal mandate and focus of the Guardians. This is a growth-oriented investment portfolio holding a mix of public and private assets around the world.

New Zealand Superannuation (NZ Super) is the government pension paid to New Zealanders aged 65 and over. Universal NZ Super is a key reason why New Zealand has low rates of poverty among over-65s compared with other age groups in our country.

Currently, the Government pays for NZ Super through taxes paid by today's taxpayers. However, because New Zealand has an ageing population, each year the proportion of New Zealanders who are over 65 and receiving NZ Super increases, and the proportion of taxpayers decreases.

In 2023/24, the Government made payments to over-65s of around $22 billion. Over the next 12 years, that's expected to roughly double. This demographic pressure is the reason the Government created the NZ Super Fund. It's a way for the Government to save now, in order to give future governments more room in their accounts to maintain NZ Super payments.

The Fund will meet a large proportion of the incremental cost increase caused by this demographic pressure, reducing the need to raise taxes or reduce other spending to maintain NZ Super. The Fund, therefore, has a smoothing effect – improving the ability of future governments to pay for NZ Super.

The Fund, which first started investing 20 years ago, is now at a point where, in a typical year, it will pay more in domestic tax than it will receive from the Government in contributions. From 2024/25 until the first drawdowns from the Fund in 2032/33, the NZ Super Fund is projected by Treasury to pay $8.8 billion more in tax than it will receive from the Government in capital contributions.

By the mid-2070s, when the NZ Super Fund is projected to be at its peak as a percentage of Gross Domestic Product (GDP), withdrawals and tax payments combined will cover approximately 19% of the total annual net cost of superannuation.

As set out in the New Zealand Superannuation and Retirement Income Act 2001 (NZ Super Act), it is our job as the Guardians to invest the NZ Super Fund on a prudent, commercial basis and in a manner consistent with:

- best-practice portfolio management
- maximising return without undue risk to the Fund as a whole
- avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

The NZ Super Fund's performance is set out in further detail on pages 45-50.

ELEVATE

The Elevate NZ Venture Fund is a government initiative established to increase the amount of venture capital available to young, innovative companies, in order to develop New Zealand's early-stage capital ecosystem and lift productivity.

Elevate is designed to support investments into New Zealand companies that have moved beyond the start-up, or 'angel' investor stage, and need capital for further development. It also encourages private investors into the domestic venture capital market by providing matching capital. Its aim is to develop the early-stage capital ecosystem in New Zealand, growing new venture capital managers and supporting innovation in the economy. The Government tasked the Guardians with overall responsibility for Elevate because of our experience as an institutional investor.

The Guardians has appointed New Zealand Growth Capital Partners Limited (NZGCP) to manage Elevate under a fund-of-funds model. 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. The Guardians' role is to oversee the management of the Elevate Fund to ensure that it is being invested in line with best practice for institutional investment in New Zealand venture capital markets.

Under the Venture Capital Fund Act 2019 (VCF Act), we must manage and administer Elevate in a manner consistent with:

- a policy statement released by the Government on 19 December 2019
- avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

Elevate's performance is set out in further detail on pages 69-72.

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2-2
2-6

NEW ZEALAND GOVERNMENT

The Guardians is accountable to the Government, but as an autonomous Crown entity, it is legally separate and operates with 'double arm's-length' independence.

GUARDIANS OF NEW ZEALAND SUPERANNUATION

The Guardians is the Auckland-based manager of the Funds.

Funds eventually returned to the Government via scheduled capital withdrawals.

Funds returned to the Government when the Fund is eventually wound down.

NZ GROWTH CAPITAL PARTNERS

NZSUPERFUND
Te Kaitiaki Tahua Penihana Kaumātua o Aotearoa

NEW ZEALAND SUPERANNUATION FUND

Managed by the Guardians, set up to partially pre-fund the future cost of superannuation.

ELEVATE NZ VENTURE FUND

ELEVATE NZ VENTURE FUND

Managed externally by NZ Growth Capital Partners through a fund-of-funds model, set up to develop New Zealand's venture capital markets.

Each of the Funds is a pool of assets on the Government's balance sheet.

The Crown may also receive amounts from the Funds by way of tax payments.

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STATEMENT FROM THE CHAIR
TE TAUĀKĪ A TE TOIHAU

JOHN WILLIAMSON
CHAIR

Tēnei te tāpae i taku Pūrongo ā-Tau tuatahi hei Toihau mō ngā Kaitiaki i roto i te manawarū. E tohu ana te pūrongo o tēnei tau i te tuatahitanga o tō mātou wātea ki te whakapūrongo i ngā raraunga moroki mō te whai hua i ia 20 tau, ā, e tōkeke ana taua wā e whakawātia ai te whai hua o te Tahua, ki tā mātou titiro.

I ngā tau e 20 tae atu ki te 30 o Hune, 2024, kua 10.03% i te tau te nui o ngā hua haumi, i muri i te utunga o ngā nama, ā, i mua i te tāke ā-motu - kei runga noa atu tēnei i tā mātou i whakapae ai. Kia mōhiotia, kua $49.86 piriona te tuhene o ngā hua haumi kua hoki mai ki te Tahua i ngā Treasury Bill i roto i aua 20 tau (he inenga tēnei i te utu ki te Kāwanatanga mō te tuku pūtea ki te Tahua, tē whakaheke kē ai i te nama), ā, $17.28 piriona te tuhene i te paeraro o te Paerewa Tūāpapa e takoto noa ana. He hua ēnei e rite ana ki ō ngā ōhanga angitu o te ao, e āta whakaatu ana i tā te Tahua whakatutuki i te take i whakatūria ai ia.

Kua puta te huringa ā-reanga ki ngā Kaitiaki me te Tahua i tēnei tau pūtea. I poroporoaki mātou i a Matt Whineray i a Tīhema, 2023, ā, i te marama o Āperira, 2024, ka whakatauria a Jo Townsend, te kopounga tuatahi nō waho, ki te tūranga o te Tumu Whakarae mai i tō Adrian Orr i te tau 2007.

Ko te kopou i te Tumu Whakarae tētahi o ngā mahi tino whakahirahira a te Poari, ā, nā te noho a Paula Steed hei Tumu Whakarae Whakakapi i taea ai e te Poari te āta whakahaere tana tukanga kimi kaimahi kia ngaio. Tēnei te mihi ki a Paula me ērā atu o te ohu arataki i tā rātou tautoko.

Ahakoa e tika ana kia whakahīhī tātou i te whai hua o te Tahua me te ahurea kua whakawhanakehia i ngā Kaitiaki, e wātea ana tētahi tino huarahi ki a tātou kia arotakehia ngā mahi e whai hua ana me ngā mahi ka taea te whakamāmā, ka taea rānei te whakarerekē.

E tae mai nei a Jo ki te rōpū whakahaere me tāna tirohanga hou, tae atu ki tana angitu ki te whakawhanake ohu kia neke noa atu tā rātou whakatutuki mahi i te taumata e wawatahia ana; ki te whakakaha hoki i ngā hononga tāngata. E āritarita ana mātou ki te mahi tahi ki a ia i ngā Kaitiaki ka kuhu ki tōna tekau tau tuatoru.

I tēnei tau pūtea hoki, i wehe ētahi anō mema tokotoru o te ohu arataki, a George Crosby rātou ko Mark Fennell, ko Stephen Glimore. Kua tino kaha te whai wāhi mai a tēnei tokotoru me Matt ki te whakatupu i te ahurea o ngā Kaitiaki me te angitu o te Tahua, waihoki, ko te tūmanako ka nui ngā hua ki a rātou.

Nā ēnei panonitanga i āta kitea ai te hiranga o tā tātou whai tikanga piki tūranga e pūmau ana. Hei wāhanga mō tēnei, he wāhi tāpua tō te āta whai kia whakapakari ngā tāngata i roto i te whakahaere i ō rātou pūkenga, kia whakawhānui hoki rātou i ō rātou mōhiotanga, e whanake tonu ai ō rātou aramahi; koinei tētahi āhuatanga ka whakamātāmuahia e te Poari me te ohu whakahaere i ngā tau e tū mai nei.

I am delighted to present my first Annual Report as Chair of the Guardians. This year's report marks the first time we can report rolling 20-year performance data, a time period which we view as a fair one on which to judge the Fund's performance.

Over the 20 years to 30 June 2024 the Fund has returned 10.03% p.a. after costs and before domestic tax – well ahead of expectations. Notably, the Fund has earned $49.86 billion more than the return on Treasury Bills over those 20 years (a measure of the cost to the Government of contributing to the Fund instead of reducing debt), and $17.28 billion more than its passive Reference Portfolio benchmark. These are world class results that clearly demonstrate the Fund is meeting its mandate.

This financial year has been one of generational change for the Guardians and the Fund. We farewelled Matt Whineray in December 2023 and in April 2024 we welcomed Jo Townsend, the first external appointment to the CEO role since Adrian Orr in 2007.

Appointing a CEO is one of a Board's most important tasks, and having Paula Steed as Acting CEO meant the Board could take the time to carry out a thorough recruitment process. I'd like to thank Paula and the rest of the leadership team for their support.

While we can be justifiably proud of the Fund's performance record and of the culture we have developed at the Guardians, we now have an excellent opportunity to review what's working well and what can be simplified or done differently.

Jo brings a fresh pair of eyes to the organisation and a track record of success in developing high-performing teams and building relationships. We look forward to working alongside her as the Guardians enters its third decade.

The year also saw the departure of three other members of the leadership team, George Crosby, Mark Fennell and Stephen Gilmore. These three, and Matt, have made a significant contribution to the culture of the Guardians and the success of the Fund, and I wish them the very best.

These changes have emphasised the need for us to have strong leadership succession practices in place. As part of this, enabling people across the organisation to improve their skills and increase their knowledge plays a crucial part in fostering their continuing career development; this is something Board and management will place a high priority on in the coming years.

In March, Catherine Drayton stepped aside from the Board following five years of service, three as Chair. Catherine's tenure as Chair began as the final COVID-19 lockdowns ended. Her calmness and commonsense approach helped

I a Māehe, ka makere a Catherine Drayton i te Poari i muri i te rima tau, i ngā tau e toru o ērā, ko ia te Toihau. I tīmata te tūranga o Catherine hei Toihau i te wā e mutu haere ana te noho taratahi o Kowheori-19. Nā tana mauri me ana tikanga whai māramatanga i puta ai ō tātou ihu i ngā wai karekare o taua wā rā o te pāhekeheke. Kua rawe te mahi tahi atu ki a ia.

I a Āperira, ka whakatauria a Hinerangi Raumati-Tu'ua MNZM ki te Poari.

Kei roto i te whakapapa o ngā Kaitiaki me te Tahua ā mohoa ētahi tāngata whakahirahira kua whai wāhi nui mai ki tō mātou angitu.

Heoi, e tika ana hoki kia arohia ngā āhuatanga o te ao tahua i noho rā hei pūtake mō taua angitu, arā, ko te mārama o te whakahau ahumoni e here nei i a mātou, ko tō mātou anga hautūtanga e pakari ana, me te motuhake o ngā whakahaere; ko ō mātou mātāpono e pā ana ki te haumi pūtea e whai ana kia whai hua i ō mātou painga ā-whakataetae; waihoki, ko te mea nui katoa, ko ngā uara e noho ana hei tūāpapa mō tō mātou ahurea ā-whakahaere e rawe ana.

I ngā marama tōmua o tēnei tau, ka oti i a mātou te mea hou katoa o ā mātou arotake motuhake ka tū i ia rima tau i whakaritea rā e Te Tai Ōhanga mā te Karauna.

I tino pai te kōrero whānui me ngā hua o tā WTW arotake. I tā rātou pūrongo, ka puta te kōrero mō te mutunga mai o te pakari o te tū o te Tahua i waenga i ōna momo, ā, ka whakaahuangia tā mātou tukanga haumi hei tukanga inati i te ao whānui. E ai hoki ki te arotake, e rawe ana tā ngā Kaitiaki tauira hautūtanga, ā, ka mihia ā mātou tikanga tino kaha e whāngai ana i tētahi ahurea ā-whakahaere e whai take ana.

Ahakoa ōna kōrero e pā ana ki te eke o tā ngā Kaitiaki whakahaere i ana āhuatanga ki ngā taumata ā-ao mō ngā tikanga pai katoa, i tautuhia hoki i te pūrongo a WTW ētahi uauatanga kei mua i ō mātou aroaro, nō mātou ka whai kia ōrite tērā ekenga, kia pai ake rānei ā mātou mahi ā mohoa. Ko ētahi o aua uauatanga, ko ngā tūraru e pā ana ki te ao tahua, pērā i ngā tūraru ā-āhuarangi me ngā tūraru e pā ana ki te korenga o te ōritetanga, tae atu ki ngā tikanga pai katoa o te pūtea tūmau e tere panoni haerehia nei.

E kaha ū tonu nei ngā Kaitiaki ki tētahi ara e whai ana kia tūmau te pūtea, tae atu hoki ki tā mātou whāinga kia whakakorehia te haurehu kati mahana i mua i te tau 2050, ka mutu, e pai tonu ana tā mātou koke ki te whakatinana i tā mātou rautaki haumi pūtea mō te panonitanga āhuarangi. Tēnei au ka whakatairanga i tā mātou Pūrongo mō te Panonitanga Āhuarangi o te tau 2024, e wātea ana ki tā mātou pae tukutuku hei pānui mā te marea.

Kua wātea te Tahua kia whai pānga e riro ai te mana whakahaere i roto i ngā kamupene e haumihia ana i muri i te whakakorenga o te wāhanga 59 o te ture mō mātou. I ora ō mātou ngākau i te whānui o te tautoko a ngā tini whakahaere i te pire hei whakakore i te wāhanga 59 i tae mai. Ahakoa kāore e kaha rerekē te āhua o tā mātou haumi pūtea i tēnei āhuatanga, nāna e māmā ake ai tā mātou whakahaere i tā mātou huinga haumitanga.

E whiwhita ana te ngākau i te kaha o te whai hua tonu o te Tahua me te āhua o te tupu o ngā Kaitiaki hei whakahaere. Hei māngai mō te Poari, tēnei au ka mihi ki te ohu katoa i ā rātou mahi i te tau kua hori, ki tā rātou ū tonu hoki ki te whakatutuki i te whakahau e here nei i a mātou, ki te whakatutuki hoki i tā mātou whāinga.

us successfully negotiate what was a period of considerable uncertainty. It has been a pleasure to work with her.

In April, we welcomed Hinerangi Raumati-Tu'ua MNZM to the Board.

The story of the Guardians and the Fund features some exceptional individuals who have had a significant impact on our success.

It is also important, however, to acknowledge the systemic factors that have underpinned this success. In particular, our clear commercial mandate, strong governance structure, and operational independence; an investment philosophy that capitalises on our competitive advantages; and, most importantly, the values that underpin a fantastic organisational culture.

Earlier this year, we completed the latest of our five-yearly independent reviews, commissioned by Treasury on behalf of the Crown.

The overall tone and findings of WTW's review were extremely positive. Their report said the Fund stands exceptionally strongly amongst its peers and described our investment process as globally exceptional. It also rated the Guardians' governance model as excellent and noted our very strong practices in supporting an effective organisational culture.

While concluding that the Guardians continues to operate at global best-practice levels, WTW's review also identified a number of challenges as we seek to maintain and improve upon our record to date. These challenges range from systemic risks, like climate change and inequality risk, to rapidly evolving best practice in sustainable finance.

We are strongly committed to a sustainable finance approach, including our net zero by 2050 goal, and continue to make good progress in implementing our climate change investment strategy. I commend our 2024 Climate Change Report, available on our website, to readers.

The Fund is now able to take a controlling interest in investee companies, following the repeal of section 59 of our legislation. We were very encouraged by the broad multi-partisan support the bill to repeal section 59 received. While this will not lead to significant changes in our approach to investing, it will give us additional flexibility to manage our portfolio.

I am heartened by the Fund's continuing strong performance and by the way the Guardians continues to mature as an organisation. On behalf of the Board, I would like to thank the whole team for their work over the past year and for their ongoing commitment to meeting our mandate and achieving our purpose.

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STATEMENT FROM THE CHIEF EXECUTIVE
TE TAUĀKĪ A TE TUMU WHAKARAE

JO TOWNSEND
CHIEF EXECUTIVE

Nā te mea i hono mai au ki ngā Kaitiaki i mua tata i te hauwhā whakamutunga o te tau pūtea kua hori, e whakatinana ana taku pūrongo tuatahi hei Tumu Whakarae i te uara o te Toa Takitini, kaua te Toa Takitahi - koinei tētahi āhuatanga e noho nei hei mātāpono matua mō tēnei whakahaere, e ai ki tāku i mātaki ai.

Kua manawarū nei te ngākau i te whakahoahoatanga atu ki te ohu me te tūtakitaki atu ki te tokomaha o ō mātou hoa pakihi me ngā hunga whai pānga o te Kāwanatanga. E rikarika ana au ki te tūtaki ki ētahi anō hunga whai pānga i ngā marama e tū mai nei.

Kua whakatairitea te Tahua ki ngā tahua tino whai hua o te ao whānui, kaua i ana hua ā-pūtea noa iho, engari i te āhua o tana hautū me te toitūtanga. I tēnei tau, i tohua ko mātou me tētahi atu tahua ngā whakaihuwaka o ngā tahua katoa mō tā mātou hautūtanga, mō te toitūtanga me te aumangea e te whakahaere e aromātai ana i ngā Sovereign Wealth Fund me ngā Public Pension Fund e tuhene ana i te 400, e GlobalSWF.

I te 30 o Hune, 2024, ko te $76.65 piriona te uara teitei katoa ā mohoa o te Tahua Penihana Kaumātua o Aotearoa. He pikinga tērā i te $65.40 piriona o te kotahi tau o mua, e takea ana i te hua haumi o te 14.90% (i muri i te utunga o ngā nama, i mua i te tangohanga o ngā tāke ā-motu) mō te tau. He āpitihanga tēnei, e 9.29% tōna uara, ki te hua haumitanga e hoki mai ana i ngā pire a Te Tai Ōhanga (he nama kua tukua e te kāwanatanga), e whakaata nei i te utu o te tuku pūtea a te kāwanatanga ki te Tahua.

Pērā anō i te āhuatanga o te tau 2022/23, kua puta ngā hua nunui o tēnei tau i ngā haumitanga a te Tahua ki ngā tauhokohokonga tūtanga ā-ao, mōrea iti mai, mōrea nui mai hoki, e noho nei ko ērā te 46.4% o te huinga matua. Ka kitea ētahi anō pārongo mō ngā whakaawenga o te whai hua nui i tā mātou pūrongo mō Ngā Mahi Haumi i ngā whārangi 45-50.

I paku iti iho te Tahua katoa i ngā hua haumi i tohua rā e te paeraro mō tā mātou Paerewa Tūāpapa e takoto noa ana, 15.13% nei ōna hua.

He rite tērā hua ki ō ētahi atu tau, i nui ake ai ngā hua o ngā wāhi tauhokohoko tūmatanui e kaha ana, i ngā rautaki mō ngā haumitanga mōrea nui i roto i te wā poto; ka mutu, kua waihangā ā mātou rautaki mō ngā haumitanga mōrea nui kia hāngai ki te pae tawhiti o te haumitanga, e roa ake ai te wā e kitea ai ngā hua o aua rautaki. I te rima tau, i te tekau tau, i te rua tekau tau anō hoki, kua māmā noa te eke a te Tahua ki tua atu o te paeraro o te Paerewa Tūāpapa; ā, i te roanga o te Tahua, nā te whai kia mōrea nui ngā haumitanga, kua $17.28 piriona te nui ake o ngā hua, tēnā i ngā hua kua riro mēnā i whāia te huarahi kia mōrea iti.

Ko te nuinga o te tupuranga i ngā tūtanga ā-ao kua puta i tētahi huinga iti o ngā pānga hangarau. E raru ana ētahi atu kamupene maha, ā, e pā tonu nei ngā āwangawanga mō ngā momo take, pērā i ngā pōti i Amerika e kainamu mai ana, i ngā whakapōreareatanga ki ngā ara tukutuku rawa taketake, i te rere

Having joined the Guardians almost three-quarters of the way through the past financial year, my first report as CEO epitomises the value Team Not Hero – something that I have observed is very much part of the fabric of this organisation.

I have thoroughly enjoyed getting to know the team, as well as meeting many of our business partners and key Government stakeholders. I look forward to meeting more of our stakeholders in the months ahead.

The Fund is rated amongst the top performing funds in the world, not just for its financial returns but also for its approach to governance and sustainability. This year, GlobalSWF, an organisation that monitors more than 400 Sovereign Wealth Funds and Public Pension Funds, ranked us equal first among all funds for our governance, sustainability and resilience.

At 30 June 2024, the NZ Super Fund was worth a record $76.65 billion, up from $65.40 billion a year earlier, based on a return of 14.90% (after costs, before NZ tax) for the year. This is a 9.29% premium to the return on NZ Treasury bills (government-issued debt), which represents the cost to the government of contributing to the Fund.

As was the case in 2022/23, this year's strong result was largely driven by the Fund's investments in global equity markets, both passive and active, which make up 46.4% of our actual portfolio. Further information on the drivers of the strong performance can be found in our Investment Performance report at pages 45-50.

The Fund as a whole fell just short of the returns posted by our passive Reference Portfolio benchmark, which returned 15.13%.

The result was similar to other years in which strong public markets outperformed active strategies over a short time period; our active strategies are of course designed to leverage our investment horizon and play out over longer periods. Over five, 10 and 20-year periods, the Fund has comfortably exceeded the Reference Portfolio benchmark; and over the Fund's lifetime, taking an active approach to investment has generated $17.28 billion more than a passive approach would have done.

Much of the growth in global equities has been generated by a small subset of technology stocks. Many other companies are struggling, and concerns about issues ranging from the upcoming elections in the US to further disruptions to commodity supply chains, the continuing conflicts in Ukraine and Gaza and the tension between China and the US continue to cast a long shadow over markets around the world.

We continue to take a long-term view and remain confident that the Fund is well positioned to take advantage of market tonu o te riri i Ukureina me Kāha, tae atu ki ngā tohe i waenga i a Haina me Amerika, ki ngā wāhi tauhokohoko puta noa i te ao.

E aro tonu ana mātou ki te pae tawhiti, ā, e ū nei te māia i roto i a mātou mō te pakari o te tū a te Tahua e whai hua ai i te kounu o te wāhi tauhokohoko i tana tū hei kaihaumi ka papare i ngā huringa ā-ōhanga, ānō he tōrea ka tatari ki te whatinga o te tai, me ana moni e rawaka ana, e pūmau ana anō hoki.

I muri i ngā kupu āwhina nui a te ohu whakahaere me te Poari, kua kōkiritia tētahi rautaki ā-whakahaere hou, arā, ko Ngā Kaitiaki o te Anamata, ka ārahi i ā mātou mahi i ngā tau kei te heke mai. I raro i tēnei rautaki, ka whakapaua ō mātou kaha ki ngā kaupapa e whā: Ko te whakapakari i ō mātou huarahi haumi; ko te arotau ki tō mātou whakahaere; ko te whakanui i te pitomata o te ohu me te ahurea; me te whakapai ake i te whai wāhitanga ki tai. Kei raro i ēnei upoko e whā ētahi momo kaupapa ka whakapai ake i tā mātou kohi me tā mātou whakamahi i ngā raraunga haumitanga, ka whakapai ake i te urunga o ngā hangarau hou ki ā mātou tukanga o ia rā, ka tautoko hoki i te uara o te noho hei kaimahi. Ko tētahi mea hei arotahi mā te ohu whakahaere o ngā Kaitiaki, ko te āhua o tā mātou whakamahi i te hangarau ki te whakapai ake i te āhua o tā mātou mahi me te huarahi e puta ai ngā whakatau. Hei tauira, e whakamātautau ana mātou i te whakamahinga o ngā hangarau whakaputa atamai hangahanga (AI) hei āwhina i a mātou i roto i ā mātou mahi. Ka whakamāramahia e mātou ngā taipitopito o tā mātou rautaki hou i ngā whārangi 24-25.

Mā ēnei kaupapa mātou e noho takatū ai ki te whakatau i tētahi whakataranga: te āhua o tā mātou whakawhānui me te whakamarohi i te whakahaere nā runga i te huaruatanga o te Tahua e matapaetia ana hei ngā tau 10-12 e tū mai nei. Ina koa, e arotahi ana mātou ki te āhua o tā mātou panoni i ngā āhuatanga e tika ana kia panonitia me te mau tonu o te ahurea me te āhua ā-whakahaere i angitu ai mātou, e tū nei hoki mātou hei taunga e paingia ana e te kaimahi tino pai. E tino hāngai ana tēnei i te mea kua tere tupu ngā Kaitiaki i roto i ngā tau tata kua hori; i tāpirihia te 25 ki tō mātou tokomaha i tērā tau.

Mā ngā tūtohunga e ara ake ana i te arotake motuhake i raro i te ture ka tū i ia rima tau e ārahi tā mātou ahu whakamua. He rawe te kite ake i te hāngai o te maha o ngā tūmahi i tūtohua ai i te pūrongo ki ngā kaupapa e rere ana i tēnei wā me ngā kaupapa hei arotahi e takoto ana ki tō mātou anga whai rautaki. Ka kōrerohia ngā tūtohunga o te arotake motuhake i te whārangi 101 me te āhua o te hāngai o ērā ki tā mātou rautaki mō ngā Kaitiaki o te Anamata i te whārangi 102.

E poho kererū nei au i taku whai wāhi ki tēnei ohu rawe: e taurite ana ngā Kaitiaki me te Tahua Penihana Kaumātua o Aotearoa ki te kairangi ā-haumitanga. E rikarika ana au ki te whakapau kaha e angitu anō ai te kaupapa mā te hunga utu tāke o Aotearoa hei ngā tau e heke mai nei.

dislocations as a counter-cyclical, opportunistic investor with stable and sufficient liquidity.

After much input from management and the Board, we have put in place a new organisational strategy, Guardians of the Future, which will guide our work in the years to come. Under this strategy we will focus our efforts in four areas: Strengthen our Investment Approach; Optimise our Organisation; Maximise our Team and Culture's Potential; and Enhance our External Presence. Under these four headings sit a range of initiatives that will improve our collection and use of investment data, better integrate new technology into our everyday processes and support our employee value proposition. A major focus for Guardians management is how we can utilise technology to improve the way we work and make decisions. For example, we are trialling the use of generative AI tools to assist us in our work. We explain our new strategy in more detail on pages 24-25.

These initiatives will help us meet an important challenge: how we will scale and optimise the organisation given the projected doubling in Fund size over the next 10-12 years. In particular, we are focused on how we can make the necessary adaptations without losing the culture and organisational character that has made us both successful and a place where very good people want to be. This is particularly relevant as the size of the Guardians has grown rapidly over recent years; we added 25 to our headcount in the last year.

The recommendations arising from our five-yearly independent statutory review will also inform our future direction. It was encouraging to see that many of the report's recommended actions matched the initiatives we are currently working on and the focus areas laid out in our strategic framework. We discuss the independent review recommendations on pages 101 and how they align with our Guardians of the Future strategy on page 102.

I am proud to be a member of this great team: the Guardians and the NZ Super Fund are bywords for investment excellence. I look forward to contributing to further success on behalf of New Zealand taxpayers in the future.

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BOARD MEMBERS

JOHN WILLIAMSON
BA, LLB, LLM, CMInstD

CHAIR OF THE BOARD
APPOINTED TO THE GUARDIANS' BOARD IN 2016
Committees:
Audit & Risk
People & Culture

HENK BERKMAN
PhD, MCom

APPOINTED TO THE GUARDIANS' BOARD IN 2018
Committees:
Audit & Risk
People & Culture

DAVID MCCLATCHY
BCom

APPOINTED TO THE GUARDIANS' BOARD IN 2021
Committee:
Audit & Risk

FIONA OLIVER
LLB, BA, CFInstD

APPOINTED TO THE GUARDIANS' BOARD IN 2023
Committee:
People & Culture (Chair)

DOUG PEARCE
BCom, ICD.D

APPOINTED TO THE GUARDIANS' BOARD IN 2016
Committee:
Audit & Risk (Chair)

HINERANGI RAUMATI TU'UA
MNZM, BMS, MMS

APPOINTED TO THE GUARDIANS' BOARD IN 2024
Committee:
Audit & Risk

CHANGES TO THE BOARD

Chair Catherine Drayton stepped down from the Board in March 2024 and was replaced as Chair by existing Board member John Williamson. A new Board member, Hinerangi Raumati Tu'ua, was appointed to the Board in April 2024.

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For full bios of our Board members, see pages 88-89.

LEADERSHIP TEAM

JO TOWNSEND
BMathFin

CHIEF EXECUTIVE OFFICER

Areas of responsibility:
General management of the Guardians under delegation from the Board.

MIKA AUSTIN
BA, LLB

GM PEOPLE & CULTURE

Areas of responsibility:
People and performance, culture, administration.

ALEX BACCHUS
MSc, BE (Hons)

ACTING CHIEF INVESTMENT OFFICER

Areas of responsibility:
Asset allocation, strategic tilting, data analytics, sustainable investment, external investments and partnerships, direct investment.

CRISTINA BILLETT
LLB (Hons)

GM CORPORATE AFFAIRS

Areas of responsibility:
Board secretariat, communications, legal.

BRAD DUNSTAN
BCom, PGDipMgt

ACTING GM PORTFOLIO COMPLETION

Areas of responsibility:
Treasury operations, including passive exposure, currency overlay, liquidity management and portfolio rebalancing, portfolio investments.

MICHAEL MITCHELL

CHIEF RISK OFFICER

Areas of responsibility:
Enterprise risk, records management, portfolio risk, data services, operational compliance, model risk and operational due diligence.

DAVID SARA
BMS (Hons), MBS (Dist)

GM TECHNOLOGY

Areas of responsibility:
Business solutions, cloud operations, service desk, data technology, cyber security.

PAULA STEED
BCA, CA

GM STRATEGY AND SHARED SERVICES

Areas of responsibility:
Investment operations, financial control, financial reporting, tax, external audit process and corporate strategy.

CHANGES TO THE LEADERSHIP TEAM

The Guardians appointed a new CEO, Jo Townsend, in April 2024, and a new Chief Risk Officer, Michael Mitchell, in August 2024. Previous CEO Matt Whineray, Chief Investment Officer Stephen Gilmore, GM Portfolio Completion George Crosby, and GM Risk Mark Fennell, resigned in 2023/24.

For bios of our Leadership Team, visit:
nzsuperfund.nz/nz-super-fund-explained-management/leadership-team

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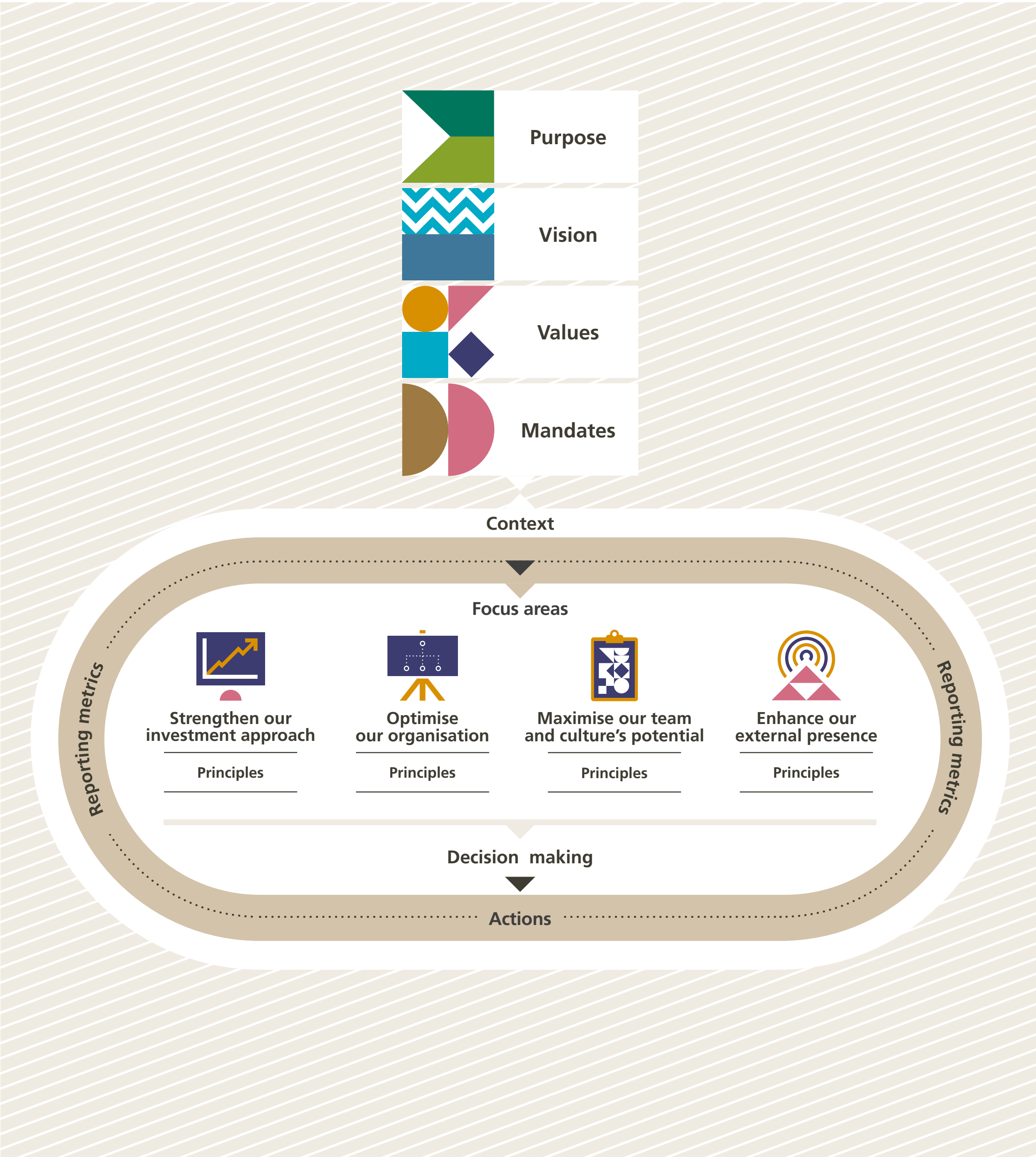
Strategic framework

GUARDIANS

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

Throughout the 2023/24 financial year the Guardians' Board and management undertook a programme of work to design the 'Guardians of the Future'. Our goal was to clearly articulate how we will pursue our purpose and vision in the years ahead and design the organisation to deliver this.

A key milestone was the adoption of our revised Strategic Framework, approved by the Board in April 2024. This Framework represents an evolution of our previous approach and supports the delivery of our purpose, achievement of our vision, reinforcement of our values and fulfilment of our mandates.



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Our context

Understanding our context is key – this will change over time as the environment around us changes and the organisation evolves. This means an ongoing, regular assessment of the context is required so that we can respond and adapt as things change.

Focus areas

Focus areas are our response to our context and are designed to complement and interact with each other. They represent areas that we believe are strategically fundamental to the Guardians and where resource and effort should be allocated.

Principles

Within each focus area we identify a set of principles, which articulate our preferred way of operating. They provide guardrails to ensure clarity and consistency in our decision-making.

The principles are not intended to be absolutes, and do not preclude us from making different choices. They do, however, raise the hurdle required to make a different choice.

The principles underpin our business planning activity, ensuring that the decisions we make around resource allocation are directly and consistently understood, applied and aligned across the Guardians.

Decision-making

Decision-making is designed to maximise our potential at any point (rather than being decided up-front when planning, sometimes years in advance).

Decision-making is informed by our context (what we must potentially respond to); our focus areas (what is most important to us and, within that, what choices we have); and our principles (our preferred way of operating). Further support for decision-making is provided through our tools and frameworks such as the Risk Assessment Framework.

Achieving our purpose

Achieving our long-term purpose requires strong leadership; a shared understanding among employees 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 business performance through compensation, performance management, and leadership and coaching.

Focus area	Meaning
Strengthen our investment approach	Strengthening our investment approach involves continuing to review and enhance our investment framework, including how it is implemented, to ensure it is appropriate both for the present and for the future – in terms of managing a larger fund and considering potential future changes in our context.
Optimise our organisation	As the Guardians grows and our operating context evolves, we will continually review and improve processes, systems and ways of working that support our organisation, enabling it to remain resilient, adaptable and scalable.
Maximise our team and culture's potential	The Guardians' team and culture are strategic assets that enable our organisation to evolve and grow. Maximising our team and culture's potential requires ongoing monitoring and investment to preserve and develop the elements that build value and are additive.
Enhance our external presence	Our reputation, networks and continued stakeholder support have been core to our success. Focusing on our networks and stakeholders provides access to investment opportunities, top talent, and market-leading peers and suppliers, and creates opportunities to respond to systemic risks.

NZ SUPER FUND

The Guardians' role is to invest the NZ Super Fund on behalf of the Government, in order to help pay for the increasing cost of universal superannuation entitlements in the future. We need to make choices for how we best fulfil this role. Our founding legislation and strategic framework help guide these choices.

ELEVATE

The Guardians has a governance and oversight role in relation to Elevate, helping to ensure the Fund is being invested in line with best practice for institutional investment in New Zealand venture capital markets. As was anticipated in the Venture Capital Fund Act 2019, we appointed New Zealand Growth Capital Partners Limited (NZGCP) as the external manager for Elevate. Our Investment Report for Elevate is on pages 69-72.

As the purpose of each mandate is different, we have specific measures to understand our performance against each. These measures, and our performance against them, are outlined within this Statement of Performance on pages 27-31. 2-12 2-14

THE ULTIMATE GOALS

GUARDIANS

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

OUR PURPOSE IS

SUSTAINABLE INVESTMENT DELIVERING STRONG RETURNS FOR ALL NEW ZEALANDERS

OUR VISION IS

AN INCLUSIVE TEAM CREATING A BETTER FUTURE THROUGH INVESTMENT EXCELLENCE

Our Strategic Framework, summarised in the previous section, sets out how we will focus our organisational resources and energy to achieve these long-term outcomes. The *Measuring our performance* section (pages 27-31) 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.

FOCUS AREAS

STRENGTHEN OUR INVESTMENT APPROACH	OPTIMISE OUR ORGANISATION	MAXIMISE OUR TEAM AND CULTURE'S POTENTIAL	ENHANCE OUR EXTERNAL PRESENCE

NZ SUPER FUND

Strategic objective (outcome):
To help pre-fund the increasing cost of superannuation in the future. In doing this the NZ Super Fund adds to Crown wealth, improves the ability of future governments to pay for superannuation, and ultimately increases inter-generational equity by reducing the tax burden on future New Zealanders.

Mandate (output):
The Guardians must invest the NZ Super Fund on a prudent, commercial basis, and in doing so, we must manage and administer the NZ Super Fund in a manner consistent with:

- best-practice portfolio management;
- maximising returns without undue risk to the Fund as a whole; and
- avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

How we assess performance:

- Governance
- Organisational capability
- Investment performance
- Best practice
- Sustainable finance

ELEVATE

Strategic objective (outcome):
To contribute to the sustainability and productivity of the New Zealand economy 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.

Mandate (output):
The Guardians oversees the management of the Elevate Fund, to help ensure it is being invested in line with best practice for institutional investment in New Zealand venture capital markets.

Activities:

- Appointing New Zealand Growth Capital Partners Limited (NZGCP) as the external fund manager for the Elevate Fund;
- Ensuring the management agreement reflects best practice in the context of institutional investment in New Zealand venture capital markets;
- 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.

How we assess performance:

- Conviction review

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MEASURING OUR PERFORMANCE

Here we report on the Guardians' progress against the short- and medium-term performance measures set out in the Guardians' 2022–2027 Statement of Intent and the 2023/24 Statement of Performance Expectations.

To help our stakeholders understand which measures are focused on the Guardians as an organisation, and which are specific to the NZ Super Fund and Elevate mandates, we have separated our progress against our measures into three sections: Guardians, NZ Super Fund and Elevate.

	Guardians	NZ Super Fund	Elevate
Measures	• Governance • Organisational capability	• Investment performance • Best practice • Sustainable finance	• Conviction review

Crown funding comes from capital contributions to the NZ Super Fund made by the Government, as well as an appropriation to meet Board costs and audit fees (expenditure during 2023/24 of $615,188 compared with a budget of $728,000). All other costs (e.g. manager fees and employee costs) are met by the NZ Super Fund, and it is these costs which are the subject of our Best Practice work programme.

OUR 2023/24 STRATEGIC FOCUSES

Our 2023/24 performance measures were aligned with our strategic focuses: the areas we identified we must focus on to succeed. These strategic focuses were **relationships** (with a wide range of stakeholders); **risk** (understanding and managing our risks as an investor); and **goals** (providing a medium-term focus to build the capacity to deliver our purpose).

We discuss our key stakeholders on pages 99-100. For more information on our risks, see pages 103-106.

Our goals were:

Goal	Description
Supporting and delivering investment excellence	The people, processes and technology that support and enable investment are fit for the future, supporting and enabling operationally excellent, effective and efficient investment and support functions. All of our work ultimately contributes to this goal.
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.
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.
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.
Design the Guardians of the Future	There is a shared roadmap for the future, which leverages what has made us successful in the past. Clearly articulate how we will continue to pursue our purpose and vision in the future and ensure scalability and a platform for growth as we design the organisation to deliver this.
Constructive and aligned team	Maintaining and continuing to develop a strong, diverse and inclusive team with a constructive culture is essential to fulfil our purpose and vision and embrace ongoing external and internal challenges effectively. 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.

GUARDIANS

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. 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 overseen by an independent board.

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STATEMENT OF PERFORMANCE (CONTINUED)

The New Zealand Superannuation and Retirement Income Act 2001 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 presented to Parliament.

Measure	Alignment with Strategic Framework	Expected outcome	Actual outcome
Independent reviews	Applicable to all goals	Ongoing good reviews in the five-yearly independent review, with the report and our responses published on nzsuperfund.nz. By good review we mean that no material concerns about the effective and efficient performance of the Guardians' functions are identified.	The most recent independent review, completed by WTW in 2024, found the Guardians was operating at global best-practice levels (as did the prior review completed in 2019). The reports and our responses to them are available on our website. See pages 101-102 for further detail.

ORGANISATIONAL CAPABILITY

Workplace culture is an important challenge for the financial services industry globally. We strive for a positive workplace culture and behavioural norms that support our values. A great culture assists us 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. A quantitative Culture Survey is conducted every two years by Human Synergistics. More information on our culture can be found on page 37.

Measure	Alignment with Strategic Framework	Expected outcome	Actual outcome
Developing and maintaining a constructive workplace culture	This survey measures how much progress we are making towards our 'Design the Guardians of the Future' and 'Constructive and aligned team' goals.	Achieve the constructive benchmark in the Human Synergistics Organisational Effectiveness Inventory (OEI) Survey, which translates to averaging above the 60th percentile for Constructive Styles, and below the 50th percentile for Defensive Styles.	Our most recent Culture Survey, conducted in 2022, exceeded both benchmarks.

NZ SUPER FUND

INVESTMENT PERFORMANCE

We measure the investment performance of the NZ Super Fund against three quantitative measures. Now that we have reached 20 years of investing, we have included our actual outcome over a 20-year horizon against each measure for the first time.

Reference Portfolio returns relative to Treasury Bills (expected market risk premium per annum)

Because of the difficulty of predicting short-term financial market returns, we use long-run equilibrium estimates of how the Reference Portfolio will perform relative to a 'risk-free' investment in Treasury Bills, a measure of the Government's cost of debt. Over any 20-year moving average period, we estimate the risk-free rate will be 4.00% and that the Reference Portfolio, by earning a premium for taking market risk, will exceed this by 2.80% p.a. (assuming costs of 0.23% to run it). This is the expected outcome shown in the table below.

The Fund has significantly outperformed this measure since inception and as such has delivered more benefits to taxpayers than could have been achieved by the Government simply paying down debt.

Horizon	Expected market risk premium p.a.	Actual market risk premium 2024	Actual market risk premium 2023	Alignment with strategic framework
1 year	2.80%	9.53%	8.25%	This is a measure of our success in achieving our investment excellence goal.
5 years	2.80%	5.75%	4.83%	
10 years	2.80%	6.16%	6.86%	
20 years	2.80%	5.04%	N/A	
Since inception	2.80%	5.04%	4.82%	

Actual Fund returns above Reference Portfolio (expected value add per annum)

We expect the NZ Super Fund will outperform its Reference Portfolio by, on average over time, 1.00% per annum. 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, which has an 80:20 split between growth and fixed-income investments. A proportion of the NZ Super Fund is invested in line with the Reference Portfolio, but we also make active investments outside the Reference Portfolio. These active investments are expected to deliver a higher return than the Reference Portfolio. This performance measure is a way of evaluating how successful we have been in undertaking these active investments to add value over and above what the Reference Portfolio would deliver.

Horizon	Expected value-add p.a.	Actual value-add 2024	Actual value-add 2023	Alignment with Strategic Framework
1 year	1.00%	-0.24%	-0.16%	This is a measure of our success in achieving our investment excellence goal.
5 years	1.00%	1.54%	1.69%	
10 years	1.00%	1.93%	1.95%	
20 years	1.00%	1.54%	N/A	
Since inception	1.00%	1.46%	1.54%	

More information on the NZ Super Fund's active investment strategies can be found on page 48.

Portfolio volatility

Financial market returns are inherently volatile. Over short time frames, a wide range of returns is possible. However, over longer horizons, underlying economic drivers tend to determine returns. In considering how much risk to take, we evaluate the possible trade-offs around these time frames and the potential need to convert assets quickly into cash. To measure how much risk is being carried by the Reference Portfolio, we estimate the return level below which 1% of outcomes fall based on our Reference Portfolio return and risk assumptions. The lower this return level, the more risk the Reference Portfolio carries.

Over the following time horizons, there is a 1% probability that Reference Portfolio return is equal to or worse than:*

- 1 year: -30.50%
- 5 years: -11.50%
- 10 years: -5.90%
- 20 years: -1.70%

Our actual Reference Portfolio returns are outlined in the table below:

Horizon	Actual Reference Portfolio return 2024	Actual Reference Portfolio return 2023	Alignment with Strategic Framework
1 year	15.13%	12.03%	This is a measure of our success in achieving our investment excellence goal.
5 years	7.98%	6.29%	
10 years	8.40%	8.80%	
20 years	8.49%	N/A	

* We have previously phrased this as 'in a 1-in-100-year event, potential Reference Portfolio loss is equal to or worse than'.

STATEMENT OF PERFORMANCE (CONTINUED)

BEST PRACTICE

We have four measures relating to best-practice operations for a sovereign wealth fund and/or institutional investor.

Measure	Alignment with Strategic Framework	Expected outcome	Actual outcome 2024	Actual outcome 2023
Annual updating of the Guardians' response to the International Forum of Sovereign Wealth Funds' (IFSWF) 'Santiago Principles'	This measure aligns with our investment excellence and risk maturity goals.	An annual self-assessment of the NZ Super Fund's adherence to the IFSWF Santiago Principles is completed, published on nzsuperfund.nz and assured by an independent third party. We expect to achieve top quartile or higher ratings in the Geoeconomica Santiago Compliance Index of sovereign wealth funds' compliance with the Santiago Principles and top quartile or higher in other relevant ratings mechanisms.	Achieved.	Achieved.
Cost control	This is a measure of progress towards our achieving our investment excellence goal.	On a rolling five-year basis we expect to achieve a rating of median value-adding or better compared to our CEM peer group, with costs below the CEM-calculated cost benchmark.	Cost (5 year) – Achieved. Value-add (5 year) – Achieved.	Cost (5 year) – Achieved. Value-add (5 year) – Achieved.
Transparency ratings	This measure aligns with our risk maturity goal.	We expect to achieve 10/10 in the quarterly rating of sovereign wealth fund transparency published by the Sovereign Wealth Fund Institute and top quartile or higher in other relevant rating mechanisms.	Achieved.	Achieved.
United Nations-backed Principles for Responsible Investment (PRI) Assessment, Principles and Voting Reports	This measure aligns with our investment excellence, risk maturity and shift to sustainable finance goals.	We expect to achieve an A or A+ rating for strategy and governance in the UNPRI assessment. Note: since we set this measure in our Statement of Intent (SOI), the UNPRI has changed its assessment methodology from an alphabetical grading to a 'five-star' rating system and now provides percentage assessment scores against different criteria. We consider a five-star rating to be equivalent to A or A+.	Achieved: Five-star rating (93%) for policy, governance and strategy.	No assessment conducted in 2022/23 due to changes in the assessment process. The most recent result (released in 2021 for the 2020 calendar year) gave the Fund a five-star, 92% rating for our Investment and Stewardship Policy.
		Report on NZ Super Fund activities and outcomes annually against the six UNPRI Principles.	Principles report completed.	Principles report completed.
		Proxy voting reports completed and published on nzsuperfund.nz.	Voting data published online via our voting reporting platform.	Voting data published online via our voting reporting platform.

SUSTAINABLE FINANCE

The NZ Super Fund has two measures relating to climate change as part of a shift to a sustainable finance approach. They reflect the NZ Super Fund's Climate Change Investment Strategy, which was developed in 2016. As part of this strategy, we have set two carbon reduction targets – to reduce the emissions intensity of the NZ Super Fund's portfolio by 40% by 2025; and to reduce fossil fuel reserves by 80% by 2025.

In 2021, the Guardians also made a commitment for the NZ Super Fund to achieve net zero by 2050. Under the Net Zero Asset Owners Commitment, the Guardians has pledged to decarbonise the NZ Super Fund by increasing investment in climate solutions, setting interim targets, and undertaking advocacy and engagement in line with net zero goals. To learn more, read our 2024 Climate Change Report, available on our website.

Measure	Alignment with Strategic Framework	Expected outcome	Actual outcome 2024	Actual outcome 2023
Climate Change Investment Strategy	These measures align with our investment excellence and sustainable finance goals.	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.	Achieved.	Achieved.
Commitment to net zero by 2050		Publication of an annual Climate Change Report, including Climate Action Plan and detailing progress towards net zero in line with the Government's 2021 Crown Financial Institutions' Responsible Investment Framework. Our 2024 Climate Change Report and Carbon Footprint are available on our website.	Achieved.	Achieved.

ELEVATE

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. We evaluate our managers through 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. For an update on progress of the Elevate mandate, see pages 69-72.

Measure	Alignment with Strategic Framework	Expected outcome	Actual outcome 2024	Actual outcome 2023
Manager monitoring – conviction review	This measure aligns with our investment excellence goal.	Successful completion of annual conviction review.	Achieved.	Achieved.

PROGRESS AGAINST OUR WORK PROGRAMMES

The following work programmes were outlined in our Strategic Plan for 2023/24. These are large-scale and often multi-year projects which sit outside the Guardians' 'business-as-usual' operations and require significant cost, time and resource. They align with the strategic focuses of goals, relationships and risks and are designed to better equip the organisation to meet its purpose.

GUARDIANS

Description	Alignment with strategic focuses
Design the Guardians of the Future	
Clearly articulate how we will continue to pursue our purpose and vision in the future and design the organisation to deliver this. In 2023/24 we aimed to establish: • the Guardians' strategic intent for the next 10+ years – how we see ourselves continuing to deliver our purpose and vision • broad guiding principles to enable decision-making • a coordinated set of actions to progress the organisation towards its goals • key performance indicators to assess progress. This work is complete and culminated in a refreshed enterprise strategic plan, centred around an ongoing assessment of our context, a set of focus areas and supporting principles. See pages 24-25 for more information. In 2024/25, work will begin on implementing the new strategy across the Guardians.	**Goal:** Design the Guardians of the Future.
Diversity, Equity and Inclusion; and Te Ao Māori	
Mature our Diversity, Equity and Inclusion (DE&I); and advance our integration and understanding of te ao Māori. In 2023/24 we aimed to achieve progress towards: • attracting and appointing more women into leadership roles and more Māori and Pacific people, against 2022 baselines • reducing our gender pay gap • enhancing our te ao Māori engagement. Our DE&I goals are progressing well, with a target date of 2027 to fully achieve them. Strong participation of Māori, Pacific, and female candidates was achieved through the new integrated career pathway, which includes: expanded scholarships; focused sponsorship support; a refreshed intern intake; the first graduate cohort; and the first alumni programme. Early outputs show successful appointments of talented, diverse candidates, with anecdotal reports indicating increased interest in the Guardians as a future employer among interns and graduates. See pages 39-40 for more on how our gender and ethnic make-up has changed over time. In addressing our gender pay gap, our goal is to have reduced the mean gender pay gap for employees to an average of 15% over the five years to 2027. We are two years into this metric, and are currently tracking to an average of 15%. Our previous five-year average was 21%. This narrowing of the gender pay gap is primarily the outcome of changes in the gender composition of our team across different levels, as well as base salary movements over that time. Progress in enhancing our te ao Māori engagement included revamping te reo classes with a business needs focus and incorporating workplace tikanga; initiating regular te Tiriti (Treaty of Waitangi) training for staff; hosting external speakers on various aspects of te Tiriti; launching Ruru – a te ao Māori cultural intelligence app to meet staff support needs; and drafting Arotahi – guidance on engaging with te ao Māori.	**Relationships:** Iwi; Māori; Government; peers and partners. **Risks:** Wellness/Culture; Employee capability and capacity shortfall. **Goals:** Design the Guardians of the Future; Supporting and delivering investment excellence; Constructive and aligned team; Increase our risk maturity.

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Description	Alignment with strategic focuses
Modern Workplace	
Deliver improved collaboration and communication tools, including shifting to a new and improved document management system and intranet. In 2023/24 we aimed to: • complete delivery of the Microsoft 365 suite of tools, notably SharePoint and MS Teams • migrate content and retire the existing document management system and intranet. Delivery of the Microsoft 365 suite of tools was completed, with all teams transitioning to the new SharePoint-based document management system. We also launched our new intranet, which has proven to be very successful. Our metrics show the intranet saves time and our employees are more confident in using it and have greater trust of the information on it compared with the previous intranet. The Guardians won several industry awards for this work. Work to archive and retire the legacy document management system remains in progress and will be completed during 2024/25.	**Risks:** Wellness/Culture; Employee capability and capacity shortfall. **Goals:** Design the Guardians of the Future; Increase capability in data and technology; Constructive and aligned team; Increase risk maturity.
Human Capital Management (HCM) System	
Implement Oracle HCM integrated cloud solution. In 2023/24 we aimed to deliver phase two of the system implementation with the addition of five new modules: Performance and Goals Management; Career Development; Learning; Health and Safety; and Succession Planning. This work builds on the initial implementation carried out for phase one. A revised schedule was agreed upon for phase two, causing it to begin later than originally planned and now extending into 2024/25. Whilst this places the programme behind schedule relative to the original expected delivery date, the implementation is progressing in line with expectations, with the first three modules, Performance, Goals Management, and Career Development, successfully going live in August 2024. The remaining three modules will be implemented over the remainder of 2024/25. The new technology will significantly enhance how we manage performance and careers, and greatly improve the team members' experiences.	**Risks:** Employee capability and capacity shortfall; IT infrastructure or business systems connecting to our network cease to be fit for purpose. **Goals:** Design the Guardians of the Future; Supporting and delivering investment excellence.

NZ SUPER FUND

Description	Alignment with strategic focuses
Investment Data and Analytics	
Establish a new data platform and build data analytics, governance, and quality capabilities. In 2023/24 we aimed to: • establish a data platform and begin delivering core investment and market data for business users • implement a data governance tool • begin the establishment of a research and development ecosystem. Following the programme reset completed towards the end of the previous financial year, the programme has been tracking well. The work has predominantly focused on laying foundations, and our key achievements include the implementation of Snowflake as our core data platform along with the integration of key data sources; the establishment of data governance to support data quality and user confidence; and the initial embedding of 'quantitative labs' to support investment analysis and decisions. For 2024/25, the main focus will shift to transitioning from using our legacy data platform, continuing to build out new data platform components and further embedding the data governance approach. The programme is expected to be completed by June 2025.	**Risks:** Insufficient liquidity to meet our obligations and maintain our strategies; Process failures leading to poor execution; Investment approach does not meet our purpose. **Goals:** Design the Guardians of the Future; Increase capability and capacity in data and technology; Supporting and delivering investment excellence; Increase our risk maturity.

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MATERIALITY

Considering how our work impacts on the environment, economy and people is fundamental to delivering our purpose.

In this Annual Report, as well as reporting on financial performance, we report on topics that represent our most significant impact* on the environment, economy and people.

In our reporting, we follow the Global Reporting Initiative (GRI) standards, including the assessment of material issues. The GRI standards are designed to allow organisations to report on the impacts of their activities in a structured way that is transparent to stakeholders and other interested parties. In this context, impacts can be direct, indirect or linked to an organisation's activities.

We have direct control over the Guardians' own operational activities and impact as an organisation. These include areas such as health and safety, office recycling arrangements, energy efficiency and monitoring our carbon emissions, including travel. We manage these through our relevant organisational policies and processes.

As the manager of the NZ Super Fund and Elevate, the Guardians' main impact on the environment, economy and people (sustainability impact) is through the provision of capital to other economic sectors, within the boundary of the statutory context for the Guardians and the Funds. Our most material emissions are those deriving from our portfolio investments.

Given the size of the NZ Super Fund relative to Elevate, our most material topics are focused on the NZ Super Fund. For example, the Fund's financed emissions are the most material aspect of climate-related risk from across the Guardians' value chain. The Fund's climate-related risks and opportunities are addressed in our 2024 Climate Change Report, available on our website.

Stakeholder engagement relevant to our sustainability mandate included:

- the 2024 Letter of Expectations from the Minister of Finance, which notes that the Minister expects the Guardians and other Crown Financial Institutions to continue applying a sustainable finance approach to investments and operations
- discussing with Treasury (the central Government agency that monitors our performance on behalf of the Minister of Finance) our approach to investment and sustainable finance
- engaging with WTW as part of our five-yearly independent review on best-practice sustainable investment
- identifying issues of significant media and stakeholder importance during the year
- reviewing feedback from a panel of reporting experts.

PRIORITISING OUR IMPACTS FOR REPORTING

In developing this report, we have prioritised disclosure and discussion on impacts which are:

- a direct outcome of our purpose and reflected as part of our enabling legislation
- key to maintaining stakeholder and business relationship support, understood through regular stakeholder feedback
- where we can directly influence the scale and severity of such impacts (whether maximising or mitigating).

STRONG RETURNS

The NZ Super Fund's investment returns are our most material impact. If we are successful, over the long term, in maximising the Fund's returns without undue risk, we will:

- help future governments afford the cost of providing universal superannuation
- reduce the tax burden for future taxpayers
- improve the financial well-being of all New Zealanders.

Our returns are impacted by the investment strategies we choose to employ. It is important that we have the right governance in place at the Guardians to make these decisions in a robust manner.

Read our Investment Report (pages 45-72) and Governance Report (pages 84-112) for further information on how we are managing these impacts.

ALLOCATION OF CAPITAL

Consistent with the policy purpose and statutory investment mandate for the NZ Super Fund, and our organisational purpose of Sustainable investment delivering strong returns for all New Zealanders, we have a Sustainable Finance Strategy with the goal of incorporating sustainability considerations into investment decision-making and supporting the development of a sustainable financial system. This strategy is in line with the expectations of the New Zealand Government, our key stakeholder, expressed through annual letters of expectation for the Guardians and other Crown financial institutions. We continue to evolve our approach to sustainable finance, taking into consideration rapid developments in best practice and changing stakeholder expectations.

We believe the most significant sustainability impact we can make is through:

1. Investing to support the net zero transition
2. Directing capital away from high-emitting companies towards more sustainable alternatives
3. Integrating ESG considerations into our investment decisions and processes, including allocation, selection and post-investment management.

Read our 2024 Climate Change Report (available on our website) for information on how we are managing these impacts.

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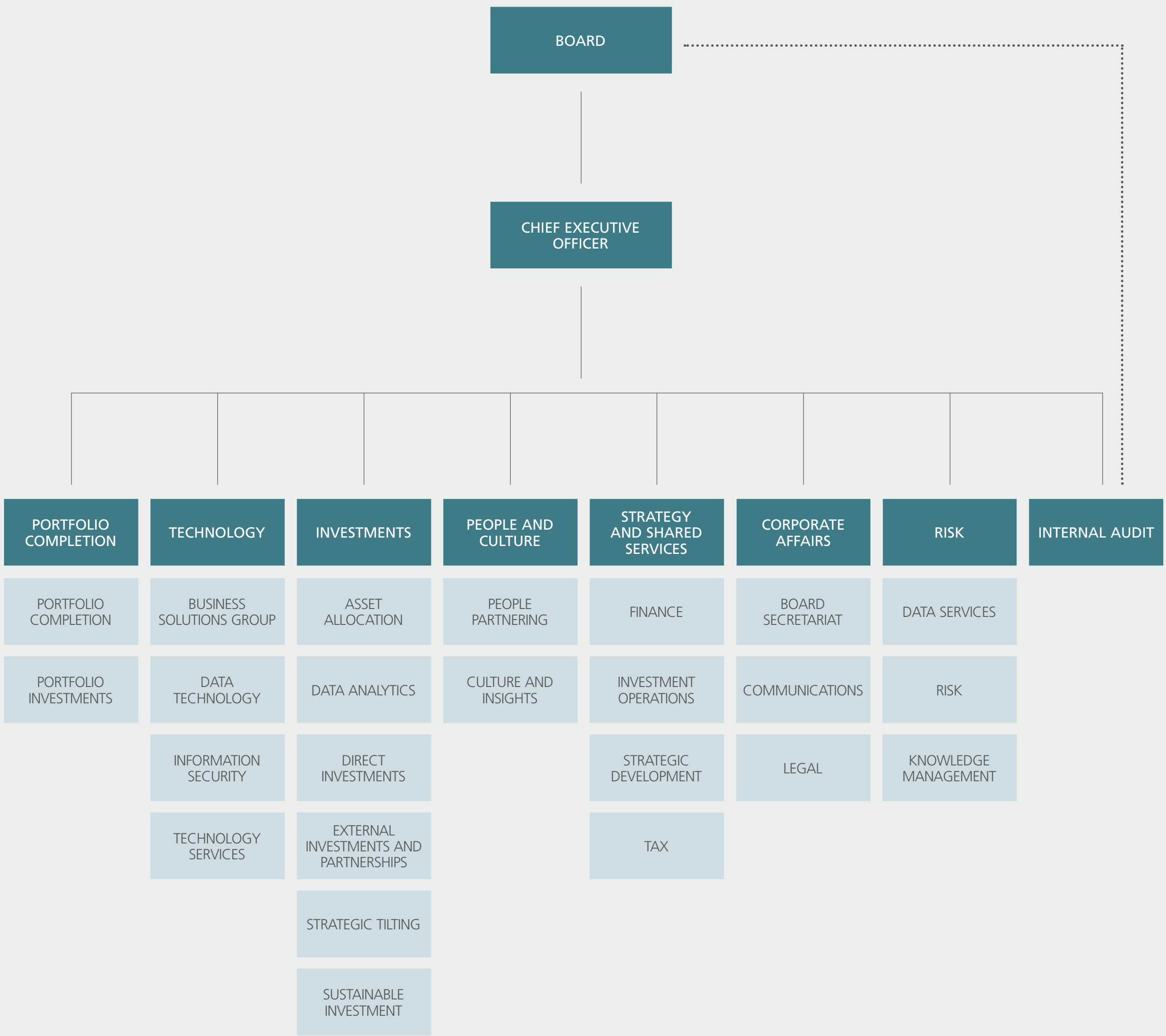
* The Guardians has its own definition of impact in the context of impact investment (see page 75 in the Sustainable Investment Report). This is different from the way the term 'impact' is used by the GRI.

ORGANISATIONAL CHART



OUR PEOPLE

Our people are fundamental to our success.

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

OUR PEOPLE STRATEGY

Our People Strategy is focused around six strategic pillars, covering the full spectrum of people-related activity at the Guardians. Beneath each pillar is a suite of annual and multi-year activity that will drive progress.

In 2023/24 we reviewed and refreshed our People Strategy to monitor progress and incorporate new initiatives for the next 12 months. Of the 31 initiatives planned in 2023/24, 20 were completed. As anticipated, 11 initiatives remain in progress and will carry over into 2024/25. Initiatives completed during the 2023/24 financial year include CEO recruitment and induction, implementation of a graduate programme and the design and delivery of mental-health training for people leaders. Organisational structure and workforce planning remain areas of focus into 2024/25. Following the launch of an updated organisational strategy, and with anticipated continued fund growth, over the course of the year we will consider whether change is required to our structures and further refine our approach to workforce planning.

KIMI KAIMAHI: hiring top diverse talent	**KAUPAPA AND WHANONGA PONO:** expected ways of behaving and working	**MANAAKITANGA:** connection and care of people
WHAKAWHANAKE: building people capability	**MOMOHO:** rewarding our people	**TUMU:** leveraging great people structures and processes

RECRUITMENT AND RETENTION

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Ensuring we attract and retain top talent at the Guardians is an ongoing priority. As an organisation we continue to grow, through a combination of some in-sourcing of investment activity and scaling up to cater for the anticipated doubling in Fund value over the next decade. We made 55 appointments during the year, comprising:

- 38 new hires (25 female, 13 male)
- 17 internal placements (7 female, 10 male).*

Our 2023/24 employee turnover rate was 5.7%. This was much lower than the Public Service Commission's 2023 turnover rate for public servants of 15.9%, or the Stats NZ 2023 turnover rate for New Zealand superannuation workers of 27.3%. Our internal mobility has supported retention as it provides new

* Including promotions and job transfers, but excluding nine non-permanent job rotations.

learning and development opportunities, helping us achieve a turnover rate lower than the industry average.

LEARNING AND DEVELOPMENT

We provide a wide range of learning and development opportunities at the Guardians, including job rotation opportunities, secondments and centrally coordinated and funded courses available to all employees, as well as providing unique individual training and development. Our training expenditure has increased over the past two years as the lifting of COVID-19-related restrictions has enabled more in-person learning.

Over the year, we offered our team 32 unique centrally-funded courses with a total of 58 courses held (some training topics run more than once). We also host an annual schedule of mandatory training (1.9 average hours per year) which must be completed by all staff and contractors (100% completion rate in 2023/24). All permanent staff must complete mandatory training to be eligible for the discretionary bonus scheme. Our mandatory training covers:

- crisis management
- cyber security
- gifts, hospitality and sensitive expenditure
- health and safety
- securities trading
- ethics
- fraud awareness
- privacy.

OUR CULTURE

Culture is a high priority for the Guardians, as we place a strong emphasis on creating a high-performing, inclusive and constructive environment for our team members. It is central to one of our strategic focus areas, 'Maximise our team and culture's potential'.

Every two years, we measure our culture through a team-wide Culture Survey. Our last Culture Survey was conducted in 2022, and the results showcase a constructive culture with minimal evidence of aggressive/defensive or passive/defensive styles. To learn more about our 2022 Culture Survey result, see page 32 of our 2021/22 Annual Report.

Our next Culture Survey will be conducted later in 2024.

DIVERSITY, EQUITY AND INCLUSION (DE&I)

This year, we continued to make steady progress in implementing the DE&I strategy we introduced in 2022. We report on this programme of work on page 32.

We are pleased to see our strategy has begun to make a difference in making our workforce more diverse. For example, at 30 June 2024, women make up a record-high proportion of the Guardians' workforce (49%, up from 43% in 2020); and investment professionals (43%, up from 29% in 2020).

HEALTH AND SAFETY

Our People & Culture Policy sets out our commitment to provide a safe and healthy working environment for all employees and visitors. We strive to:

- reduce and, where possible, eliminate hazards
- educate employees on health and safety issues
- prevent injury to people at work
- comply with the requirements of the Health and Safety at Work Act 2015.

With our people being mainly office- and home-based, the Guardians has a relatively low-risk physical environment, although potential hazards include overseas travel, gradual process injury and stress. We manage our key risk areas constantly and provide a comprehensive programme of support services to staff.

The Health, Safety, Security and Environment (HSSE) Committee comprises staff from across the business and advises the Leadership Team on the prevention of, and response to, HSSE-related risks across the organisation. The Committee aims to promote a culture that identifies and mitigates unsafe situations and behaviours before they can impact people, the environment and the Guardians' reputation. The Committee meets every two months and reports to the Board annually. In 2023/24 the Committee's focus was on reviewing our business continuity processes, monitoring our hybrid working model, ensuring the Committee remains visible through improved communications to the wider organisation, and improving our operational environmental performance. Learn more about our environmental performance on pages 41-43.

Other Guardians' health, safety and wellness activities include:

- annual health and safety training
- fully funded life, health, trauma and income continuance insurance
- workstation assessments
- height-adjustable desks
- healthy heart checks
- corporate subscription to mindfulness app
- flu vaccinations
- provision of emergency kits to comply with Civil Defence and Emergency Management recommendations
- access to counselling via independent Employee Assistance Programme providers
- regular Occupational Health Nurse visits.

COMMUNITY CONTRIBUTION

AUCKLAND CITY MISSION VOLUNTEERING

In 2023 we started a new volunteer programme, through which each quarter small groups of Guardians employees help at the Auckland City Mission for a morning or afternoon. Auckland City Mission provides support to Aucklanders in need, and volunteers pack food parcels, stock shelves, tidy work areas, and undertake light gardening and maintenance. A total of 64 employees have participated in the programme so far. Along with giving back to our community, this also helps employees to connect with colleagues in different teams.

OXFAM TRAILWALKER

For the second year in a row, Guardians' employees participated in the Oxfam Trailwalker. This event, held in New Plymouth in March, raised money to support Oxfam's lifesaving work around the world. This year, we increased our participation, with one team of four walking 25km, two 50km, and one 100km. Four Guardians' employees also joined the support crew. In total we raised around $13,000, with support from both those at the event and in the office.

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Supporting great people early in their careers helps us build a strong pipeline of diverse talent.

In 2023/24, we expanded our early career programmes with a new graduate programme, the relaunch of our summer internship programme, and new sponsorships.

GRADUATE PROGRAMME

We created and designed our first-ever graduate programme in 2023, bringing on six graduates in 2024 within our investment team. The cohort started in March 2024 as Graduate Analysts in their home teams. In January 2025 they will embark on a six-month rotation, gaining experience in a different team within the investment portfolio before returning to their home team and transitioning from their graduate role to become an Analyst. Our graduates have structured induction programmes to support them and supplement their on-the-job training. Our intention is to take on our next cohort of graduates in 2026 following the completion of the current graduate programme.

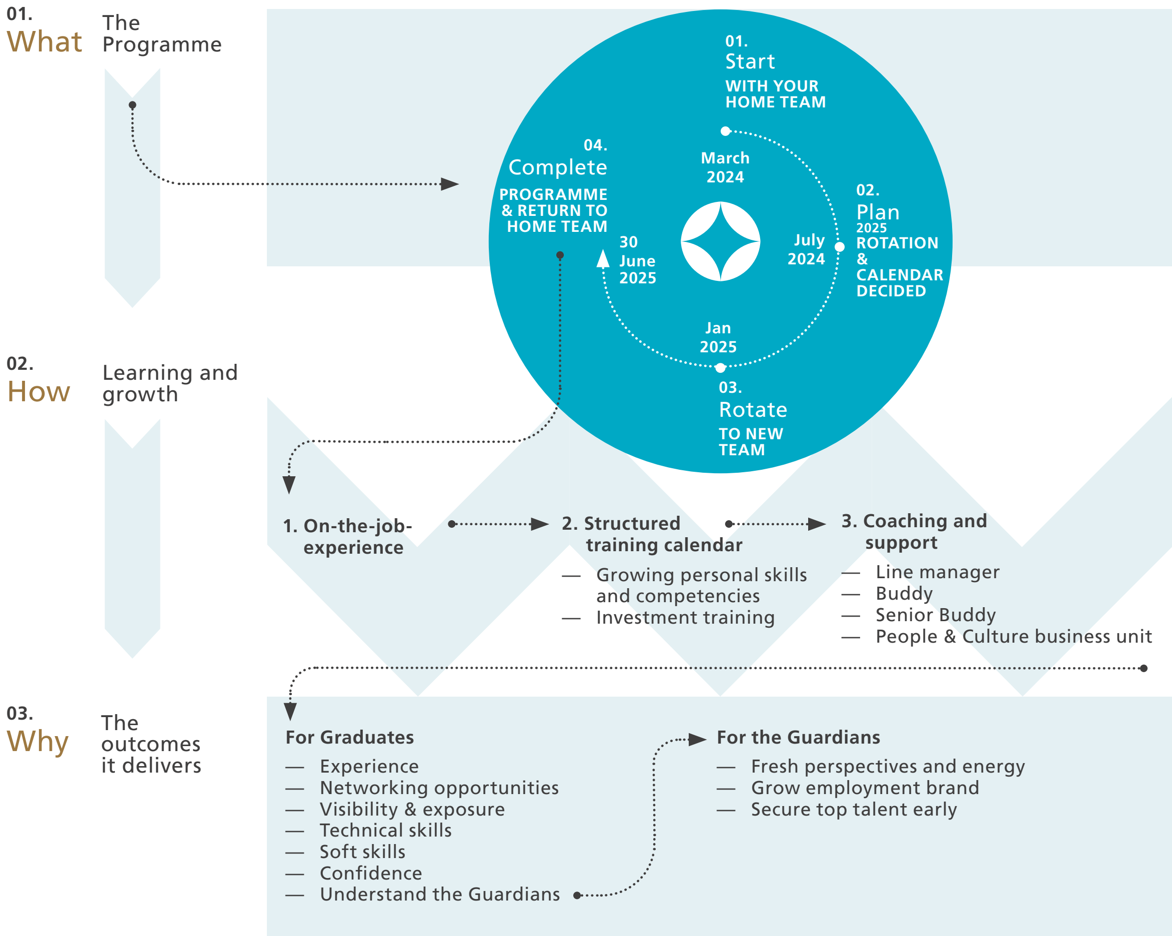
INTERNSHIP PROGRAMME

We relaunched our summer internship programme after a year's hiatus, taking on nine interns in November 2023. Five of these were sourced through TupuToa, which specialises in recruiting Māori and Pacific early career talent. Each intern took on substantial project work during their time with us. We plan to continue our internship programme in 2024/25 and beyond.

SPONSORSHIPS AND SCHOLARSHIPS

In 2023/24, we introduced a number of new activities and scholarships to promote the Guardians as an attractive employer to diverse early career talent. A full list of these initiatives is available on our website.

The Guardians' GRADUATE Programme 2024/25



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WORKFORCE PROFILE

Components	2024	2023	2022	2021	2020
Our workforce					
Full-time equivalent (FTE) employees	238.3	213.3	188.5	160.8	154.8
Full-time (FTE)	96%	97%	98%	96%	96%
Part-time (FTE)	4%	3%	2%	4%	4%
Employees reporting disabilities	0%	0%	0%	0%	0%
People (headcount)	241	216	190	163	157
Female representation					
Female staff members	117 (49%)	96 (45%)	84 (44%)	74 (45%)	68 (43%)
Female Board members	2 (33%)	2 (33%)	2 (33%)	3 (43%)	2 (29%)
Female Leadership Team members and direct reports to CEO	4 (50%)	3 (38%)	3 (38%)	2 (29%)	2 (29%)
Female Heads of Teams	8 (36%)	9 (39%)	7 (33%)	6 (33%)	6 (33%)
Female Investment Professionals	36 (43%)	29 (37%)	24 (36%)	18 (31%)	16 (29%)
Gender pay gap*					
Gender pay gap – base salary (mean)	15%	14%**	17%	25%	25%
Gender pay gap – total remuneration (mean)	–***	17%	21%	26%	-
Gender pay gap – base salary (median)	17%	13%**	27%	34%	37%
Gender pay gap – total remuneration (median)	–***	16%	26%	42%	-
Turnover******					
Turnover – all staff	5.7%	6.7%	9.5%	6.1%	3.9%
Turnover – male (of male FTE)	7.7%	6.4%	8.6%	10.2%	5.7%
Turnover – female (of female FTE)	3.6%	7.0%	10.8%	1.1%	1.5%
Educational qualifications					
% of staff with a postgraduate tertiary qualification	46%	49%	48%	50%	50%
% of staff with an undergraduate tertiary qualification	89%	89%	87%	90%	90%
Investment in staff training as a % of total Guardians' operating expenditure	1.6%	1.3%	0.8%	0.9%	0.9%
Return to work and retention after parental leave (as primary carer)*****					
Return to work – male	100%	100%	67%	100%	100%
Return to work – female	100%	100%	100%	100%	75%
Retention as at 30 June after returning during the year – male	100%	100%	100%	100%	67%
Retention as at 30 June after returning during the year – female	100%	80%	100%	83%	100%
Health and safety					
Lost-time work injuries	0	0	0	0	0
Sick leave per FTE	4.3	4.8	3.6	3.3	2.9

* We report contractual base hourly rate of pay for the entire employee workforce (excluding CEO). The numbers reported are the difference of male pay less female pay, divided by male pay. If there was no gap, the result would be 0%. The mean gender pay gap is the difference between the mean hourly base pay of males and females. The median gender pay gap is the difference between the mid-points in the range of hourly base pay of males and females. The mid-point is calculated by taking all hourly base pays in the sample, lining them up in order from lowest to highest, and picking the middle-most hourly base pay.

** The 2022/23 gender pay gap results have been restated due to a correction in the calculation.

*** We will disclose our 2023/24 figures in our next annual report. We do not have sufficient time between the approval and payment of discretionary bonuses for the 2023/24 year and the finalisation of this report to calculate these numbers.

**** We define turnover as voluntary turnover.

***** All employees are eligible to take leave from work to care for their new child, subject to meeting the requirements of the Parental Leave and Employment Protection Act 1987.

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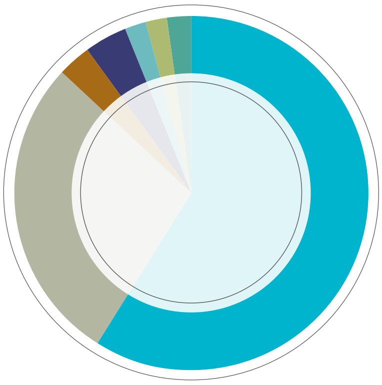
WORKFORCE PROFILE (CONTINUED)

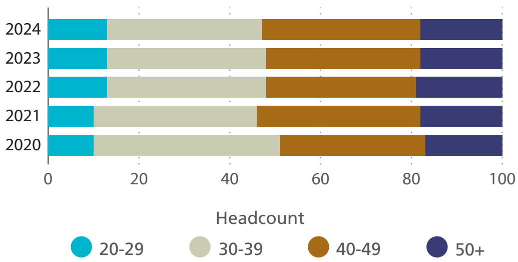
ETHNIC PROFILE
as at 30 June 2024



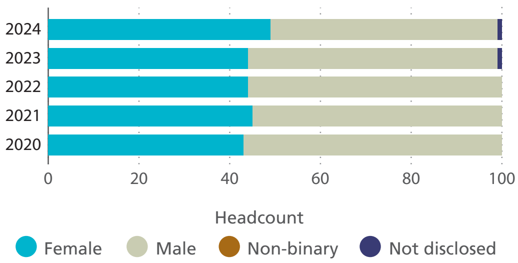
European	Asian	Māori	Pacific peoples	Middle Eastern/ Latin American/ African	Other ethnicity	Not stated
59%	28%	3%	4%	2%	2%	2%
New Zealand European — Other European and European NFD	Chinese — Southeast Asian — Indian — Other Asian and Asian NFD	New Zealand Māori	Samoan — Fijian — Tongan — Cook Island Māori	Middle Eastern — Latin American — African		

*18 people identified as two different ethnicities and one person identified as three different ethnicities.
** NFD stands 'Not Further Defined'.

Workforce age as at 30 June

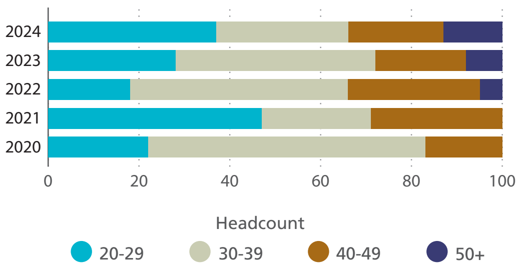


Gender balance as at 30 June

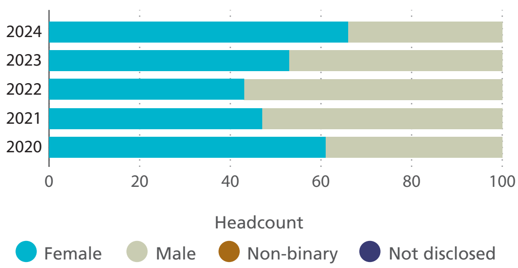


As at 30 June 2024, no staff identified as non-binary. One member of staff did not disclose their gender.

Age of new permanent employees as at 30 June



Gender of new permanent employees as at 30 June



As at 30 June 2024, no new permanent employees identified as non-binary.

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We are committed to understanding and reducing our impact on the environment.

As a responsible Crown entity, we hold ourselves accountable to the same expectations we have of our investee companies and partners. As such, we carefully consider the sustainability of our activities and operations. In this section, we outline the carbon emissions that the Guardians produces as an organisation and how we manage these. Like many private- and public-sector organisations, we recognise the Government's aspiration for New Zealand to be carbon neutral by 2050 and seek to reduce our carbon emissions accordingly.

The Sustainable Investment Report (pages 74-81) discusses the Fund's financed emissions (Scope 3; category 15) – considered by far the most material aspect of climate-related risk from across the Guardians' value chain. See our stand-alone 2024 Climate Change Report for more information, including a carbon footprint of the Fund's investment portfolio as at 30 June 2024.

We consider the Scope 1, 2 and 3 emissions arising from the Guardians' own operations as immaterial relative to our financed emissions in terms of climate-related risk. However, we aim to measure, reduce, mitigate and report on our operational carbon footprint each year. We achieve this by reducing our emissions directly where possible, and purchasing offsets for the remaining emissions. Our organisational environmental performance falls under the remit of the Health, Safety, Security and Environment (HSSE) Committee, which is made up of Guardians staff. The Committee aims to improve staff awareness about the environmental impact of our activities and sets targets for reducing our organisational carbon emissions.

Measuring emissions

The measures detailed below are the greenhouse gas (GHG) emissions for the corporate operations of the Guardians. They have been calculated in accordance with the guidance provided in ISO 14064-1:2006 for periods up to 2020/21 and ISO 14064-1:2018 from 2021/22, and have been verified by Toitū Envirocare. A verification report is available on our website. When evaluating our environmental performance, Toitū Envirocare looks at our emissions relative to our staff numbers, net asset value and turnover.

International travel is the Guardians' largest source of operational emissions. Our emissions were much lower during the COVID-19 pandemic than they had been previously, due to travel restrictions. As we have resumed domestic and international travel, which is important and necessary when managing a global investment fund, emissions have increased again – although they still remain lower on an emissions-intensity basis than pre-pandemic levels, a reflection of greater use of video-conferencing and other travel alternatives.

Toitū net carbonzero certification

To achieve Toitū net carbonzero certification, an organisation must measure its operational GHG emissions, develop a carbon reduction plan and offset its unavoidable emissions through high-quality carbon credits. These credits support projects meeting specified standards to store, avoid or reduce GHG emissions. This year we have purchased credits to offset Toitū's minimum reporting boundary (Scope 1, Scope 2, Scope 3 business travel, freight, waste to landfill, and transmission and distribution losses) plus 20% of the rolling average of the past five years, going above and beyond our offsetting requirements. The emissions data in this section has been verified by Toitū.

GHG EMISSIONS DATA SUMMARY BY GREENHOUSE GAS PROTOCOL (GHPG) SCOPE (tCO$_2$e)

	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Direct emissions (GHGP scope 1/ISO category 1)	0	0	0	0	0	0
Indirect emissions (GHGP scope 2/ISO category 2)	13t	20t	15t	13t	13t	14t
Indirect emissions (GHGP scope 3, category 6/ISO category 3)	1,909t	1,700t	197t	43t	1,604t	1,954t
Indirect emissions (GHGP scope 3, categories 1-5/ISO category 4)	20t	18t	1t	N/A	N/A	N/A
Total gross emissions	**1,942t**	**1,738t**	**213t**	**56t**	**1,617t**	**1,968t**

- **Direct emissions (GHGP scope 1/ISO category 1)** – Greenhouse gas emissions from sources that are owned or controlled by the Guardians. We produce no scope 1 emissions.
- **Indirect emissions (GHGP scope 2/ISO category 2)** – Greenhouse gas emissions arising from the generation of imported (purchased) electricity or heat consumed by the Guardians.
- **Indirect emissions (GHGP scope 3, category 6/ISO category 3)** – Greenhouse gas emissions that occur as a consequence of the travel-related operational activities of the Guardians, from sources not owned or controlled by us. This includes our largest source of operational emissions: employee business travel.
- **Indirect emissions (GHGP scope 3, categories 1-5/ISO category 4)** – Greenhouse gas emissions that occur as a consequence of products used by the Guardians as an organisation (i.e. waste to landfill).

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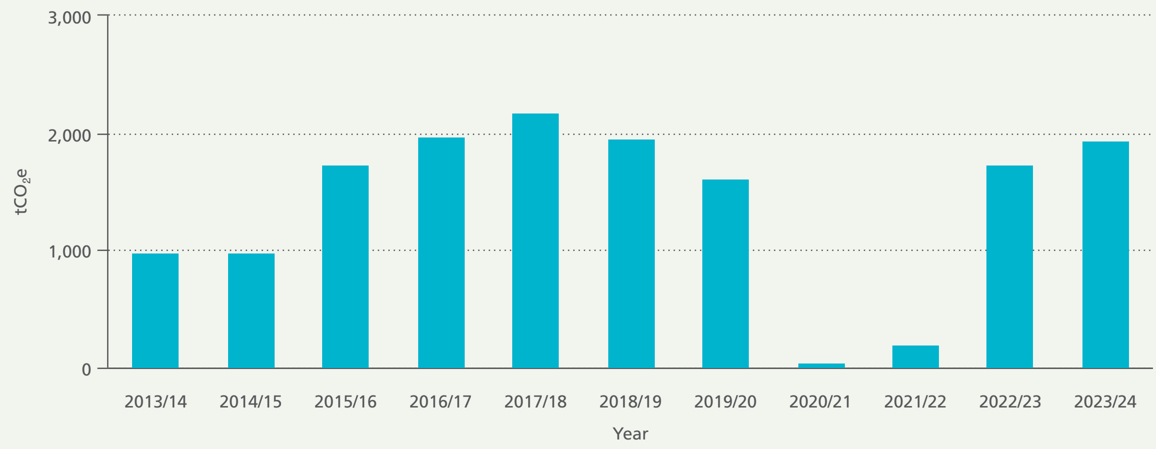
ENVIRONMENTAL PERFORMANCE (CONTINUED)

GHG Emissions Summary 2013 – 2024



KEY PERFORMANCE INDICATORS (KPI)

KPI	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
FTE	224.7	198.2	178.2*	163.0**	154.8	139.6
Funds under management ($ billions after costs, before NZ tax)	74.7	64.9	55.7	59.8	44.8	43.1
Turnover/revenue ($ millions)	1,657.8	1,324.6	1,054.5	740.3	801.4	1,013.5

* From 2021/22 onwards, figures are based on the average full-time equivalent employees from 1 July to 30 June.
** The 2020/21 figure is based on the total employee headcount as at 30 June 2021.

GHG EMISSIONS PER KPI

	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Total gross GHG emissions per FTE	8.64	8.77	1.19	0.34	10.44	14.10
Total gross GHG emissions per funds under management ($ billions after costs, before NZ tax)	26.00	26.79	3.82	0.93	36.07	45.66
Total gross GHG emissions per turnover/revenue ($ millions)	1.17	1.31	0.20	0.08	2.02	1.94

Carbon emission figures for long-haul, short-haul and domestic air travel are calculated based on the travel class flown on each flight (e.g. business, economy, premium economy). The carbon emitted differs by travel class in accordance with the space occupied by the passenger; business class seats are larger than the standard berth, meaning fewer people can be seated on the plane. This results in more fuel being burnt per person for the aircraft to reach its destination for business class in comparison with economy class. Our waste-to-landfill, composting and commingled recycling figures are calculated based on monthly weight audits by our contracted cleaning company. Our commuting and working from home data is coordinated by an external supplier and gathered via an anonymous staff survey.

Reducing emissions

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The 2018/19 financial year has been set as our base year to measure emissions against as it was the year we first became carbonzero certified. For the 2024/25 financial year, we have set the goal of reducing our operational carbon emissions by 10% from our base year relative to our staff numbers, net asset value and turnover. We are working on ways to better inform staff of the environmental impact when they book travel for work with the goal of limiting avoidable emissions.

Our carbon offset

The carbon credits purchased through Toitū Envirocare to offset the past financial year's emissions support the Amayo 40 MW wind power project in Nicaragua and improved water infrastructure in Sub-Saharan Africa. These credit projects have undergone Toitū's rigorous due diligence process. They are accredited under the Gold Standard registry, a standard endorsed by the International Carbon Reduction and Offsetting Accreditation, and meet the principles outlined in the Ministry for the Environment's interim guidance for voluntary climate change mitigation. More information on these credits and where Toitū has cancelled them on our behalf is available at registry.goldstandard.org.

GHG EMISSIONS BY SOURCE

		2023/24		2022/23		2021/22		2020/21		2019/20		2018/19	
Energy source	Measure	Quantity	CO_2e	Quantity	CO_2e	Quantity	CO_2e	Quantity	CO_2e	Quantity	CO_2e	Quantity	CO_2e
Electricity	kWh	180,468	13.05t	169,899	20.40t	137,669	14.73t	126,070	12.78t	130,467	12.75t	144,414	14.11t
Electricity distributed Transmission and distribution losses*	kWh	180,468	0.96t	169,899	1.87t	137,699	1.20t	-	-	-	-	-	-
International air travel (long haul)	km	3,930,103	1658.31t	3,414,958	1,432.17t	322,657	129.78t	18,724	2.74t	3,054,217	1,405.06t	3,628,306	1,703.35t
International travel (short haul)	km	833,669	136.40t	756,872	130.52t	136,295	23.11t	18,772	2.86t	795,356	151.60t	887,581	161.66t
Domestic air travel	km	238,262	46.23t	204,477	62.55t	60,352	18.46t	139,776	33.89t	160,437	38.90t	264,621	79.37t
Mileage (medium car) 1.6 – 2.0L	km	3,542	0.86t	3,107	0.74t	1,531	0.37t	4,553	1.08t	9,027	2.24t	4,673	1.16t
Taxi (regular)**	$	110,111	5.00t	92,071	6.47t	15,056	1.06t	30,918	2.17t	69,883	5.22t	100,836	7.53t
Taxi (petrol hybrid)	$	30,184	1.46t	34,525	1.90t	-	-	-	-	-	-	-	-
Waste to landfill***	kg	2,806	0.65t	1,825	0.38t	230	0.05t	-	-	4,037	0.98t	-	-
Composting****	kg	1,882	0.33t	-	-	-	-	-	-	-	-	-	-
Recycling – Comingled****	kg	2,641	1.44t	-	-	-	-	-	-	-	-	-	-
Freight (short and long haul)	km	272	0.30t	117,627	0.12t	127,669	0.13t	-	-	-	-	-	-
Working from home	kg	23,359	8.06t	22,496	10.05t	23,907	23.91t	-	-	-	-	-	-
Pre-calculated (tCO_2e) – Employee commuting*****	kg	52,549	52.55t	55,167	55.17t	-	-	-	-	-	-	-	-
Pre-calculated (tCO_2e) – Fuel and energy-related activities	kg	16,575	16.58t	15,466	15.47t	-	-	-	-	-	-	-	-

* In 2021/22 the Guardians began measuring: electricity-distributed transmission and distribution losses, freight (short and long haul) and the carbon impact of commuting and working from home.

** In 2022/23 the Guardians began reporting separately petrol-only and petrol-hybrid taxis.

*** Non-hazardous waste.

**** In 2023/24, the Guardians began measuring: composting; recycling commingled.

***** From 2022/23, emissions arising from working from home were measured separately from emissions arising from employee commutes, and from the production, processing and delivery of the fuel used in their commutes ('fuel- and energy-related activities'). Previously these were combined into a single category, 'commuting and working from home'.

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TOKI

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The toki is a tool used by Māori carvers. When worn around the neck as a pounamu (greenstone), it is a powerful symbol associated with strength, courage, bravery and mana (prestige).

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Investment Reports
Ngā Pūrongo Haumi Pūtea

Investing for the future

OUR BENCHMARKS

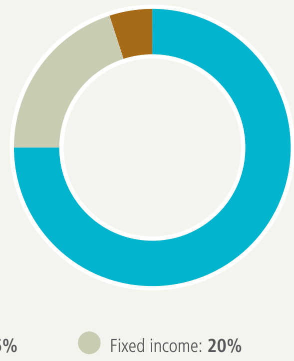
Actual returns, after costs and before tax, of 14.90% saw the total value of the NZ Super Fund rise by $11.25 billion during the 2023/24 financial year to end the year at $76.65 billion. This represents an excess return for the year of 9.29% over the cost to the Government of contributing to the Fund, as measured by the return on **Treasury Bills**, which was 5.61%.

In dollar terms, the Treasury Bill benchmark shows that during the last 20 years the Fund has generated $49.86 billion more in investment returns than the Government would have saved in interest had it opted to pay down debt rather than invest in the Fund. Of this amount, $6.17 billion was generated during the 2023/24 financial year.

Outperforming the Government's cost of funding is one of the two key benchmarks we use to measure our success. The other is the return generated by our Actual Portfolio compared to our **Reference Portfolio**, a shadow or notional portfolio of passive, low-cost, liquid investments suited to our long-term investment horizon.

We have chosen a Reference Portfolio made up of 80% equities (or shares) and 20% bonds, with foreign currency exposures 100% hedged to the New Zealand dollar (NZ$). We believe that this 80:20 asset allocation represents an appropriate balance to meet our mandate of maximising return without undue risk over our long-term horizon. The composition of the Reference Portfolio is reviewed every five years by the Board, most recently in 2020.

Reference Portfolio



The table below shows how the components of the Reference Portfolio have performed over time. The returns are shown on a hedged to NZ$ basis to the year ended 30 June 2024. Total return includes estimated costs to operate the Reference Portfolio.

Reference Portfolio benchmark*	Weight	2023/24 return	Return p.a. since 2010
Global equities	75%	19.81%	11.83%
New Zealand equities	5%	-1.51%	10.30%
Global fixed income	20%	3.82%	3.84%
Property**	0%	N/A	5.03%
Total	100%	15.13%	9.96%

* The Reference Portfolio was introduced in 2010.
** Property had a 5% weighting between July 2010 and June 2015.

The composition of the Reference Portfolio is the single largest influence on Fund returns, because it dictates the overall level of market risk we take on. In practice, about half of our portfolio is still invested in the Reference Portfolio (equities and fixed income securities), with the other half being active strategies. The total risk of the Actual and Reference Portfolios is similar because of our proxy approach, where we sell Reference Portfolio components to keep the equity risk the same when making an active investment.

During the coming year we will review the Reference Portfolio's composition, having decided to defer this work until we finalised the make-up of our Leadership team. We normally undertake this review once every five years and last did so in 2019/20. 201-1 3-3

PERFORMANCE REPORT (CONTINUED)

REFERENCE VS ACTUAL PORTFOLIO RETURN

PERFORMANCE OVER THE PAST YEAR

Much of the past year's gains were driven by strong growth in global equities. As a result, our Reference Portfolio, 75% of which is made up of overseas equities, posted a gain of 15.13%.

The strong global equity performance meant it was challenging for our active strategies, many of which focus on private markets, to outperform the Reference Portfolio over the year. For the 2023/24 year, the Actual Portfolio underperformed our Reference Portfolio by -0.24%. Over the last 20 years, however, the Actual Portfolio has outperformed the Reference Portfolio by an average of 1.54% per year, or $17.28 billion.

This remains ahead of our expectation that over rolling 20-year periods the Fund's active investment strategies will be able to add an extra 1.00% per year over and above the 6.80% return we expect the Reference Portfolio to deliver. In addition, these better-than-expected returns have been achieved while taking lower-than-budgeted active risk.

The graph on the following page shows the Fund's actual performance compared to our two key benchmarks and our long-term expectation for the Reference Portfolio. The blue line shows the return on 90-day Treasury Bills (the cost of government debt); the green line shows our long-term expected returns for the Reference Portfolio (the return on Treasury Bills + 2.80%, to reflect the extra risk attached to the assets in the Reference Portfolio); the brown line shows the performance of the Reference Portfolio; and the black line shows actual Fund returns.

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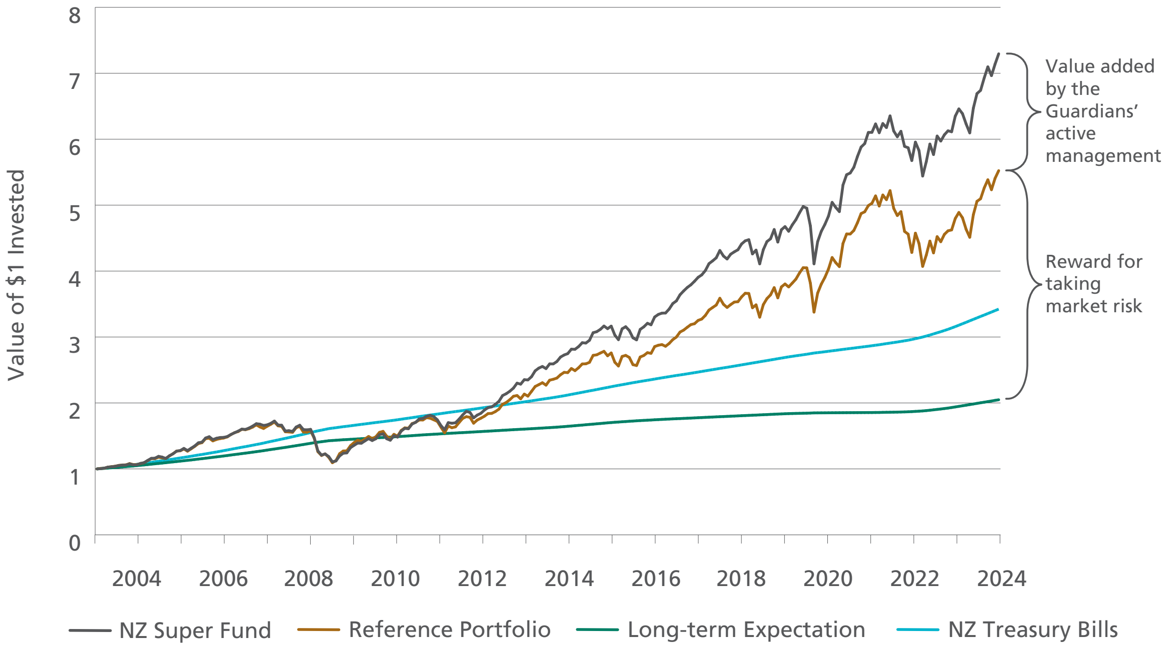
PERFORMANCE OF THE NZ SUPER FUND, ITS BENCHMARKS AND LONG-TERM EXPECTATION



ASSET ALLOCATION OVER TIME

The graph on the following page shows how the proportion of the Fund that is invested actively has grown over time as we have continued to identify attractive investment opportunities and funded them by selling down the Reference Portfolio. About 38% of our total portfolio is managed internally.*

Of particular note are:

- The launch of our Developed Markets Equity Multi-factor opportunity in 2018. This effectively converted some passive equity exposure to active, now representing nearly 20% of the portfolio.
- Greater exposure to Property over the past three years as we have invested in Core, Value Add and Opportunistic segments of the overall Real Estate opportunity and increased our investment in Rural Land.

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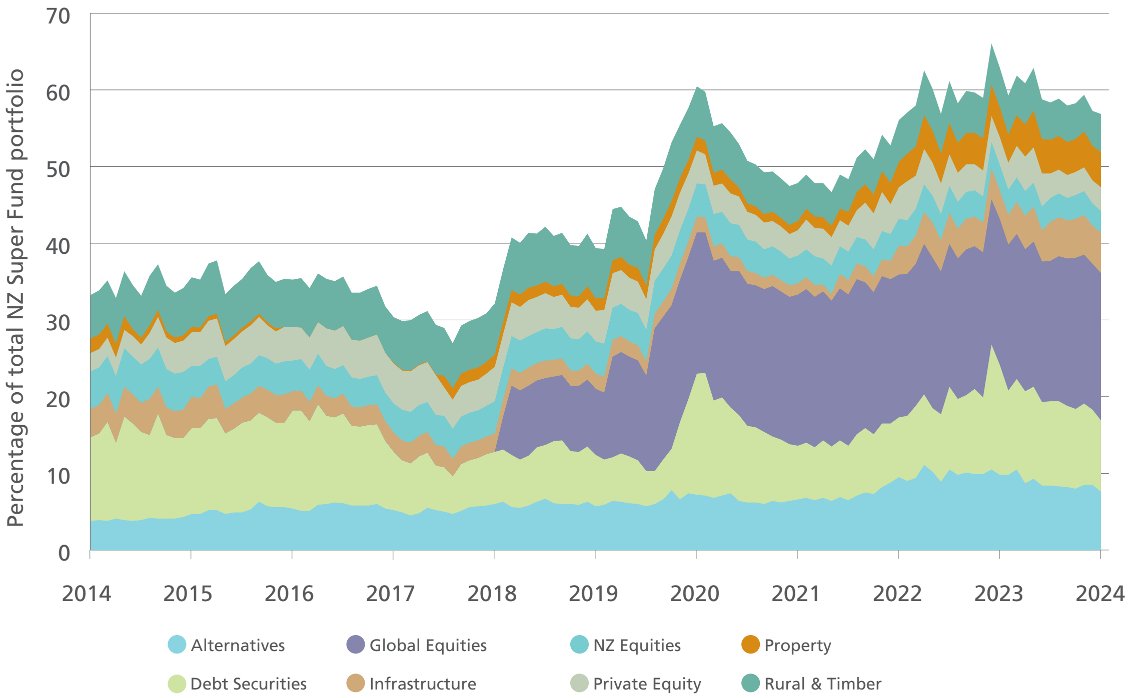
* Does not include derivative exposure.

ACTIVELY INVESTED ASSET EXPOSURE OVER TIME**



ACTIVE INVESTING

Our active investment strategies look to capitalise on advantages we have as an investor. We refer to those advantages as endowments.

Many of these strategies take advantage of the Fund's long time horizon. Over the years, one of the more successful of these active investment strategies has been Strategic Tilting, which is guided by a belief in mean reversion in asset prices and uses derivatives to take contrarian positions across a number of investment markets.

Over the past year, our Developed Markets Equity Multi-factor Strategy added significant value. This opportunity takes advantage of risk as well as behavioural and structural considerations in equity markets enabling certain factors to generate excess premiums. While we maintain exposure to beta, or the broad market return, we are deliberately taking on a small amount of active risk to generate additional alpha, or active returns. By doing so, we aim to outperform the market, rather than merely track it, while still ensuring that the portfolio benefits from overall market movements. Most of our targeted factors performed well, with value as the highest-performing factor and low volatility as the only factor that detracted value.

Our Opportunistic opportunity was our biggest detractor, mostly driven by the stock price of one of our investee companies, LanzaTech. This opportunity comprises investments in several different companies, around half of which outperformed the proxy.

See pages 53-56 for a fuller description of what an opportunity is and some notable opportunity performances during the 2023/24 financial year.

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** Before Strategic Tilting, Tactical Credit Opportunity and Direct Arbitrage, as at the end of each month to 30 June 2024.

OUR ENDOWMENTS

LONG HORIZON	OPERATIONAL INDEPENDENCE	SOVEREIGN STATUS	GOVERNANCE
We have the ability to invest in illiquid assets and ride out short-term market movements.	Investments by the NZ Super Fund are made on a purely commercial basis.	Our sovereign status allows us to pay lower tax in some jurisdictions and is often favourably regarded by business partners.	The Guardians is designed to operate at arm's length from the Government.

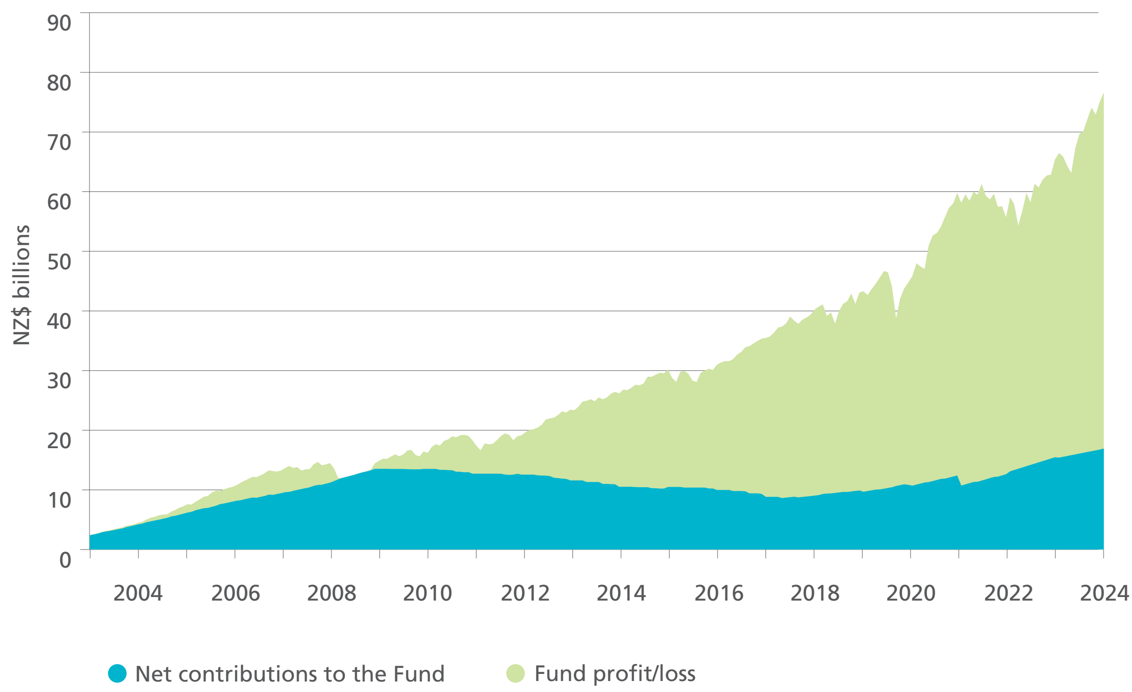
CUMULATIVE NET CONTRIBUTIONS AND THE SIZE OF THE NZ SUPER FUND

Over the next 50 years, the Fund is expected to become an increasingly important asset for the New Zealand Government. Based on Treasury modelling, the Fund will increase in size from about 17.6% of GDP to 36.8% and tax paid to the Crown will represent about 0.6% of annual GDP.

The graph below shows cumulative net government contributions to the Fund (contributions less tax paid back to the government), and the cumulative investment returns the Fund has earned on those contributions. Strong Fund returns since inception have reduced the size of the remaining contributions required from the Government under the legislated model.

Over time, the substantial amount of tax that the Fund pays will increasingly offset government contributions. From 2024/25, Treasury expects that domestic tax paid on earnings from the Fund's assets will be higher than the required contributions to the Fund from the Government. On current projections the government will start withdrawing money from the Fund to help pay for universal superannuation from 2032/33. Treasury estimates that by the time withdrawals begin the government will have contributed $8.1 billion net of tax to the Fund (i.e. less than the current net contribution of $16.9 billion) and the Fund will be worth more than $129 billion.

CUMULATIVE NET CONTRIBUTIONS AND SIZE OF THE NZ SUPER FUND



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PERFORMANCE REPORT (CONTINUED)

NZ Super Fund performance as at 30 June 2024	Since inception p.a.	20 years p.a.	10 years p.a.	5 years p.a.	1 year
Actual Fund return (after costs, before NZ tax)	10.00%	10.03%	10.33%	9.52%	14.90%
Reference Portfolio return (after costs, before NZ tax)	8.54%	8.49%	8.40%	7.98%	15.13%
Value added (actual return – Reference Portfolio return)	1.46%	1.54%	1.93%	1.54%	-0.24%
Estimated $ earned relative to Reference Portfolio*	$17,228m	$17,276m	$11,258m	$4,871m	($164m)
New Zealand Treasury Bill return	3.50%	3.45%	2.24%	2.23%	5.61%
Net return (actual return – Treasury Bill return)	6.50%	6.58%	8.09%	7.29%	9.29%
Estimated $ earned relative to Treasury Bills*	$50,100m	$49,863m	$37,578m	$21,182m	$6,174m
Crown contributions*	$26,554m	$22,760m	$11,672m	$10,172m	$1,614m
New Zealand income tax paid*	($9,611m)	($9,566m)	($5,664m)	($3,133m)	($145m)
$ change in Fund size*	$76,648m	$72,663m	$50,211m	$33,535m	$11,249m

* Figures are cumulative and not per annum.

RISK-ADJUSTED RETURN PERFORMANCE

The Sharpe ratio

Focusing solely on returns ignores how smooth or rough the ride was in generating those returns and the risk taken to achieve them. A commonly used risk-adjusted performance metric, the Sharpe ratio, compares the portfolio returns above cash returns as a ratio of the volatility of returns. The higher the ratio, the greater the return for the risk taken, and vice versa. The Sharpe ratio enables us to compare the risk-adjusted performance of our benchmark, the Reference Portfolio, with that of our Actual Portfolio, and also against our expectations. This is shown below.

	Reference Portfolio	Actual Portfolio
Expected Sharpe ratios	0.21	0.28
Realised Sharpe ratios		
Since introduction of Reference Portfolio (July 2010) to 30 June 2024	0.81	1.01
Since inception to 30 June 2024	0.49	0.57

Our long-term expectation is that the 80% growth, 20% income Reference Portfolio will achieve a Sharpe ratio of 0.21. For the Actual Portfolio, we expect a slightly higher Sharpe ratio of 0.28, with the increase a result of the value we expect to be able to add through active investing.

REFERENCE PORTFOLIO

The Reference Portfolio has generated a higher Sharpe ratio than the 0.21 we expected. Since its introduction in 2010, the Reference Portfolio has a realised Sharpe ratio of 0.81. This is because the Reference Portfolio has experienced higher-than-expected returns and lower-than-expected volatility. On a since-inception basis, the realised Sharpe ratio of the Fund's benchmark is 0.49.

ACTUAL PORTFOLIO

The Actual Portfolio has also generated a better Sharpe ratio than we expected, over both periods. Since July 2010, the Actual Portfolio's realised Sharpe ratio has been 1.01, materially exceeding our expectation of 0.28. Again, this has been driven largely by returns exceeding expectations and, to a lesser extent, lower-than-expected volatility. On a since-inception basis, the Actual Portfolio has realised a Sharpe ratio of 0.57. Over both periods, the Sharpe ratio of the Actual Portfolio compares favourably with that generated by the Reference Portfolio.

It is important to note the volatility component of the Sharpe ratio calculation is significantly impacted by private market assets. These investments are typically revalued quarterly or annually, as opposed to daily for listed assets such as equities or bonds. This can result in the appearance of much lower volatility than these assets actually have, consequently increasing the Sharpe ratios. Funds with a higher proportion of unlisted assets will therefore appear to be less risky than ones with more listed assets. The Sharpe ratio calculation above uses annual data points to take into account full valuation cycles of private assets.

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We continue to refine how we invest to streamline processes and improve decision-making.

Continual improvement is key to our culture and over the past five years we have made a number of changes to enhance our investment practices. In giving our investment model an AAA 'exceptional overall' rating, the 2024 Independent Statutory Review (see pages 101-102 for more information) noted the value of these changes. Here we outline some of the more significant ones.

STREAMLINING OUR PROCESSES

We aim to come to an early view on whether a prospective investment is likely to go ahead, so that we can 'fast fail' less attractive investments before too much effort is put into developing them. This enables us to review more investment ideas faster and frees up time to spend on portfolio management.

We follow a structured process before entering into a new investment. We have added a new step to this process, a First Screen for new investments, which leads to in-principle approval if successful, or a fast fail if not.

As well as this change, we have developed a streamlined co-investment framework and identified external investment managers that we have high confidence in investing alongside. This allows us to deploy capital in an efficient and timely way into high-confidence investments as the Fund grows.

IMPROVING OUR INVESTMENT DECISION-MAKING

We take a total portfolio approach to investing the NZ Super Fund. This means that any new active investment needs to be attractive relative to alternative investment opportunities, including delivering a higher risk-adjusted return than we would be able to attain from a passive, listed alternative.

We have improved our internal reporting to assist us in making decisions and have introduced regular discussions on total portfolio considerations at our Investment Committee meetings. Collectively, these tools and conversations make it easier to view the portfolio in totality and to make whole-of-portfolio decisions.

We group similar investments into investment categories that we call opportunities. We have improved the way we evaluate our investments by introducing benchmarks at the opportunity level. This helps us to better understand the drivers of active return, including differentiating between opportunity (a feature of the investment environment we expect will help generate positive returns) and access point (the actual investment we make to take advantage of the opportunity).

In 2022 we established our Data and Analytics Team to support investment decision-making by developing new investment analysis tools.

We also took steps to increase knowledge of specialist investment areas in Real Estate and Infrastructure, including creating a cross-team real assets group to coordinate this strategy.

As the portfolio and team have grown, we have delegated more, freeing up senior leaders from needing to approve lower-risk decisions.

MEASURING RISK

When COVID-19 emerged in 2020, markets fell rapidly. Though we now know that markets would ultimately recover, the situation urged us to reassess some of our investment assumptions. As part of this, we reviewed and lowered our liquidity risk appetite, moving to take a more conservative approach to liquidity management. To further improve our liquidity control, as well as save costs, we internalised our passive sovereign bond investments. We also overhauled our framework for assessing counterparty risk.

RISK-BUDGETING IMPROVEMENTS

Over the past five years we have made a number of enhancements to our risk budgeting process, including:

- incorporating liquidity considerations into our budgeting of active risk
- modelling tail risk, or the risk arising from rare events, for each opportunity, and considering it in our risk budgeting
- reviewing risk budgets more frequently
- moving to allocate risk directly to opportunities, rather than broader risk baskets
- incorporating sustainability into the risk budgeting process, giving greater weight to opportunities that align with our sustainability goals.

SUSTAINABLE FINANCE

From 2020 to 2023, we undertook a project to refresh our Responsible Investment Strategy and shift towards a sustainable finance approach to managing the Fund. Sustainable finance means considering the impact of investments on society and the environment, as well as thinking about the ESG risks on investments. See pages 74-81 for an update on our progress.

INVESTMENT ENVIRONMENT REPORT

In this report, we discuss factors that influence our global economic and investment environment.

LOOKING BACK AND LOOKING AHEAD

On our 20th anniversary of investing, we look back on the last 20 years and ahead to the next 20 years and beyond.

The last 20 years have been an exceptional period for the Fund – a 10.03% p.a. return is well ahead of how we expect it will usually perform over a 20-year period. Notwithstanding the very significant impact of the Global Financial Crisis and a number of other market shocks, global markets have largely benefitted from benign investing conditions, low interest rates, low inflation and low volatility, which have suited long-term investors with higher investment allocations to riskier assets like equities. In addition, our active investment strategies and ability to lean into markets when they are under stress have delivered extra value for the Fund.

We expect that the next 20 years will not be so beneficial to investors. Investment headwinds such as higher inflation and higher interest rates, climate change and heightened geopolitical risks are likely to result in more normal returns from the Fund than in the past 20 years.

As for the more immediate future, despite the Fund's strong performance in 2023/24, slowing economic momentum in 2024/25 could weigh on global risk assets and lower Fund returns. Today's high interest rate environment is likely to remain for some time, which impacts both market performance and increases internal hurdles for making direct investments. The Fund's endowment of a long investment horizon, however, allows us to ride out short-term market movements and benefit from long-term growth.

2023/24 INVESTMENT ENVIRONMENT

Solid economic growth in the face of high interest rates supported global equities and the Fund's performance in 2023/24. Equity markets rose by more than 17% over the year, supported by declining inflation, positive economic data, and optimism that generative artificial intelligence (AI) technology will boost corporate profitability. Globally, geopolitical risk was often to the fore, prompting volatility in commodity markets and supply chains.

Headline inflation continued to gradually recede around the globe, reaching 2% to 3% in most regions. Underlying data, however, continues to reflect a degree of persistence in core inflation – particularly within services inflation, which is closely linked to rising wages. However, labour market indicators are increasingly reflecting a better supply-demand balance, cooling wage pressures and moderating consumption as unemployment ticks up.

Many of the factors that kept inflation low over the last three decades – including globalisation, deregulation and the information technology revolution – are receding. Emerging structural factors, including deglobalisation, climate change, and AI technology, are likely to disrupt price stability and might usher in a decade of more volatile inflation.

Regional differentiation is becoming apparent in economic outturns, with the US outperforming, buoyed by household and corporate balance sheets. In Europe, Canada, Australia and New Zealand, data has been weaker. Central banks in Europe and Canada have begun to lower policy rates, with economic outcomes in the region necessitating lower levels of policy restrictions. More central banks are likely to follow suit to lower rates this year, but the persistence of services inflation is a key uncertainty to the evolution of monetary policy.

Swings in monetary policy expectations led global sovereign yields to reach higher levels last seen prior to the Global Financial Crisis in 2009. The path to higher rates has been volatile as investors reassess the path of medium-term growth, central bank expectations, inflation data, and geopolitical dynamics. Overall, 10-year nominal yields increased by about 60 basis points in the US and 20 basis points in Europe over 2023/24 where, a year ago, the expectation was for long rates to decline. The increase is led by a sustained rise in real rates, as market-implied inflation expectations remain steady. The outlook for fiscal sustainability has become more challenging for many countries as well, leading to an increase in term premium.

Global equities increased by 17% over 2023/24 driven by a combination of supportive factors: stable economic outcomes in the face of high rates; declining inflation; consumer strength; and the belief that AI technology will buoy sales and lower costs. Equity market concentration increased significantly, led by a subset of large companies – dubbed the "Magnificent 7" in the US and "GRANOLAS" in Europe. The share of technology firms rose against other sectors, and the market capitalisation of the US equity market rose against the world. In particular, the market capitalisation of the Magnificent 7 is now 9% larger than the entire European equity market. High valuations, slowing economic momentum, and increased focus on political risk around the US election might temper the equity rally.

Politics has been a central focus in 2023/24, with election outcomes in Mexico, South Africa, France, and Brazil closely watched by global investors. More broadly, geopolitical risks have affected financial markets, with wars in both Ukraine and the Middle East continuing to send shocks through commodity supply chains. The potential volatility of these risk events has supported the strength of the US dollar and the value of gold, which some perceive as a geopolitical hedge.

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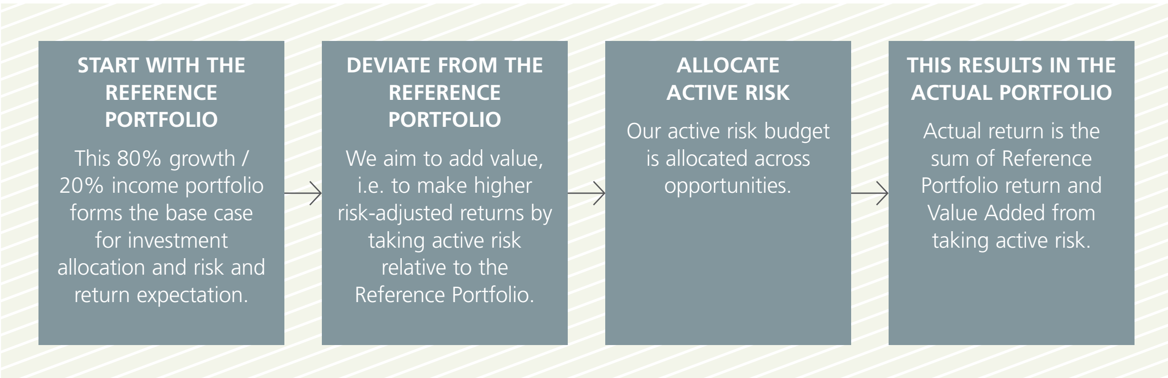
We undertake active investments to add value over and above our passive benchmark, the Reference Portfolio, over time.

We make two types of investments:

- passive, where we invest in a way that tracks a market index or indices
- active, where we choose (or a manager working on our behalf chooses) to invest in a company or security that we believe will deliver a better risk-adjusted return over the long term than passively investing.

Our active investments are funded from our Reference Portfolio. To avoid active investments increasing the Fund's risk, an active investment is funded by a combination of growth, income assets or cash that matches its Reference Portfolio risk profile.

When we sell an active investment, the proceeds are invested back into the Reference Portfolio in the same proportion of growth and income assets as the initial funding.



We call this mix of growth and income assets the proxy. The proxy represents the opportunity cost of an active investment (i.e., the return we would have made if we did not sell the proxy assets) and is part of our cost of capital which is also referred to as the hurdle rate. The hurdle is the minimum rate of return we require to make an active investment. The active return of an investment is the difference between the asset return and its proxy's return. Active investments create 'active risk'. This is the chance that they will perform better or worse, or show more volatility, than their proxy.

Two key strategic decisions determine the risk and return profile of the Fund: (i) the structure of the Reference Portfolio, as discussed on pages 45-46, and (ii) the size of the Fund's active risk budget. These are both Board decisions, informed by recommendations from Guardians' management. Our active risk budget is 4%, meaning the standard deviation of active returns over the long term is expected to average 4% over time. Within this budget, management allocates risk to specific investment opportunities. The most risk is allocated to the investment opportunities we believe will add the most value to the Fund, after considering consistency with both our liquidity risk appetite and our sustainable investment approach.

What are opportunities?

Opportunities are the basic building blocks of the active portfolio - we invest in opportunities that are expected to produce positive risk-adjusted active returns. Effectively equivalent to sub-asset classes, opportunities can be broad (e.g. rural land) or narrow (e.g. broadband spectrum). The opportunity framework allows our investment team to construct a portfolio that is based on clearly defined drivers of risk and return. Opportunities are subject to regular review and may be terminated, redefined or merged, based on changes to the return and/or risk drivers. Terminating an opportunity means we are no longer looking to add new exposures to it. Legacy assets may remain in a terminated opportunity until they are wound down.

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INVESTMENT OPPORTUNITY REPORT (CONTINUED)

ALLOCATING RISK TO INVESTMENT OPPORTUNITIES

Our risk budgeting framework allocates active risk budget to each of the opportunities in accordance with their relative attractiveness. The attractiveness of an opportunity is assessed based on forward-looking active risk-adjusted return, alignment with our endowments and investment beliefs, and conduciveness to helping us meet our sustainability goals. Allocations are constrained to be consistent with our liquidity risk appetite.

Each investment opportunity sits within one of four groups – these groups are for reporting purposes only. We set a time-varying target risk allocation for some opportunities according to their point-in-time attractiveness, which is assessed every six months. This target risk allocation is designed to achieve the average allocation of active risk to each opportunity, the opportunity risk budget, over time. Target risk allocations are a guide only as we retain flexibility to use more or less risk than the target, depending on the attractiveness of specific investments. This flexibility is a key component in our total portfolio approach. It ensures that we are able to compare investments across the total portfolio and the investment universe for each investment decision.

	TIME-VARYING ALLOCATION APPROACH			
Group	Equity, Credit & Arbitrage	Internal Investment Mandates	Real Assets	Static Targets
Opportunities	• Convertible Arbitrage • Natural Catastrophe Reinsurance • Merger Arbitrage* • Life Settlements* • Distressed Credit*	• Direct Arbitrage • Tactical Credit • Strategic Tilting • Active Equities (NZ) • Event-Driven Opportunity	• Timber • Rural Land • Real Estate (Opportunistic) • Real Estate (Value Add) • Real Estate (Core) • Infrastructure (Core) • Infrastructure (Value Add) • Infrastructure (Development) • Energy Growth (Alternative)* • Energy (Shale)*	• Broadband Spectrum • Developed Markets Equity Multi-factor • Global Macro • Opportunistic • Venture Capital • Trend • Exploratory • Buyout • Sustainable Transition • Growth Capital (NZ) • Insurance Run-off
Description	The Equity, Credit and Arbitrage Group is made up of opportunities that are either equity-like, offer credit exposure, or provide a potential arbitrage opportunity.	The Internal Investment Mandate Group includes all of the strategies that are run by Guardians staff.	The Real Assets Group comprises investments or holdings in physical assets.	The Static Target Group contains Opportunities where we do not attempt to time the market (i.e. we do not change our allocation in response to market conditions).

*Terminated opportunity.

PERFORMANCE OF OPPORTUNITIES OVER TIME

Source of value-add	1 year p.a.	5 year p.a.	10 year p.a.
Static Targets	-0.13%	-0.06%	0.00%
Internal Investment Mandates	-0.04%	1.09%	1.35%
Real Assets	-0.47%	0.48%	0.49%
Equity, Credit & Arbitrage	0.21%	0.06%	0.02%
Terminated*	-0.01%	-0.39%	-0.22%
Total**	-0.44%	1.18%	1.64%

* The returns of the terminated opportunities are not included in the returns of the opportunity groupings in the rows above.

** Totals may not equal the sum of underlying components due to rounding. The difference between the -0.44% total shown here and the Fund's total annual value-add performance of -0.24% for the year can be attributed to portfolio completion activities (see page 57), benchmark calculation methodology factors and Guardians' costs.

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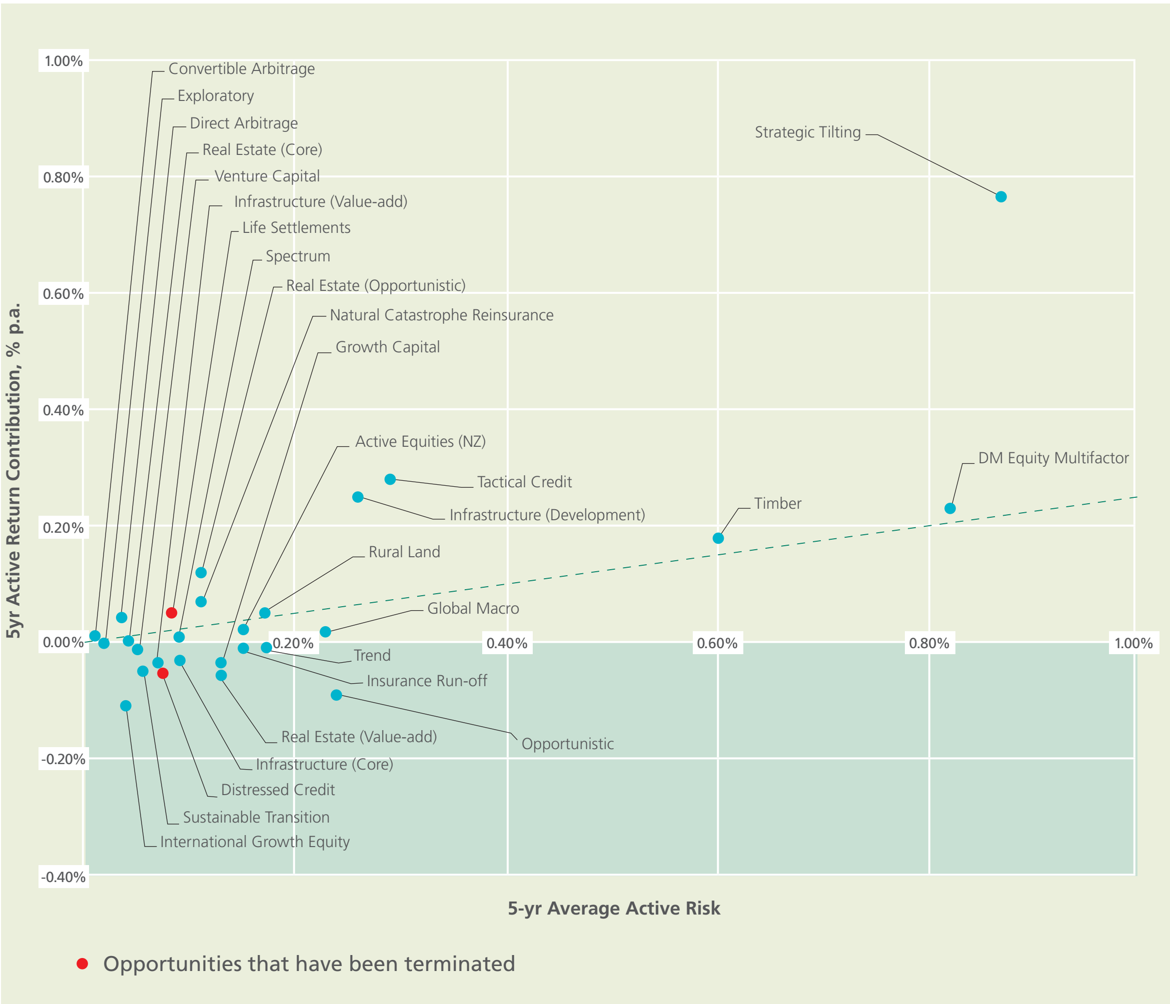
OPPORTUNITY PERFORMANCE

The graph below shows how each of our investment opportunities has performed over the past five years.* The vertical axis represents the annualised percentage point contribution to overall portfolio active return that each opportunity has delivered. The horizontal axis represents the average amount of active risk used by each opportunity over the same period. The opportunities that sit above 0% on the vertical axis have added value above the Reference Portfolio, and those above the green line have performed above our long-term return expectations for the Active Portfolio during the measured period. Historically, total portfolio performance has benefitted from strong opportunity performance on average and from the Guardians allocating the most active risk to the best-performing opportunities, in part because these opportunities are most strongly aligned with our endowments.

When reading the graph, it is important to understand:

- The vertical axis shows whether an opportunity has contributed value-add to the Fund. An opportunity sitting at or below zero may still have generated a positive absolute return; however, its proxy generated a higher return.
- A low active return contribution is not in itself a bad outcome. Opportunities that are allocated less risk over time have less potential to make large return contributions. We expect opportunities with low risk allocations to make small active contributions to the portfolio.
- The graph shows performance over five years. This may not be suitable for assessing new opportunities or opportunities based on a long-term investment case.
- While a five-year time frame better reflects our long-term investment horizon, the graph includes opportunities for which we have at least a year of data.
- The dotted line shows the Fund level expected Information Ratio (portfolio active return relative to active risk). Note that it is not necessary for all opportunities to lie on or above the line in order to achieve our Fund level expected Information Ratio.

OPPORTUNITY PERFORMANCE OVER TIME**



* We have included opportunities for which we have at least a year of data.

** Because the active returns of the opportunities are not perfectly correlated, the active risk of all opportunities combined (i.e. the active portfolio) is less than the sum of the individual opportunities' active risks.

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NOTABLE OPPORTUNITIES

- We re-established our **Buyout** opportunity in December 2023 after previously terminating it in 2021. Buyout involves acquiring controlling interests in private companies. We chose to re-establish this after conducting additional research that led us to gain a better understanding of the drivers behind the opportunity. This doesn't necessarily mean that the NZ Super Fund will have a controlling interest in the company concerned; our investment may be via a third party manager alongside other investors.
- Our **Developed Markets Equity Multifactor** opportunity, which takes advantage of targeted factors in equity markets, was our highest value-adding opportunity in 2023/24. We adopted the MSCI World Climate Paris Aligned Index as the new benchmark for this opportunity (see page 74 for more information).
- **Trend** exploits the observed persistence of price changes across a broad range of markets over time, driven by investor behavioural biases. Trend strategies underperformed in the 2023 calendar year but had a strong start to 2024 on average. In December 2023 we on-boarded a new Trend manager, Florin Court, which operates a highly diversified strategy that trades in over 400 alternative markets. Trading in different markets and at different speeds brings about diversification across Trend managers. Periods of varying performance are expected over time as different economic conditions impact how markets trend. Across their portfolios Trend managers will be positioned 'long' assets which are trending upwards (meaning they profit if that market continues to go up), and 'short' assets which are trending down (meaning they profit if that market continues falling). They will position across different markets (for example, being long a stronger US sharemarket, and short a weaker European sharemarket) and different asset classes (including various commodities and currencies). A prominent recent example which contributed to our returns was the strong positive trend observed in the cocoa market for several months through to mid-April. This is a large, liquid market and is traded by AHL.
- Our **Active Equities (NZ)** opportunity includes an internally-managed machine-learning mandate. This continued to outperform targets and has now grown to over NZ$100 million, with internal approval being granted in January to increase capacity to NZ$250 million. The NZ Equities opportunity as a whole underperformed in 2023/24, with access point performance varying significantly.
- **Natural Catastrophe Reinsurance**, which involves the purchase of catastrophe bonds and other natural catastrophe products, performed well in 2023/24, delivering a 12.6% ($128 million) active return.
- Our **Real Asset group** underperformed its proxy this year. Within this category, Infrastructure (Development) was the opportunity that detracted the most in dollar terms. This opportunity involves infrastructure investments in greenfield opportunities.
- In dollar terms, our **Opportunistic** opportunity was the worst-performing in 2023/24. This was largely driven by our holdings in LanzaTech, which saw a reduction in share price during the year. We continue to take a long-term view on the company.
- We have been significantly more active in the **Direct Arbitrage** opportunity in 2023/24 versus the previous year as volatility and higher interest rates have created more opportunities to invest.
- **Strategic Tilting** returned its first negative annual return in the last eight years. It remains the NZ Super Fund's highest contributor to value-add since inception at approximately $4.5 billion. Returns this financial year were positive for rates, credit and real estate investment trusts, but negative for equities, foreign exchange and commodities.
- **Tactical Credit** aims to generate active returns through taking advantage of the Fund's endowments and actively seeking investment opportunities in credit markets. Over the past year, we invested a combined NZ$830 million in private credit markets in the US, Europe and Australia, spanning corporate credit, commercial and residential real estate, and funds financing.
- As part of our **Infrastructure (Core)** opportunity, we sold our direct stake in the EastLink toll road in Melbourne, Australia, to QIC and the Future Fund.
- We terminated our **Life Settlements** opportunity, which involves the purchase of life insurance policies in the secondary and tertiary markets. Our analysis showed the drivers of return for the opportunity diminished over time, and this remained a niche asset class where investment could be difficult to scale up as the NZ Super Fund grows. We have exited our life settlements swap arrangement with Credit Suisse, and our investments via Apollo will be wound down over the next few years.

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OTHER VALUE-ADDING ACTIVITIES

In addition to our opportunities, we also seek to add value to our portfolio through efficient implementation – what we call portfolio completion. Our Portfolio Completion team executes a value-adding strategy focused on obtaining cost-effective access to liquid exposures and managing them efficiently. Through this strategy, we aim to minimise and reduce the direct and indirect costs associated with investing the Fund.

Our Portfolio Completion Team does this in four key ways:

Portfolio optimisation	Portfolio optimisation is where we make a decision to hold securities in the portfolio that will best replicate the performance of our benchmarks.
Asset rebalancing	Asset rebalancing is where we periodically rebalance the proportion of equities and bonds in our portfolio back to desired Reference Portfolio weights.
Foreign exchange hedging	Currency hedging is where we adjust our currency hedges to match the Reference Portfolio currency exposure, which is 100% hedged to the NZ dollar. At times we may be over hedged or under hedged. We also adjust our duration of foreign exchange forward contracts versus our benchmark.
Securities lending	Securities lending is where we lend out both our equities and bonds to other market participants to achieve a return.

Our Portfolio Completion activities have added considerable value to the Fund over time. For the past five years, in dollar terms, we have estimated the value added against the passive Reference Portfolio as approximately $549 million, of which $128 million was added in the 2023/24 year.

	1 year	5 year p.a.	10 year p.a.
Portfolio completion	**0.20%**	**0.22%**	**0.29%**
- Passive replication	0.07%	0.12%	0.19%
- Transitions and other	0.02%	0.00%	0.01%
- Currency overlay	0.12%	0.11%	0.10%

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Where We Invest

The NZ Super Fund is diversified across a range of markets and sectors all around the world.

In this section, we show where the Fund's Actual Portfolio is invested, compared to where it would be invested if we took a passive approach and invested solely in line with the Reference Portfolio. As you can see, the Fund is strongly weighted to New Zealand assets relative to the size of the market. This is because of our local advantage: New Zealand is a market we understand and value, and one in which we have some advantages that others do not. The Fund is local and Crown-owned, which is attractive to some investee businesses and co-investment partners. In New Zealand terms, the Fund is relatively large and able to undertake investment at scale; we have a long investment horizon and the ability to invest in illiquid assets (assets that can be hard to sell quickly) to earn a premium over time.

	Reference Portfolio	Actual Portfolio
North America	56.7%	54.1%
Europe	17.7%	19.6%
Asia (excl. Japan)	7.6%	3.7%
Japan	5.6%	4.2%
New Zealand	5.0%	10.6%
Australia	1.4%	3.8%
Other	6.0%	4.0%

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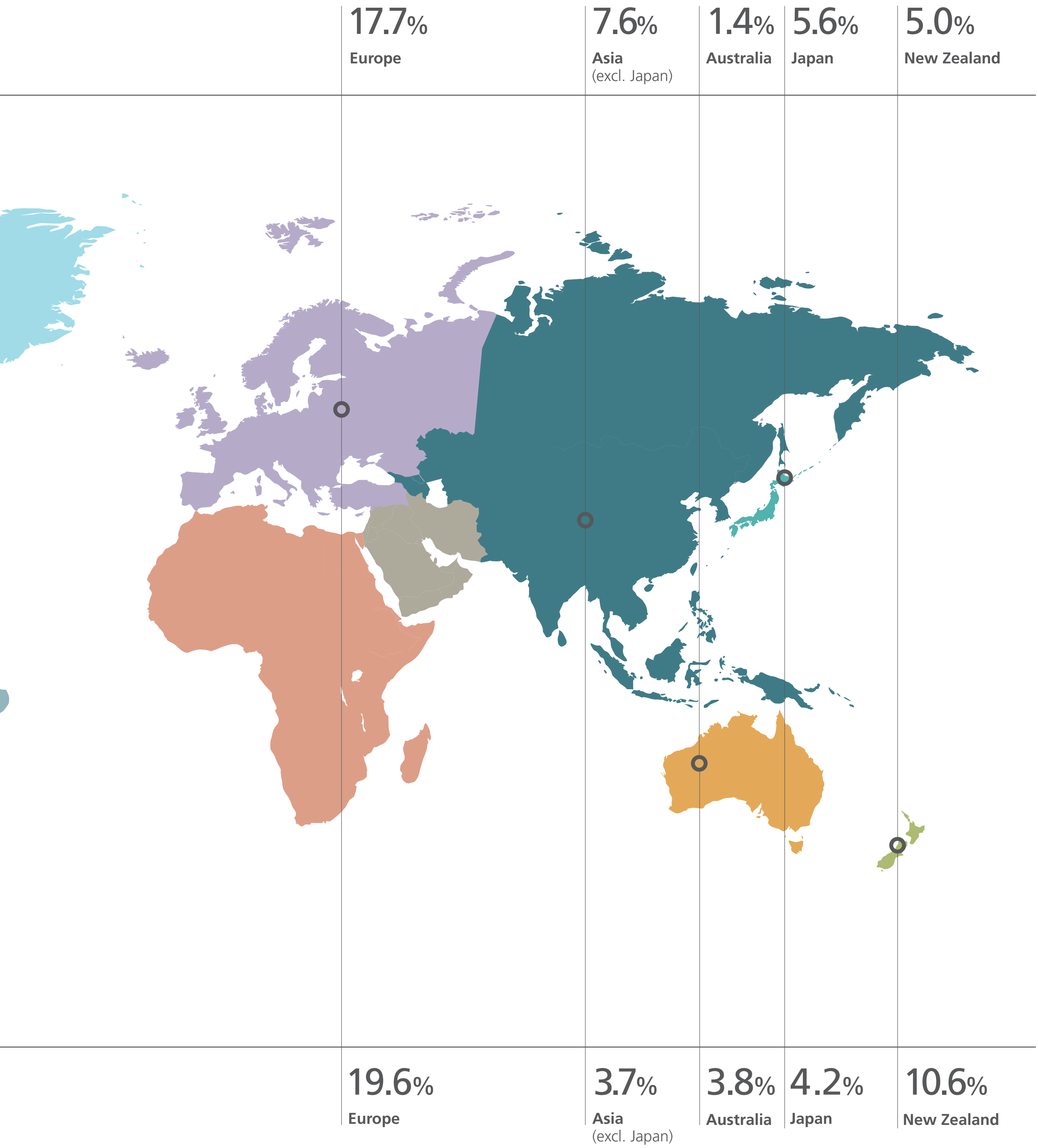
17.7%
Europe
7.6%
Asia
(excl. Japan)
1.4%
Australia
5.6%
Japan
5.0%
New Zealand
19.6%
Europe
3.7%
Asia
(excl. Japan)
3.8%
Australia
4.2%
Japan
10.6%
New Zealand

New Zealand is our home. It's a market we understand and in which we play an important role.

Eleven per cent of the NZ Super Fund's total investments by value, or $8.4 billion, is invested in New Zealand assets.

Our investments in New Zealand span our full 20-year history. In 2003 we began investing in New Zealand equities via external managers. In 2006 we entered into our longest-running direct investment, Kaingaroa Timberlands. Covering around 178,000 hectares of planted forest, Kaingaroa Timberlands is widely recognised as one of the world's premier softwood plantations and is a major supplier of logs to the domestic and export markets. Today our 42% stake in Kaingaroa Timberlands is the Fund's largest single investment.

In 2009, the Government directed the Guardians to identify and consider ways to increase the allocation of New Zealand assets in the Fund, while still investing "on a prudent, commercial basis", in accordance with our legislative requirements.

While the value of our investments in New Zealand has grown significantly since the directive (from around $2.5 billion in 2009 to $8.4 billion in 2024), the percentage of New Zealand assets as a proportion of our total portfolio has decreased (from around 21% in 2009 to 12% in 2023 and 11% in 2024). This is a function of the relative growth rates and market size of New Zealand in comparison with the global asset classes in which we are invested. We remain keenly interested in pursuing large-scale domestic investment opportunities.

The country's need for infrastructure that serves our growing and changing population, incorporates new technology, and helps with the transition to a net-carbon-zero economy provides potential opportunities for the Fund to identify projects that meet our sustainability and commercial criteria and also generate social and economic benefits for New Zealand as a whole.

Our investment, in partnership with Copenhagen Infrastructure Partners, in exploring the case for an offshore windfarm in the South Taranaki Bight demonstrates our willingness to commit to projects of this type.

We will continue to look actively for local investment opportunities that meet our investment criteria and improve economic and social outcomes for New Zealand.

DIRECT INVESTMENTS

Our direct investments in New Zealand cover sectors ranging from forestry to life insurance. While all have very different dynamics, these investments typically reflect our preference for those which create value through time and are based on sound partnerships.

Our involvement with New Zealand's largest technology company, Datacom, goes back to 2012, when the Fund purchased a 35% shareholding in the company. Since then, Datacom has significantly grown its business, particularly in Australia, working with a range of government and corporate clients, and our share of the business has increased to 45%.

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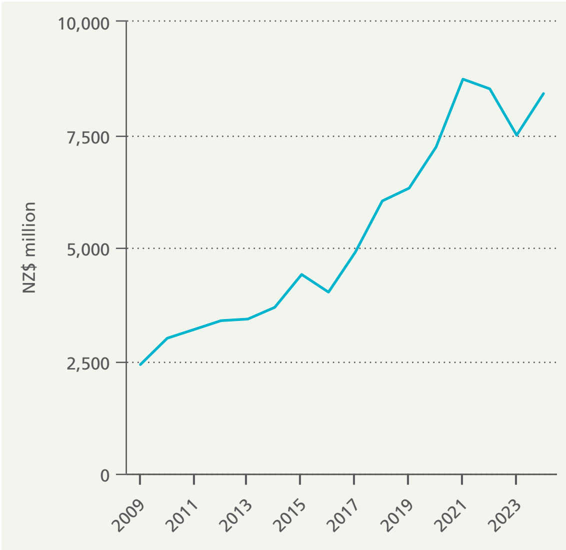
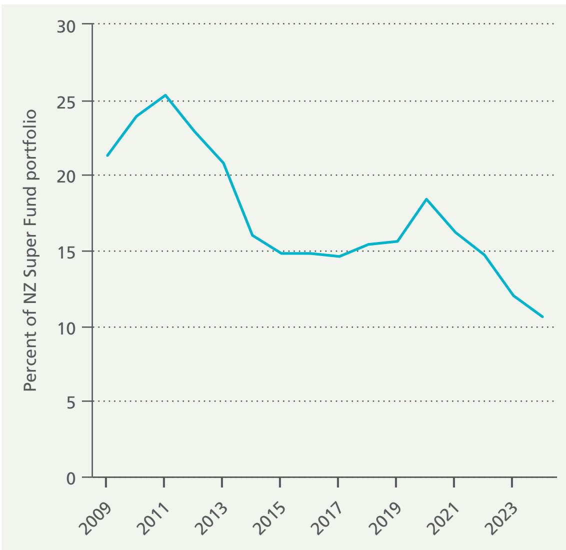
The rapid development of AI is at the forefront of Datacom's plans for the coming year, both how it can incorporate this new technology into its own operations and how it can identify potential issues and opportunities for its clients in areas including cyber security, data storage and governance.

Datacom's four New Zealand-based data centres and its 6,100-strong team are well placed to meet the ever-changing needs of the market.

New Zealand investment since Ministerial Directive



Proportion of NZ Super Fund invested in New Zealand



A more recent investment is Kaha Ake, a partnership with land developer and residential housebuilder Classic Group, which was established in 2021. Kaha Ake is focused on helping to meet the demand for housing in provincial New Zealand, with projects to create residential sections currently underway in Feilding, Matamata, and Queenstown. A fourth project is committed also, in Warkworth, but is still in the pre-construction phases.

Central Otago and Waikato are two of the fastest-growing areas in the country, and population growth in the Manawatū District has also been ahead of the national average for the past five years. Investing in residential sections development to facilitate more housing in these regions will help individual communities develop and generate long-term social and economic benefits. The platform currently is committed to delivering 2,500 plots of land over all phases of the four current projects.

We have also been working with Russell Property Group, Ngāi Tai ki Tāmaki and Hāpai on a plan to enable the development of residential housing, associated infrastructure and amenities south of Beachlands in Auckland. In April, Independent Commissioners acting on behalf of Auckland Council approved the rezoning of the site proposed for this development.

We established our rural land portfolio in 2010, with the purchase of a dairy farm in Central Otago. Since then, we have grown to become one of New Zealand's largest milk producers, with dairy farms in both islands. Working with our asset manager, FarmRight, we have also diversified into meat and horticulture on both sides of the Tasman, creating a rural portfolio that is now worth more than $1 billion.

One notable example of this diversification has been the expansion of our apple-growing operations – a three-way partnership between us as orchard owner, FarmRight as orchard manager, and T&G Global as holders of the rights to the varieties we are growing and suppliers of supply chain, marketing and sales expertise.

EXTERNALLY MANAGED INVESTMENTS

We allocate capital to a number of New Zealand-based investment partners which we believe can generate active returns (i.e. returns over and above the passive alternative, after costs). This includes: private equity funds and co-investments managed by Direct Capital, Movac and Pioneer; active NZX-listed equities portfolios with Devon Funds Management and Mint Asset Management; and New Zealand assets that form part of a global infrastructure mandate with Morrison.

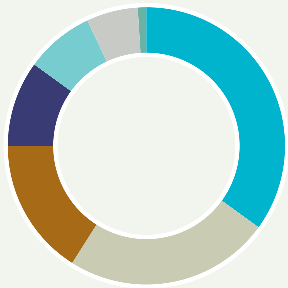
LISTED EQUITIES

Our Reference Portfolio has a 5.0% allocation to New Zealand shares. We invest in New Zealand listed shares through active mandates (combination of both internal and external) and an internal passive mandate.

We believe our deep understanding of the local New Zealand market and our relatively high tolerance for volatility provide the potential for us to add value by stock picking. We also value being able to engage directly with market participants in our home market.

A full list of all our shareholdings, including the percentage of each company we hold, is available on our website.

New Zealand investments as at 30 June 2024



Guardians host the Directors and CEOs of our investee companies for a development day.

SECTION TWO
INVESTMENT REPORTS
02

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INVESTMENT ACTIVITY REPORT

Here, we provide an overview of our new investments over the past financial year.

SUSTAINABLE TRANSITION

ARA PARTNERS

In August 2023 we committed to invest US$105 million in Ara Fund III. Ara Partners is a private equity firm specialising in industrial decarbonisation. It invests in the industrial and manufacturing, chemicals and materials, energy efficiency and green fuels, and food and agriculture sectors.

In September we committed to co-invest up to US$20 million into Genera, alongside Ara. Genera is a vertically integrated sustainable pulp and packaging company, which grows carbon-negative grass fibre and converts it into compostable packaging and bioproducts.

TIMBER

DOMAIN TIMBER ADVISORS

In September 2023 we committed to invest up to US$150 million in timber assets in the US via Domain Timber Advisors. Domain's timberland strategy focuses on the sourcing of non-industrial, degraded or under-utilised timberland. The company has a long history of success in managing such tracts and achieving both economic and environmental uplift through property improvements and the ultimate aggregation of the acquisitions.

TREND

FLORIN COURT

In December 2023 we invested NZ$395m in Florin Court Capital Fund. Florin Court is a quantitative hedge fund manager specialising in trend-following programmes, which involve going long markets whose prices have been rising and going short markets whose prices have been falling, under the belief that those trends will continue. Alongside our existing exposures to trend-following, managed by Man AHL, we consider this investment has the potential to enhance Fund returns while also helping to mitigate tail risk, the risk of outsize losses due to rare events.

INTERNATIONAL GROWTH EQUITY

TRACT

In August 2023 we committed to invest up to US$20 million in Tract, a co-investment alongside Columbia Capital. Columbia Capital is a US-based investment manager specialising in communications and technology companies with whom we first invested in 2021. Tract is in the business of purchasing, holding and zoning land on which hyperscale data centres will be developed.

SANDS CAPITAL

In November 2023 we committed US$75 million to Sands Capital's Life Sciences Pulse Fund III. The strategy focuses on growth equity investing in innovative privately-held therapeutics, diagnostics and life sciences tools companies.

VENTURE CAPITAL

STEPSTONE VC

In May 2024 we committed US$50 million to StepStone VC Secondaries Fund VI. This Fund seeks to provide liquidity to founders and early investors in mature venture-backed companies, purchase interests in venture capital funds from limited partners, and assist fund managers with structured solutions such as portfolio strip sales, tenders and continuation funds. StepStone is one of the largest allocators to venture funds globally. Fund VI is a US$3.3 billion fund.

INFRASTRUCTURE (CORE)

EUROCLEAR

In June 2024 the Fund acquired an additional 3.70% stake in Euroclear, having taken an initial 4.99% holding in September 2023. This follow-up investment makes us the company's fourth-largest individual shareholder, and Euroclear one of the largest single investments in the NZ Super Fund. Headquartered in Brussels, Euroclear is a provider of post-trade services, with approximately EUR37 trillion of assets under custody and over EUR1 quadrillion worth of annual securities transactions. Euroclear is a useful diversifier in the portfolio and provides a rare opportunity to access large-scale private markets exposure to global financial markets infrastructure.

INFRASTRUCTURE (DEVELOPMENT)

GALILEO GREEN ENERGY

In February 2024 we increased our total capital commitment to Galileo to EUR60 million (an increase of EUR26 million) to support the business as it enters the next stage of its growth and executes its strategic initiatives. Galileo is a pan-European renewable energy developer, owner and operator, which we own 20% of alongside Infratil (40%), CSC (20%) and MGIF European Renewables (20%).

LONGROAD ENERGY

In October 2023 we increased our capital commitment to Longroad by US$65 million to support the ongoing development of its pipeline of North American renewable energy projects, which are benefitting from strong demand for clean energy and supportive federal and state policy. Since inception in 2016, Longroad has developed 5.4 gigawatts (GW) of renewable energy capacity across the US and is targeting annual development of 1.5GW going forward (compared to total installed generation capacity in New Zealand of approximately 10GW).

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RURAL LAND

FARMRIGHT NZ

We have continued to deploy capital across our New Zealand rural land platform. During the year, we completed development work at our Riwaka apple orchard, replanting the approximately 100-hectare orchard that will supply Envy apples to T&G Global. In June 2024, we acquired around 460 hectares of dairy farm in the Pendarves, outside Ashburton. Over the next three to four years, this property will be partly converted to an apple orchard supplying Rockit apples, generating higher returns on our capital while also reducing CO_2e emissions by 90%, improving nitrogen loss by 80% and lowering water usage by 40%.

Sauvignon Blanc grapes getting close to harvest at Valley Vineyards, Awatere River, Marlborough. Valley Vineyards has been undergoing a development programme that will replace Pinot Noir vines with Sauvignon Blanc.

Introducing elevated work platforms into apple orchards for pruning, thinning, and picking reduced ladder movements per hectare over the season by approximately 20,000. As well as improving productivity, less ladder use means fewer injuries – it also means a broader pool of potential orchard workers.

REAL ESTATE (OPPORTUNISTIC)

CLASSIC KAHA AKE

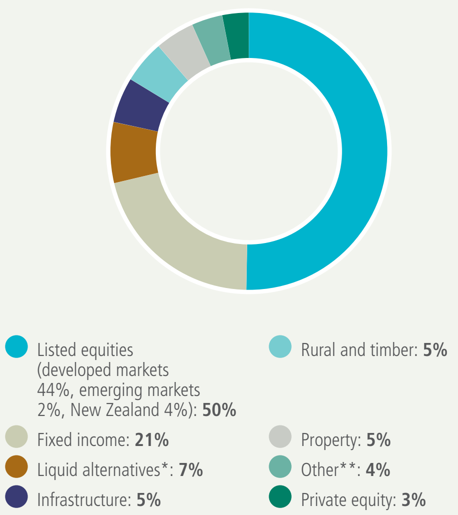
In November 2023 we settled the first tranche of land in the fourth project under the Kaha Ake (Stronger Together) partnership, our joint venture with Classic Group. The project, Awa Park at Maewa in Feilding, is set to accommodate over 600 residential properties. Works on site began in late 2023 for the development of sections, and first titles are due in early 2025.

CIM

In September 2023 we participated in a follow-on capital raise for Novva Data Centers, a data centre platform in the US managed by CIM. NZSF contributed US$208 million to the capital raise. The capital will be used to support the growth of Novva's data centre platform, to service the growing AI and cloud computing driven demand for data centre services.

Novva Data Center's Salt Lake City site.

NZ Super Fund asset allocation as at 30 June 2024



* Includes hedge funds and other liquid alternatives exposures
** Cash and miscellaneous

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MANAGERS AND CUSTODIANS

In this section, we set out a complete list of our investment managers and custodians.

As the NZ Super Fund has grown, so has its suite of managers. We began investing the Fund in September 2003 through three managers: two investing in New Zealand equities and one in international equities. As our range of investments has grown much broader, we now invest the Fund via 52 managers.

The table below includes all asset managers who oversee investments on behalf of the NZ Super Fund or the Elevate Fund. It identifies managers who have been appointed or terminated over the last year and whether managers invest primarily in listed (or highly traded) or unlisted securities. We disclose the value of the assets each manager manages on behalf of the NZ Super Fund and the Elevate Fund, as at 30 June 2024, and the value of each investment as a percentage of the total fund. Our internal investment mandates are managed by the Guardians' in-house team of investment professionals.

NZ SUPER FUND

Managers appointed since 1 July 2023	Year appointed	Fund name and focus areas	Type	Value of investment NZ$m	% of total NZSF (pre-tax)
Ara Partners	2023	Ara Fund III AIV and Co-investment – Sustainable Transition	Unlisted	52	0.1%
Domain Timber Advisors	2023	Sutherland Timber SMA – Timber	Unlisted	26	0.0%
Florin Court	2023	Florin Court Capital Fund	Listed	384	0.5%
Sands Capital	2023	Sands Capital Life Sciences Pulse Fund III – International Growth Equity	Unlisted	0*	0.0%

Mandates closed since 1 July 2023	Year appointed	Fund name and focus areas	Type
BlackRock Investment Management UK	2016	Global Merger Partners – Merger Arbitrage	Listed
Canyon Capital Advisors	2010	Canyon Distressed Opportunities Fund (Delaware) – Distressed Credit	Unlisted
Coller Investment Management	2007	Coller International Partners V Fund – Buyout	Unlisted
Kohlberg Kravis Roberts (KKR)	2008	KKR 2006 Fund – Buyout	Unlisted
Neuberger Berman	2018	Neuberger Berman Principal Strategies Merger Fund (NZSF) – Merger Arbitrage	Listed

Incumbent managers as at 30 June 2024	Year appointed	Fund name and focus areas	Type	Value of investment NZ$m	% of total NZSF (pre-tax)
Adams Street Partners	2007	Adams Street Partners Fund – Buyout	Unlisted	2	0.0%
APG Asset Owner Partnership	2022	APG Asset Owner Partnership – Infrastructure	Unlisted	0*	0.0%

* Several mandates appear as zero value – this is either because the mandates were awaiting funding as at 30 June 2024 or the managers have returned capital such that the residual balance of the mandate is less than $1 million.

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Incumbent managers as at 30 June 2024	Year appointed	Fund name and focus areas	Type	Value of investment NZ$m	% of total NZSF (pre-tax)
Apollo Global Management	2014	Financial Credit Investment II – US Life Settlements	Unlisted	194	0.3%
	2017	Financial Credit Investment III – US Life Settlements	Unlisted	198	0.3%
AQR Capital Management	2009	CNH Convertible Arbitrage Fund	Listed	48	0.1%
	2018	Segregated mandate – Multi-factor Investing	Listed	4,532	5.9%
Ascribe Capital	2010	Ascribe Opportunities Fund II – Distressed Credit	Unlisted	0*	0.0%
Bain Capital	2013	Bain Capital Credit Managed Account (NZSF) – Distressed Credit	Unlisted	68	0.1%
BlackRock Investment Management UK	2020	Segregated mandate – Fixed Interest Securities (ex Treasuries)	Listed	5,344	7.0%
Bridgewater Associates	2006	Bridgewater Pure Alpha Fund II, Limited – Global Macro	Listed	698	0.9%
Canyon Capital Advisors	2016	Canyon NZ-DOF Investing – Distressed Credit	Unlisted	429	0.6%
Carlyle	2020	Carlyle FRL – Insurance Run-off	Unlisted	930	1.2%
CBRE Investment Management	2021	CBRE Asia Value Partners Fund VI – Real Estate (Opportunistic)	Unlisted	52	0.1%
CIM	2019	N-Data Center Portfolio Co-Investor – Real Estate (Value-add) N-Novva Co Investor – Real Estate (Opportunistic)	Unlisted	1,197	1.6%
Citadel	2020	Citadel Kensington Global Strategies Fund II – Global macro	Listed	446	0.6%
CITP	2011	China Infrastructure Partners – Infrastructure	Unlisted	80	0.1%
Columbia Capital	2020	Columbia Spectrum Partners V-A, LP – Spectrum	Unlisted	153	0.2%
	2023	Columbia Capital Opportunities Fund I and Co-investments – International Growth Equity	Unlisted	47	0.1%
	2023	Columbia Capital Equity Partners VIII – International Growth Equity	Unlisted	20	0.0%
Copenhagen Infrastructure Partners	2021	Copenhagen Infrastructure Energy Transition Fund I – Infrastructure	Unlisted	27	0.0%
Devon Funds Management	2011	Segregated mandate – New Zealand Active Equities	Listed	202	0.3%
Deutsche Finance International	2021	DFI European Value-Add Fund II – Value-add Real Estate	Unlisted	131	0.2%
Direct Capital	2009	Direct Capital Partners Fund IV – New Zealand Growth Capital	Unlisted	0*	0.0%
	2016	Direct Capital Partners Fund V and Co-investments – New Zealand Growth Capital	Unlisted	91	0.1%
	2020	Direct Capital Partners Fund VI – New Zealand Growth Capital	Unlisted	58	0.1%

* Several mandates appear as zero value – this is either because the mandates were awaiting funding as at 30 June 2024 or the managers have returned capital such that the residual balance of the mandate is less than $1 million.

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MANAGERS AND CUSTODIANS (CONTINUED)

Incumbent managers as at 30 June 2024	Year appointed	Fund name and focus areas	Type	Value of investment NZ$m	% of total NZSF (pre-tax)
Elementum Advisers	2010	Segregated mandate – Natural Catastrophe Reinsurance	Unlisted	790	1.0%
Episteme Capital	2023	Episteme ESQTR SMF I - Global Macro	Listed	162	0.2%
ESR	2022	ESR Data Center Fund I – Real Estate (Opportunistic)	Unlisted	71	0.1%
FarmRight	2010	Rural land in New Zealand and Australia	Unlisted	1,082	1.4%
Fifth Wall	2021	Fifth Wall Early-Stage Climate Technology Fund and Co-investments – Sustainable Transition	Unlisted	119	0.2%
Generation Investment Management	2022	Generation IM Sustainable Solutions Fund IV – Sustainable Transition	Unlisted	51	0.1%
Global Forest Partners	2007	Global Timber Investors 8 – Timber	Unlisted	56	0.1%
	2009 & 2012	AIF Properties – Timber	Unlisted	241	0.3%
	2010	Global Timber Investors 9 – Timber	Unlisted	52	0.1%
Grain Management	2020	Grain Spectrum Holdings III – Spectrum	Unlisted	204	0.3%
HarbourVest Partners	2006	HarbourVest International Private Equity Partners V Fund – Buyout	Unlisted	0*	0.0%
Hillwood	2019	US Industrial Club V – Real Estate (Opportunistic)	Unlisted	150	0.2%
	2021	US Industrial Club VI – Real Estate (Opportunistic)	Unlisted	223	0.3%
Morrison	2006	Global infrastructure mandate, including investments in Retire Australia, Altogether, Longroad Energy, Galileo Green Energy and Active Listed Infrastructure	Listed and Unlisted	2,662	3.5%
	2009	Public Infrastructure Partners Fund – Infrastructure (Core)	Unlisted	53	0.1%
Kohlberg Kravis Roberts (KKR)	2007	KKR Asian Fund – Buyout	Unlisted	0*	0.0%
	2014	KKR NZSF Energy Investor – Energy Growth (Shale)	Unlisted	89	0.1%
Leadenhall Capital Partners	2013	Natural Catastrophe Reinsurance	Unlisted	570	0.7%
Man AHL	2022	Man AHL Institutional Solutions Pure Momentum Plus and Evolution – Trend	Listed	625	0.8%
Mint Asset Management	2015	Segregated mandate – New Zealand Active Equities	Listed	717	0.9%
Movac	2016	Movac Fund 4 – New Zealand Growth Capital	Unlisted	8	0.0%
	2020	Movac Fund 5 – New Zealand Growth Capital	Unlisted	68	0.1%
	2023	Movac Growth Fund 6 – New Zealand Growth Capital	Unlisted	7	0.0%
Northern Trust	2013	Segregated Mandate – Passive Global Equities	Listed	7,407	9.7%
	2015	Segregated Mandate – Passive Emerging Markets Equities	Listed	732	1.0%
	2018	Segregated Mandate – Multi-factor Investing	Listed	4,467	5.9%

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* Several mandates appear as zero value – this is either because the mandates were awaiting funding as at 30 June 2024 or the managers have returned capital such that the residual balance of the mandate is less than $1 million.

Incumbent managers as at 30 June 2024	Year appointed	Fund name and focus areas	Type	Value of investment NZ$m	% of total NZSF (pre-tax)
Pencarrow Private Equity	2011	Pencarrow IV Investment Fund – New Zealand Growth Capital	Unlisted	0*	0.0%
PIMCO	2022	California Carbon Access Offshore Fund – Exploratory	Unlisted	66	0.1%
Pioneer Capital	2013	Pioneer Capital Partners II – New Zealand Growth Capital	Unlisted	7	0.0%
	2016	Pioneer Capital Partners III – New Zealand Growth Capital	Unlisted	51	0.1%
	2021	Pioneer Capital Partners IV and Co-investments – New Zealand Growth Capital	Unlisted	110	0.1%
Slate Asset Management	2021	Slate European Essential Real Estate Income Fund – Real Estate (Core)	Unlisted	582	0.8%
	2022	Slate North American Essential Real Estate Income Fund – Real Estate (Core)	Unlisted	342	0.4%
State Street Global Advisors	2009	Segregated Mandate – Passive Global Listed Equities (large cap)	Listed	8,332	10.9%
		Segregated Mandate – Passive Emerging Markets Equities	Listed	1,053	1.4%
Stepstone Group	2023	Stepstone VC Secondaries Fund V – Venture Capital	Unlisted	212	0.3%
		Stepstone NZ Infrastructure Opportunities Fund SMA – Infrastructure	Unlisted	186	0.2%
		StepStone Opportunities VC NZ SMA – Venture Capital	Unlisted	34	0.0%
		Stepstone VC Secondaries Fund VI – Venture Capital	Unlisted	0*	0.0%
Stonepeak	2022	Stonepeak Infrastructure Fund IV – Infrastructure (Value-add)	Unlisted	144	0.2%
	2022	Stonepeak Fern Investment Partners LP Co-investment – Infrastructure (Value-add)	Unlisted	146	0.2%
Timberland Investment Group (TIG)	2022 & 2023	BTF II Fund and Co-Investment – Timber	Unlisted	198	0.3%
	2022	The Reforestation Fund I – Timber	Unlisted	116	0.2%
UBS	2021	Segregated Mandate – Passive Global Equities	Listed	6	0.0%
	2021	Segregated Mandate – Multi-factor Investing	Listed	2,035	2.7%
Waterman Capital	2010	Waterman Fund II – New Zealand Growth Capital	Unlisted	20	0.0%
Wellington Management	2022	Wellington Climate Innovation Feeder Fund I – Sustainable Transition	Unlisted	50	0.1%
Willis Bond & Co	2010	Willis Bond Institutional Partners – Real Estate (Opportunistic)	Unlisted	0*	0.0%

* Several mandates appear as zero value – this is either because the mandates were awaiting funding as at 30 June 2024 or the managers have returned capital such that the residual balance of the mandate is less than $1 million.

In addition to the above, certain subsidiary investees of the Guardians have engaged asset managers to oversee the day-to-day operations of specific investments held by those subsidiaries, including the Fund's indirect interests in New Zealand hotels. 2-6 3-3

MANAGERS AND CUSTODIANS (CONTINUED)

ELEVATE

Incumbent managers as at 30 June 2024	Year appointed	Fund name and focus areas	Type	Value of investment NZ$m
New Zealand Growth Capital Partners	2020	New Zealand Venture Capital	Unlisted	162

Custodian	Role
MASTER CUSTODIAN – NZ SUPER FUND	
Northern Trust	Global Master Custodian
CUSTODIANS APPOINTED FOR A SPECIFIC PURPOSE – NZ SUPER FUND	
Computershare and Bank of New York Mellon	Holding collateral associated with our investment in catastrophe-linked securities (including catastrophe bonds)
Deutsche Bank	Holding collateral associated with our investment in catastrophe-linked securities (including catastrophe bonds)
Citibank	Holding collateral associated with our investment in catastrophe-linked securities (including catastrophe bonds)
HSBC (Hong Kong and Shanghai Banking Corporation)	Holding collateral associated with our investment in catastrophe-linked securities (including catastrophe bonds)
Euroclear Bank NA/SV	Holding collateral required under sale and repurchase (repo) transactions
The New Zealand Guardian Trust Company of New Zealand, the Public Trust and Foundation Corporate Trust	Trustees for holding money relevant to tax-pooling arrangements
Northern Trust Investments, Inc	Custodian for the NZ Super Fund's securities lending programme
State Street	Dormant

Investment mandates managed by the Guardians' in-house team of investment professionals include:

- Active NZ Equities
- Beta Implementation and Completion
- Beta Multi-factor
- Cash
- Currency Management
- Direct Arbitrage
- Event-driven Opportunity
- Global Sovereign and Credit Fixed Income
- International Growth Equity
- NZ and Overseas Transition Assets
- Opportunistic (NZ and Overseas)
- Passive NZ Equities
- Securities Lending
- Strategic Tilting
- Tactical Credit Opportunities
- US Transition Assets

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The Elevate NZ Venture Fund exists to support the development of New Zealand's early-stage growth companies and venture capital ecosystem.

The Elevate Fund is administered by the Guardians under a mandate separate from the NZ Super Fund.

In 2019 the Government entrusted the Guardians with an additional mandate. The mandate, known as Elevate NZ Venture Fund (Elevate), was launched in March 2020. Elevate was established to increase the amount of venture capital available to young, innovative companies to develop New Zealand's early-stage capital ecosystem and lift productivity.

The Government formed Elevate based on the reasoning that venture capital firms make an outsized contribution to employment, productivity and GDP growth, but nascent markets typically require a range of interventions, including government investment, to develop until the point that they are self-sustaining. Elevate is designed to support investment into New Zealand companies that have moved beyond the start-up, or 'angel' investor stage, and need capital for their next stage of development. It is aimed predominantly at Series A and B venture capital funding rounds, with funding round sizes generally ranging between $2 million and $40 million. Elevate consists of $300 million of Crown capital commitments.

Under its governing legislation, Elevate does not have a fixed lifetime, but can be wound down once New Zealand venture capital markets are developed and no longer require government support. When it ultimately winds down, the funds will be returned to the Crown.

Elevate is managed on behalf of the Guardians by New Zealand Growth Capital Partners Limited (NZGCP) under a fund-of-funds model. NZGCP is a New Zealand Crown entity overseen by the Minister for Economic Development and Minister of Finance. NZGCP allocates capital from Elevate to underlying fund managers progressively, targeting an initial investment period of five years. These underlying fund managers will in turn invest in New Zealand growth companies.

The Guardians' role is to administer and provide governance oversight of Elevate and NZGCP as manager to ensure that it is managed in line with best-practice investment management appropriate for New Zealand's venture capital markets, and in a manner that is consistent with: (a) the Ministerial Policy Statement issued under the Venture Capital Fund Act 2019; and (b) avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

Importantly, unlike the NZ Super Fund's mandate, the commercial aspects (for instance, investing on a prudent, commercial basis or managing and administering the Fund in a manner consistent with maximising returns without undue risk) are not included in the legislation.

ROLES AND RESPONSIBILITIES

In accordance with the legislative framework and the fund-of-funds model, there are different roles and responsibilities for the Guardians, NZGCP (as external manager) and the Minister of Finance.

Guardians	External manager (NZGCP)	Minister of Finance
• Enter into contract appointing NZGCP to operate the fund-of-funds with terms and conditions that meet the requirements of the legislation. • Monitor the performance of Elevate and NZGCP, including through a Limited Partner Advisory Committee (LPAC) that reviews significant matters. • Manage and administer Elevate in a manner consistent with the Ministerial Policy Statement and avoiding prejudice to New Zealand's international reputation. • Through the above functions, ensure that Elevate is invested using best-practice investment management appropriate for institutional investment in New Zealand's venture capital markets, subject to the requirements in the Ministerial Policy Statement. • Annual financial reporting for Elevate, including preparation of Statements of Intent and Performance Expectations. • Preparation of Statement of Investment Policies, Standards and Procedures for Elevate. • Report on how the Guardians has given effect to directions in the policy statement associated with the legislation.	• Act as sole manager for the Elevate fund-of-funds. A wholly-owned subsidiary of NZGCP is the General Partner of the Limited Partnership, Elevate NZ Venture Fund Limited Partnership (the 'fund-of-funds' vehicle). • Manage the Elevate Limited Partnership and make and oversee investments based on best-practice fund selection and investment management practices. • Establish an Investment Committee to make decisions on investment of capital in underlying funds. • Monitor investments and report in line with the requirements set out in the management agreement for the fund-of-funds. • Ensure that underlying funds continue to meet the eligibility and other requirements agreed with NZGCP at investment. • In addition to its role as the manager of Elevate, NZGCP has its own separate mandate from the Government to support the development of New Zealand's broader early-stage capital markets. This is a critical role, as the effectiveness of early-stage markets influences the health of the venture capital markets.	• Issue a policy statement outlining the high-level requirements for Elevate, including directions on what the Guardians must give effect to (how Elevate is invested) and have regard to. • Revise the policy statement if required, following consultation with the Guardians, NZGCP and the wider venture capital ecosystem. • Issue directions for the winding up of Elevate when broader market development objectives have been achieved.

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PROGRESS REPORT

The Guardians' obligation is to oversee Elevate and to assist NZGCP to follow best-practice investment management in the context of New Zealand's venture capital markets. We deliver on our responsibilities by:

- agreeing the terms of appointment with NZGCP as the external fund manager for Elevate
- ensuring the terms of appointment reflect best practice in the context of institutional investment in New Zealand venture capital markets
- monitoring the performance of NZGCP as it relates to Elevate using the Guardians' frameworks for external managers
- ensuring compliance with the Statement of Investment Policies, Standards and Procedures in respect of Elevate.

The Guardians is also required to report on Elevate's financial and operating performance.

Elevate has been operating since March 2020. NZGCP has made good progress in deploying capital. As at the end of the 2023/24 financial year, Elevate had invested or committed into nine underlying funds.

"FY24 has seen Elevate's portfolio maturing, and overall it is tracking positively as the break-out companies and underlying funds begin to emerge and add material value to the portfolio," says NZGCP Chief Investment Officer James Pinner. "We are anticipating the first small realisations to occur in the next few months and follow-on capital to be deployed into the most promising companies with larger exits still mostly a few years away.

"Over the next year, a large number of funds will be returning to market for their next vintages, but fundraising remains difficult given the broader macro environment. However, we hope the market will improve during 2025. Overall, the New Zealand venture capital market is maturing well and in line with our expectations. We still have a long way to go but are very pleased with progress to date."

	Vintage	NZ$m committed
Blackbird NZ Fund 2019	2019	23
Blackbird NZ Fund 2022	2022	30
Finistere Aotearoa Fund	2021	16
GD1 Fund 3	2021	45
Hillfarrance Fund 1	2020	18
Movac Fund 5	2020	30
Movac Emerge Fund 4	2023	23
Nuance Fund 1	2021	17
Pacific Channel Fund 2	2020	20

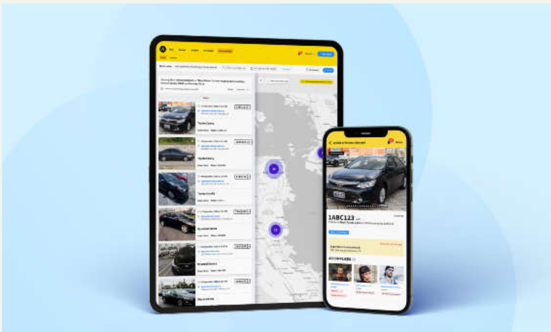
CASE STUDY: AUROR

Auror.

Through its fund investments in Movac Fund 5 and GD 1 Fund 3, Elevate indirectly holds a 2.6% stake in portfolio company Auror.

Auror is a New Zealand owned and operated business that provides crime-reporting software to retailers. Its software is used by front-line store employees, loss prevention teams, and retail headquarters to report crime occurring in their stores. The retailers then voluntarily share those incidents with local law enforcement to stop further crime from taking place, and most importantly help make store teams safer. Repeat offenders are, on average, four times more likely to be violent and aggressive, posing a risk to both teams and customers.

Retail crime is a $1.5 billion problem globally, with 10% of offenders being responsible for 75% of the violence and loss associated with it in New Zealand. Retail crime is largely unreported due to the time required, historically making it difficult to identify repeating patterns caused by organised crime rings. Auror is a privacy-first solution that meets California Consumer Privacy standards and General Data Protection Regulation (GDPR) - both considered some of the most onerous in the world; however, the solution unlocks the information trapped at the edge of organisations into a form that can be rapidly analysed and acted on by stakeholders throughout the network. Auror is looking forward to its next stage of growth in key markets like the US and UK, where it works with leading multinational retailers.



Elevate has now committed the bulk of its capital in line with the Ministerial policy statement. It would require further Crown capital commitments to maintain the progress in New Zealand's venture capital markets that it has achieved to date. Our conviction rating of NZGCP was downgraded to sub-threshold earlier this year due to uncertainties regarding any further Crown funding and the potential adverse impacts this could have on NZGCP as manager.

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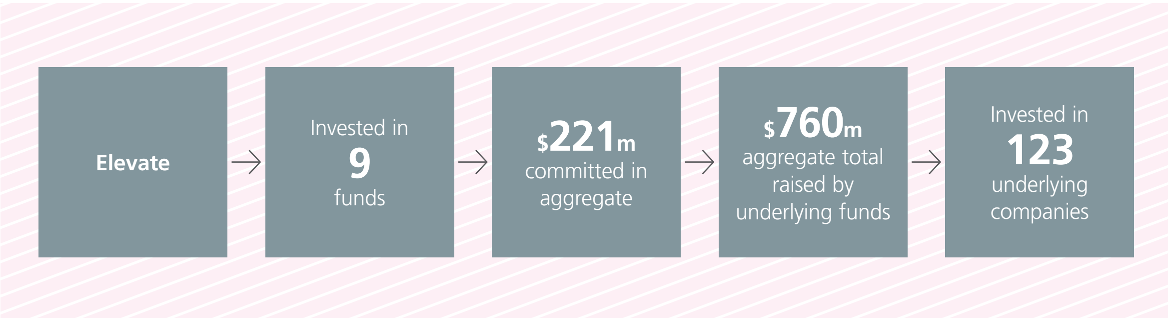
The table below sets out a summary of the progress achieved to date.

Financial statements	Elevate financial statements for the period ended June 2024 are included in the 'Financial Statements' section of this Annual Report.
Statement of Intent (SOI)	The Guardians' SOI for the period 1 July 2024 to 30 June 2029 includes a section on Elevate. It was sent to the Minister of Finance in June 2024 and published on the Guardians' website.
Statement of Performance Expectations (SPE)	The Guardians' SPE for the period 1 July 2024 to 30 June 2025 includes a section on Elevate. It was sent to the Minister of Finance in June 2024 and published on the Guardians' website.
Statement of Investment Policies, Standards and Procedures (SIPSP)	Elevate's SIPSP is required to be reviewed at least annually. The most recent annual review of the SIPSP was approved by the Board in June 2024. The Chair and Chief Executive report on compliance with the SIPSP in the compliance section of this Annual Report.
Conviction review	The Guardians assesses Elevate's externally-appointed investment manager, NZGCP, in accordance with substantially the same conviction process that we apply to all our external manager relationships.
Number of funds in which Elevate has invested, comprising: funds with a New Zealand connection including foreign-originated funds establishing a fund with a New Zealand connection; and foreign fund investments	All nine funds in which Elevate has invested (or committed to) have a New Zealand connection. Six are domestic funds and three are overseas managers establishing a New Zealand-based fund.
Capital invested into funds with a New Zealand connection	NZ$221 million has been committed to funds with a New Zealand connection.
Ratio of matching private capital raised by underlying funds	Elevate's commitments represent 29% of the capital committed into the underlying funds (NZ$221 million against an aggregate total of NZ$760 million) raised by underlying funds.
Capital invested by underlying funds	As at 30 June 2024, 61% of the NZ$221 million, or NZ$136 million*, has been called by the underlying funds. Called capital has been used for a combination of fees and investments in portfolio companies.

* Based on notices received as at 30 June 2024.



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SILVER FERN

For Māori, the elegant shape of the silver fern frond stands for strength, resistance, and enduring power. It has become a much-loved symbol for all New Zealanders, connecting us to home.

Sustainable Investment Report

Te Pūrongo mō te Ahumoni Toitū

SUSTAINABLE INVESTMENT REPORT

Sustainable investment is core to our organisational purpose.

One of our key and long-held investment beliefs is that environmental, social and governance (ESG) considerations, including climate change, are fundamental to long-term risk and return.

Sustainable investment is a part of our organisational purpose: Sustainable investment delivering strong returns for all New Zealanders. For investors, sustainable finance means considering the impact of investments on society and the environment, as well as considering the ESG risks on investments. It also means supporting the development of a sustainable financial system.

Sustainable finance is a rapidly evolving area of global good practice, and we continue to evolve our approach. Our main sustainability workstreams currently are to improve the ESG profile of the Fund's portfolio, and enhance the approach, systems and scale of the Fund's impact investments. We are also planning our sustainable finance activities for the next five years.

INDEPENDENT REVIEW

In 2024, a five-yearly independent statutory review of the Guardians was completed; see pages 101-102 for a summary of the review and its output. The report stated that our work is in line with global best practice and rated us A ('good practice') for our sustainability ambition, commitment and investment approach. It emphasised that global best practice is evolving quickly, particularly in sustainable investment, and the Guardians will need to adapt to these changes to maintain its leadership position.

The reviewers recommended that we further develop our sustainability proposition, with more coverage of our impact goals and targets and how impact is weighed against financial risk. They recommended that our focus should extend more significantly into systemic stewardship, reflecting our role as a 'universal owner' – a large investor owning a slice of the world economy. They also recommended that we deepen our approach to the 'real-world' impacts of the Fund through investment activities and stewardship.

The 2019 independent review made a considerable contribution to our sustainable finance journey. We are considering our response to the 2024 recommendations.

GLOBAL SWF

In July 2024, the NZ Super Fund again achieved a 100% score in the Global SWF's GSR Scoreboard, one of five state-owned investors in the leader group. The GSR (Governance, Sustainability and Resilience) Scoreboard is a comprehensive analysis of the practices of the world's major sovereign wealth funds and public pension funds against 25 criteria including transparency and accountability, governance structure and processes, ethical standards and policies, and alignment with sustainable development goals. It is the second successive year the NZ Super Fund has achieved a perfect score.

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IMPROVING THE ESG PERFORMANCE OF THE FUND

In 2023/24 we continued our work to improve the ESG performance of the Fund, with a focus on our multi-factor mandates. These mandates are systematically managed to enhance financial performance by over-weighting investments in certain factors (such as value and quality). The mandates, all with external managers, account for about 19% of the Fund's net exposure.

We worked with our external managers on the best way to meet our climate targets and ESG improvements – allowing them flexibility in how they achieve this goal as part of their wider investment strategies and investable universe. We found that they could achieve these results without significantly impacting our exposure to our desired style factors, leading to an improved ESG performance of this segment of the portfolio and improving alignment with the pathway to net zero by 2050. We implemented the following changes:

- adopted the MSCI World Climate Paris Aligned Index as the benchmark for the multi-factor mandates
- asked our external managers to design portfolios that produce ESG outcomes at least as ambitious as the Paris Aligned Index
- used MSCI ESG metrics to monitor, and if necessary address, performance.

Addressing the multi-factor mandates followed the adoption of Paris Aligned Indices for our passive global equity benchmark, which represents approximately 40% of the Fund's net exposure – the largest portion of the Fund, the previous year.

During 2023/24, we also undertook a review of the fixed income portfolio to seek opportunities for ESG incorporation and carbon footprinting. Approximately 20% of the portfolio is currently in fixed income securities, depending on market conditions, including sovereign, Treasury and corporate bonds. Approximately 7% of the portfolio is held in corporate bonds. The global bond market is evolving, with low-carbon or carbon-efficient bond indices being developed.

Having researched options for fixed income portfolios consistent with our net zero commitment, we made a decision to shift the corporate portion of our passive bond mandate to a climate benchmark. This shift will be implemented in the 2024/25 financial year.

STEWARDSHIP CODE

We contributed to the development of the Aotearoa New Zealand Stewardship Code and became a founding signatory when it was launched in 2022. Stewardship is the responsible allocation and management of capital by investors – including asset owners and fund managers – to create and preserve long-term value for current and future generations. It also promotes sound investor and issuer governance, and business practices that lead to sustainable outcomes for the environment, society and the economy.

The Code is a principles-based framework that encapsulates the values of accountability, transparency, fairness and responsibility. Its nine principles, developed by industry participants, were mapped against existing regulatory requirements and key international codes.

The Code has 20 signatories and a secretariat in Auckland, co-hosted by Toitū Tahua Centre for Sustainable Finance and the Responsible Investment Association of Australasia (RIAA). Signatories undertake to report against the Code on a 'comply or explain' basis by 2024. Our inaugural Stewardship Report is available on our website.

IMPACT INVESTMENT

The Guardians defines impact investments as: "Investments made with the intent to deliver measurable positive social and/or environmental impacts, and the Fund's required financial return."

We use an Impact Investment Framework to qualify, analyse, measure and manage our impact investments. This framework is based on global good practices for asset owners such as the Impact Management Project's (IMP) Five Dimensions of Impact, in line with guidelines developed by the Impact Investment Network Aotearoa.

As well as applying the framework to our existing investments, we continue to search for – and invest in – credible sustainability solutions. Market trends show a rapidly developing impact investment market, including a growing use of sustainability taxonomies, impact standards and external verification.

We will scale impact investment through integration across our team and opportunity set, and much work has gone into setting up the processes and guidance to enable this growth. This will give us the reach to scale faster. As we integrate our approach to impact investment across the investment strategies in the Fund's portfolio, we expect to see a broader range of priorities emerge.

IMPACT INVESTMENT FRAMEWORK

Step	Key questions to answer	Output
1. IMPACT CHECKLIST	• Is this a potential impact investment?	Provisional impact qualification
2. IMPACT ANALYSIS (across IMP's Five Dimensions)	• **What** positive social and/or environmental impacts does the investment aim to deliver? • **Who** are the principal stakeholders experiencing the impacts? • **How much** impact is anticipated and how will we measure it? • What is our **contribution** to impacts (where appropriate)? • What is the **risk** that the impacts do not occur as expected?	Confirmation of impact qualification + Impact KPIs

Impact investment case study: Ara Partners

In 2023 we committed US$105 million to Ara Partners Fund III, a US-based private equity vehicle targeting industrial decarbonisation and circular economy investments. Ara seeks growth equity investments in companies committed to greening large-scale industrial and manufacturing; chemicals and materials; energy efficiency and green fuels; and food and agriculture sectors.

Ara identified a range of sustainability-related risks and inefficiencies in many of the processes and resource streams associated with the industrial and agricultural sectors. In addition to high greenhouse gas emission intensity, solid waste; air and water pollution; and land conversion are significant sources of climate and/or nature-related risk in these sectors.

With the primary environmental objective of Fund III to unlock the potential for decarbonisation of industrial processes, Ara's strategy also recognizes the wider, enduring opportunities in the transition of processes and supply chains towards more efficient and sustainable industrial solutions. Ara also considers the influence of regulatory reforms, incentives, and shifting social license to operate.

Ara invests in a portfolio of growth stage businesses making demonstrable contributions to a circular economy by deploying new or emerging processes and technologies that support nature-neutral or positive outcomes. These include initiatives to reduce, replace, re-use or recycle non-biodegradable waste materials and chemicals.

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SUSTAINABLE INVESTMENT REPORT (CONTINUED)

For example, Ara company Genera is scaling up the use of agricultural residues to produce biodegradable and compostable moulded-fibre pulp, products and packaging. Genera grows and harvests its own feedstock in partnership with local farmers and manufactures on-site in Tennessee. Genera's process uses perennial grasses that grow on less productive land as its feedstock. This helps to sequester carbon in the soil and in the products themselves, which are fully compostable.

Genera's business model directly replaces carbon-intensive and wasteful plastic packaging systems, whilst reducing land conversion, water use and pollution by promoting more sustainable agricultural and industrial production practices.

Genera's moulded-fibre packaging products.

REPORT AGAINST THE UNITED NATIONS-BACKED PRINCIPLES FOR RESPONSIBLE INVESTMENT

The Guardians is a signatory to, and active participant in, the United Nations-backed Principles for Responsible Investment (PRI), the globally accepted benchmark for institutional investors. The intent of the PRI is to create an increasingly sustainable financial system with more prosperous and inclusive societies, for both current and future generations.

To achieve its goals, the PRI advocates six principles of responsible investment practice backed by a compulsory annual assessment and benchmarking process. Importantly, and consistent with a sustainable finance approach, the PRI has shifted from its initial focus on ESG risk and return to a broader approach reflecting investors' roles in driving real-world ESG and sustainability outcomes. See page 80 for our report against each of the PRI's six principles of responsible investment.

PRI Benchmarking Report

The PRI annual assessment framework is the main accountability mechanism of PRI. Compulsory for signatories, it is based on a star rating and percentage scoring system – with five-star ratings representing leading Responsible Investment practice within the investment industry.

The 2023 assessment rated the Fund:

- five stars (93%) for policy, governance and strategy
- four stars (84%) for listed equity, passive
- four stars (84%) for listed equity, active
- three stars (59%) for confidence-building measures.

Achieving a five-star rating (or the equivalent) for policy, governance and strategy is our key sustainable investment performance benchmark in the Guardians' Statement of Intent.

Confidence-building measures relate to how the information provided in the PRI assessment is verified, such as internal or external assurance of sustainable investment processes and data. Our portfolio carbon footprint is subject to limited external assurance and elements of our processes have been subject to internal audit. In August 2023, an internal audit of our voting processes was completed, which found they provided a sound platform for monitoring voting and were largely operating effectively. Three low-risk process improvements were identified and have now been implemented.

Our PRI assessment report is available on our website. The 2024 assessment has been completed and will be released later this year.

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Engagement is central to understanding the companies we invest in, the ESG issues they face and how they manage them.

Engagement refers to the ongoing, two-way communication between investors and the companies they invest in, focusing on ESG issues, practices, risks and opportunities.

We believe by improving ESG performance a company will also improve its long-term financial performance and deliver positive sustainability outcomes. In turn, this creates value for long-term investors, the businesses themselves and society.

Our engagement process is guided by international standards for investors, particularly the UN-backed Principles for Responsible Investment (PRI), and other best-practice guidance. These standards advocate that investors should be active owners of assets and engage with companies where concerns are raised. This is also referred to as active ownership by the PRI, or stewardship in various governance codes.

As at the end of June 2024, there are around 1,500 companies in our global equity portfolios. It is not possible for our own team to monitor this number of stocks nor to monitor the whole investment universe effectively. Direct engagement with companies is resource intensive and it can take a long time to achieve change. Our engagement efforts are therefore primarily undertaken through an external engagement service provider, Columbia Threadneedle Investments (CTI), which has the capacity and expertise to engage with thousands of companies across the globe.

The additional resource provided by CTI's responsible engagement service (reo®) increases the reach and effectiveness of our global engagement. The reo® service engages on our behalf and on behalf of its other clients. As well as engaging with companies on individual issues, it carries out thematic and industry-wide engagements.

In general terms, our engagement covers global equities, the domestic market (directly via our fund managers and through collaborations such as the CFI climate change engagement), and in Australia as a member of the Australian Council of Superannuation Investors (ACSI). The areas we prioritise for engagement are human rights, bribery and corruption, climate change and severe environmental damage.

We publish reo® quarterly reports in the Sustainable Finance section of the Guardians' website. The reports cover the number of engagements carried out during the quarter, the number of companies involved, countries covered, engagements by theme and milestones achieved, and public case studies.

As a result of engagement initiatives by the Guardians and other investors around the world, an increasing number of companies are aware that investors expect them to address ESG issues responsibly and are responding accordingly.

More information on our approach to engagement and stewardship is available on our website. Our Stewardship Report includes statistics on our engagement and voting.

VOTING AND CORPORATE GOVERNANCE

The Fund owns shares in a large number of listed companies globally. As shareholders, we are entitled to vote at company meetings and we consider voting to be a core part of our sustainable investment approach. It is an important lever through which we are able to exercise our influence as asset owners to promote good corporate governance in the markets we invest in. While most of our equities are held passively, we are active in exercising our voting rights as shareholders of the companies.

Our aim is to use our votes to reflect the essential elements of good governance: board alignment with shareholder interests, long-term strategy, appropriate remuneration, business ethics and shareholder rights. We manage voting internally. Our votes are executed via a proxy voting service, Institutional Shareholder Services (ISS). ISS also helps us implement recall-to-vote activities where shares are lent as part of our securities lending programme.

Given the breadth of companies held in the portfolio and the large number of shareholder meetings, our voting policy and those of ISS are based on international standards such as the G20/OECD Principles of Corporate Governance and, for New Zealand companies, the New Zealand Corporate Governance Forum Guidelines and the NZX Code. We have a custom global voting policy and New Zealand voting policy that draw on global good practice, based on the ISS public policies and the standards referred to in our sustainable investment policies. We have adopted the stricter ISS policies in relation to climate change, board governance, auditor oversight and ESG, including diversity.

We publicly disclose how we voted. The Guardians' Voting Performance Platform, available on our website, provides information on how the NZ Super Fund's shares have been voted by country, company and topic.

EXCLUSIONS

We may decide to exclude the securities of a company from the NZ Super Fund where there has been a serious breach of good corporate practice. We make exclusion decisions based on the clear processes and principles set out in our Sustainable Investment Framework, available on our website. We publish our list of excluded companies every six months.

SANCTIONS

We are legally required to comply with sanctions imposed by the New Zealand Government and sanctions imposed by the United Nations (UN) Security Council. This includes the sanctions against certain Russian entities and individuals implemented by the New Zealand Government following the invasion of Ukraine. External managers are required to comply with sanctions when investing on behalf of the Guardians.

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Global climate change is upon us. The need for internationally-coordinated concerted action is increasing.

Climate change has been a key focus for the Guardians for many years and, as a result, we are considered both an early mover and a leader, within New Zealand and globally. We are committed to achieving net zero portfolio emissions by 2050. A detailed description of our approach and activities in respect of the Fund is contained in our annual Climate Change Report available on our website.

We approach climate change from a sustainable investment perspective. We actively seek to identify and address the risks and opportunities arising from a changing climate and the economic and societal shifts associated with it. In practical terms, that means we aim to:

- lower our exposure to investments more at risk to the transition to a low-carbon world
- mitigate climate risks in investments through our integration and engagement activities
- increase relative holdings of investments which contribute to the transition to a low-carbon global economy.

We have adopted Paris Aligned Benchmarks for passive global equities, the largest portion of our portfolio. We were one of the first asset owners to adopt these indices at scale. In 2023/24 we also moved our multi-factor equities portfolio to Paris Aligned Benchmarks.

As well as improving the overall ESG profile of the Fund, these indices better align our global equity positions with net-zero objectives. The Paris Aligned Indices reduce the GHG emissions intensity by 10% each year until 2050. They underweight companies facing high transition and physical climate risk, while increasing allocation to companies with credible emissions reduction targets and/or companies providing climate solutions and 'green' revenue streams.

In 2023/24 we also continued to invest in the transition to a lower-carbon and more climate-resilient world.

We made a further US$65 million commitment to Longroad Energy, a renewable energy platform in the US, bringing the value of our 37.3% stake in Longroad (including this latest commitment) to approximately NZ$1.9 billion. Longroad Energy is a Boston-headquartered renewable energy developer focused on the development, ownership and operation of wind, solar and storage assets throughout the US.

We also increased our investment in Galileo Green Energy, a pan-European renewable energy developer, owner and operator, to support the business as it enters the next stage of its growth. We have committed EUR 60 million to Galileo and hold 20% of the company.

In New Zealand we continue to evaluate the feasibility of large-scale offshore wind energy in the South Taranaki Bight in partnership with Copenhagen Infrastructure Partners (CIP). Initial research suggests the South Taranaki area has world-class wind-power fundamentals. If the initial planned 1GW development went ahead, it would represent around 10% of New Zealand's current electricity demand and could power over 650,000 homes. We believe the project could later expand to 2GW, helping to meet strong projected growth in the demand for electricity in New Zealand.

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CFI CLIMATE CHANGE ENGAGEMENT

In addition to the engagements on climate change with global equities carried out by our responsible engagement service provider (see page 77), we continue to work with fellow CFIs to engage with NZX50-listed companies on climate change.

We launched this initiative in 2023 because of our commitment to net zero. It is not possible for investors to achieve net zero through divestment or reallocation alone. If we are to meet our commitment to a net-zero investment portfolio by 2050, and deliver real economy emissions reductions, investee companies must also align with a net-zero pathway. Our engagement objectives include increasing awareness about mandatory climate change disclosures and communicating our expectations, as institutional investors, about what companies should be doing to manage climate change risk.

In 2023/24 we released a position statement on climate change and wrote to the Chairs of the companies listed on the NZX50 setting out our expectations as investors. This year we have engaged directly with companies, with an initial focus on companies that had not set emissions reduction targets. As at the end of June 2024, we have seven engagements underway and three planned.

METRICS AND TARGETS

The Fund's financed emissions (Scope 3; Category 15) are the most material aspect of climate-related risk from across the Guardians' value chain, comprising the underlying securities and investee companies in the Fund. Our 2025 climate change targets, which are expressed relative to our unadjusted Reference Portfolio for the relevant year (baseline), are to reduce the:

- emissions intensity of the Fund by at least 40%
- carbon reserves of the Fund by at least 80%.

We use carbon footprinting to measure the carbon exposure of the Fund and track progress towards these carbon reduction targets.

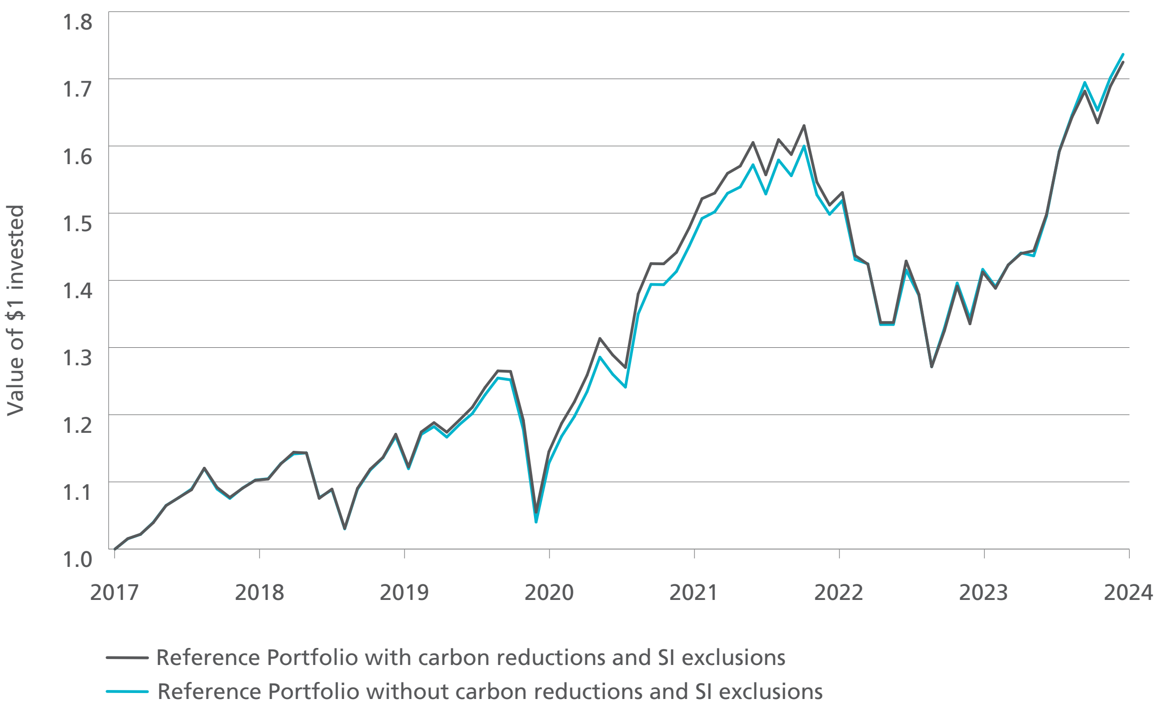
As at 30 June 2024, the Fund's total carbon emissions intensity was 64.4% lower than our baseline level, and its exposure to potential emissions from reserves was 98.2% lower. We continue to track well ahead of our benchmarks.

For more information, please refer to the detail and reports on our website.

Our climate change approach won a Highly Commended award in the Best Climate Action Investor category at the 2024 Mindful Money Awards.

PERFORMANCE IMPACT OF SUSTAINABLE INVESTMENT EXCLUSIONS AND FOSSIL FUEL RESERVE REMOVALS

Our goal is to improve the ESG performance of our Reference Portfolio in a prudent and commercial way. We believe ESG considerations are fundamental to investment returns. In June 2022, the Reference Portfolio shifted to the MSCI World Climate Paris Aligned Index and the MSCI Emerging Market Climate Paris Aligned Index as its global equity building blocks. Before this we implemented carbon reductions through a bespoke carbon methodology. The Reference Portfolio incorporates a small number of additional sustainable investment (SI) exclusions and fossil fuel company removals. The graph below compares the performance of the Reference Portfolio since 2017, when we first adopted carbon reduction targets, to returns without the ESG profile improvements. In the eight years we have had carbon targets, there has been little discernible impact on financial returns. Over the long term we believe our Reference Portfolio will be more resilient, including to climate change.



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SIX PRINCIPLES OF RESPONSIBLE INVESTMENT

In this section, we report against each of the PRI's six principles of responsible investment.

INTEGRATION

To be most effective, sustainable finance practice needs to be integrated into investment decision-making. We incorporate ESG into our analysis of investment opportunities and asset allocation approach.

ESG due diligence is a material component of pre-investment analysis for our direct investments. ESG risks and opportunities are assessed to understand how well these are being managed by the prospective investment entity. Post-investment, that focus continues and deepens involving ongoing governance, engagement and reporting.

In terms of our external managers, ESG capability plays an important role in our selection, due diligence and ongoing integration processes. Regular reviews of managers' performance in relation to sustainable investment are undertaken and the outcome of these can influence their ongoing relationship with the Fund.

Highlights for 2023/24

- Adopted the MSCI World Climate Paris Aligned Index as the benchmark for the multi-factor mandates and asked our external managers to design portfolios that produce ESG outcomes at least as ambitious as the Paris Aligned Index.
- Considered options for embedding sustainable finance into the fixed income asset class and made a decision to shift the corporate bond portion of our passive bond mandate to a Paris Aligned Index.

ACTIVE OWNERSHIP

As active owners, we use our influence as a shareholder to encourage companies to proactively address ESG risks and opportunities. We do this by encouraging high governance standards across markets and asset classes, particularly in the New Zealand market, where our influence as an investor is strongest.

Highlights for 2023/24

- Prepared our first Stewardship Report, as a founding signatory of the inaugural Aotearoa New Zealand Stewardship Code, for publication in 2024.
- Ongoing engagement with investee companies on ESG issues, practices and priorities through our responsible engagement service provider and direct engagement with selected companies.
- Led an initiative to engage on climate change with listed New Zealand companies, focused on the NZX50, in collaboration with other Crown Financial Institutions (CFIs) (see page 78).
- Continued to exercise active ownership as a shareholder by voting on global and New Zealand equities guided by our published voting policy, which includes voting to advance disclosure, facilitate climate strategy and increase board diversity. We supported engagement on corporate governance policy and listing rules through the New Zealand Corporate Governance Forum.

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DISCLOSURE

We engage with investee companies and other relevant organisations to facilitate appropriate disclosure about ESG and performance. This information is used by our investment professionals and managers to make more informed investment decisions.

Highlights for 2023/24

- Produced the 2023 Climate Change Report. Prepared the 2024 report and portfolio Carbon Footprint, in line with the Aotearoa New Zealand Climate Standards.
- Supported the adoption and implementation of the Aotearoa New Zealand Climate Standards as a member of the External Reporting Advisory Panel of Te Kāwai Ārahi Pūrongo Mōwaho – External Reporting Board (XRB).

BEST PRACTICE AND COLLABORATION

We promote acceptance and implementation of the principles of sustainable investment within the investment industry. We participate in relevant local and international investor groups where we believe working collaboratively will help deliver better ESG outcomes.

Highlights for 2023/24

- Ongoing collaboration on engagement with global equities with other CFIs, including Accident Compensation Corporation (ACC), New Zealand Government Superannuation Fund Authority (GSF) and the National Provident Fund (NFP).
- Became a formal supporter of the Global Investor Commission on Mining 2030 in September 2023. Mining 2030 is a multi-stakeholder commission which recognises the mining industry's role in society and the transition to a low-carbon economy, and the need for the industry to manage systemic risks.
- Signed a statement developed by the International Corporate Governance Network (ICGN) in January 2024 in response to regulatory proposals in the United Kingdom that could weaken global corporate governance standards and shareholder protections.
- Active member of:
  - United Nations-backed Principles for Responsible Investment (PRI)
  - Responsible Investment Association Australasia (RIAA)
  - Australian Council of Superannuation Investors (ACSI)
  - Investor Group on Climate Change (IGCC) and the Paris Aligned Asset Owner Commitment
  - One Planet Sovereign Wealth Fund Initiative
  - New Zealand Corporate Governance Forum
  - International Corporate Governance Network
  - International Forum of Sovereign Wealth Funds (IFSWF)
  - Pacific Islands Investment Forum.
- In New Zealand we support Toitū Tahua Centre for Sustainable Finance and its work, including the development of a sustainable finance taxonomy.

COMMUNICATION

We undertake high-quality public reporting on our activities and progress towards implementing the Principles for Responsible Investment. We have a commitment to transparency.

Highlights for 2023/24

- Winner, Best of Financial Services Award, Gold Award, and Report of the Year, Australasian Reporting Awards 2024.

Q&A WITH ANNE-MAREE O'CONNOR

ANNE-MAREE O'CONNOR
HEAD OF
SUSTAINABLE INVESTMENT

Our Head of Sustainable Investment (SI), Anne-Maree O'Connor, was a 2024 finalist for the New Zealand Leadership Awards' Sustainability Leadership Award. Anne-Maree has led the Guardians' sustainability journey since 2006 and been instrumental in advocating for SI to be given a higher priority in the agenda of New Zealand and global investment markets. Upon our 20 years of investing, Anne-Maree reflects on how SI has developed, where she sees it going in the future, and her career highlights.

What inspired you to pursue a career in SI?

I have a science and environmental science background, and coincidentally a job at a fund management firm introduced me to a new start-up 'green' fund. I suddenly saw the power for investment to drive change through supporting solutions and changes in corporate practice. Investment has a considerable impact on economies, people and the planet. I also recognised that people wanted their money managed differently, but in those days fund managers largely saw the money as the firm's. SI is a way of managing risks, driving positive impact, and responding to customer expectations, which makes it firmly part of investor duty.

How has SI evolved over the last 20 years?

There has been a real change in public perception; people care about how their money is managed and institutional investors are concerned about long-term intergenerational impacts. Today, integrating ESG considerations is the norm and the focus is on the role finance plays in addressing climate change and in achieving sustainable development goals. The systemic nature of some sustainability issues, particularly climate change, is driving a greater need for a systems approach across finance, business, government and society. There has been a significant global shift towards sustainable financial action plans at a national and industry level. I see greater leadership expectations from boards and senior leaders on sustainability as we tackle these global issues. Those expectations and demands can equally come from employees and from without.

How has SI evolved for the Guardians since you first joined?

The Guardians has always been committed to integrating best practice in responsible investment into portfolio management as part of our mandate. The team has deepened its incorporation of SI over time into fund management and professional development. Our commitment to continual improvement and learning from peers and industry bodies has stood our Board and Leadership Team in good stead. Our audience is broadening and many people from across the organisation are now frequently engaged in conversations on our sustainable finance strategy.

What have been some of your personal highlights of your time at the Guardians so far?

One broad highlight has been my involvement in the Guardians' international advocacy around SI issues. Over the years, I have seen our positive reputation around SI become increasingly recognised among our peers. At the Guardians, a highlight has been seeing SI become an integral part of how we work through our governance, goals and purpose: Sustainable investment delivering strong returns for all New Zealanders. I have seen people across the Guardians become advocates for SI, and they take this with them as part of their future careers. Your influence is through those you have worked with – far more than what you do individually.

What are the Guardians' SI goals for the coming years?

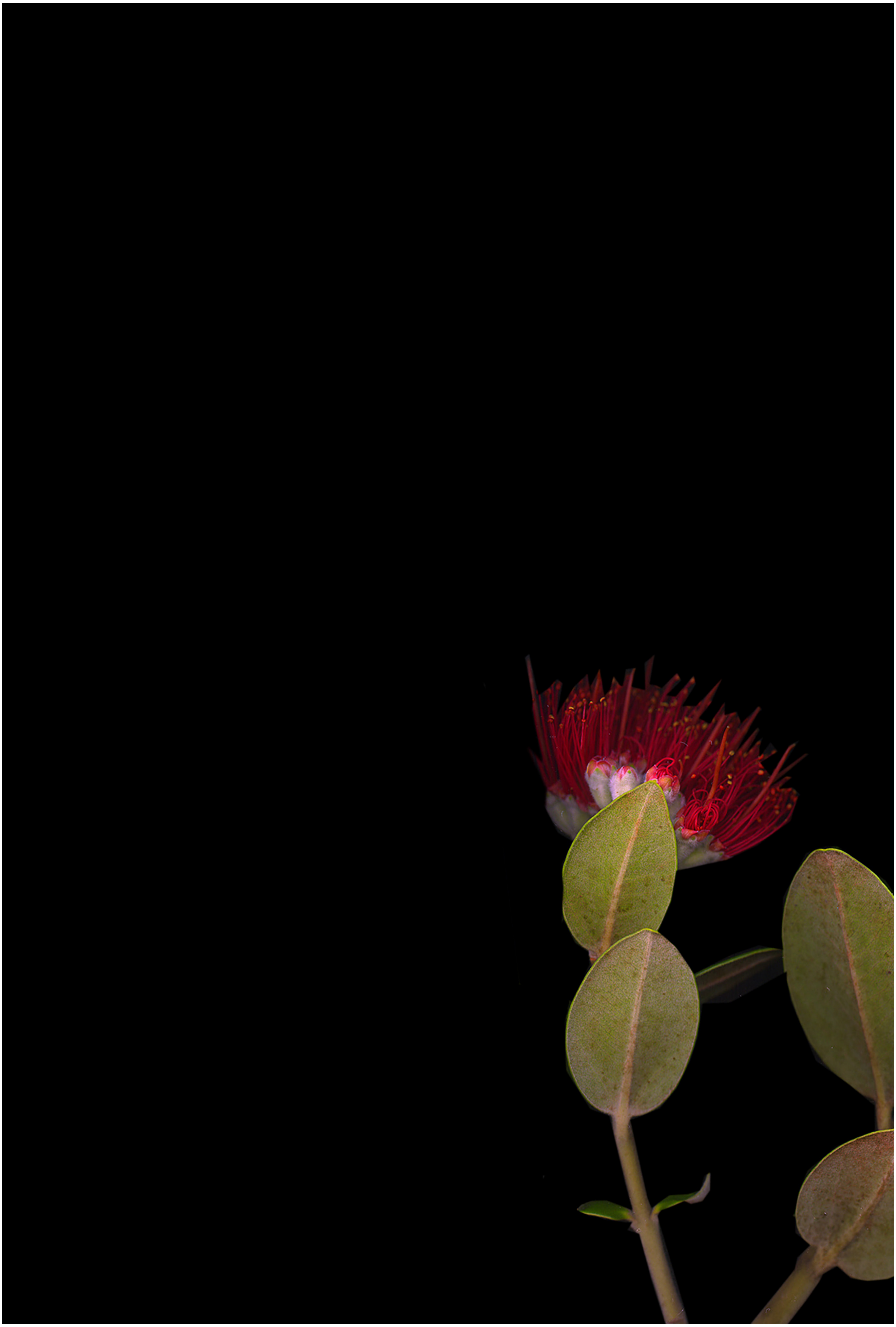
We will continue to improve how we address systemic sustainability issues relevant for the market, the environment and society. We have made a commitment to be net zero by 2050, and we have plans in place to continue to improve the sustainability profile of our portfolio in line with this commitment. We are also working to scale up our impact investments, which deliver strong environmental and social change while also delivering our financial returns.

What improvements would you like to see in New Zealand's governance standards over the coming years?

I would like to see increased leadership and coordination across the business community on systemic issues such as climate, nature and respect for human rights. For governance standards on boards, the protection of minority shareholder rights needs to be firmly embedded in standards and listing rules. I would also like to see a greater focus on te ao Māori and diversity.

How do you see SI practices developing in the future?

I see the focus moving towards systems stewardship. There needs to be a stronger and more cohesive narrative between asset owners, fund managers, companies, and policy-makers to drive the shift to a low-carbon economy. I hope there will be significant improvements in data and standardisation, for example footprinting and climate valuations. By necessity, there will be a greater understanding of the unsustainable consumption of natural resources. Finally, social challenges will return to the fore including combatting modern slavery, and embedding ethics in social media and AI.



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PŌHUTUKAWA FLOWER

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The Pōhutukawa tree, often seen around Christmastime in New Zealand, has a prominent role in Maori mythology. The flower is a powerful symbol of love, hope, and growth.

—

Governance

Good governance is critical to achieving our long-term purpose and to maintaining our stakeholders' confidence.

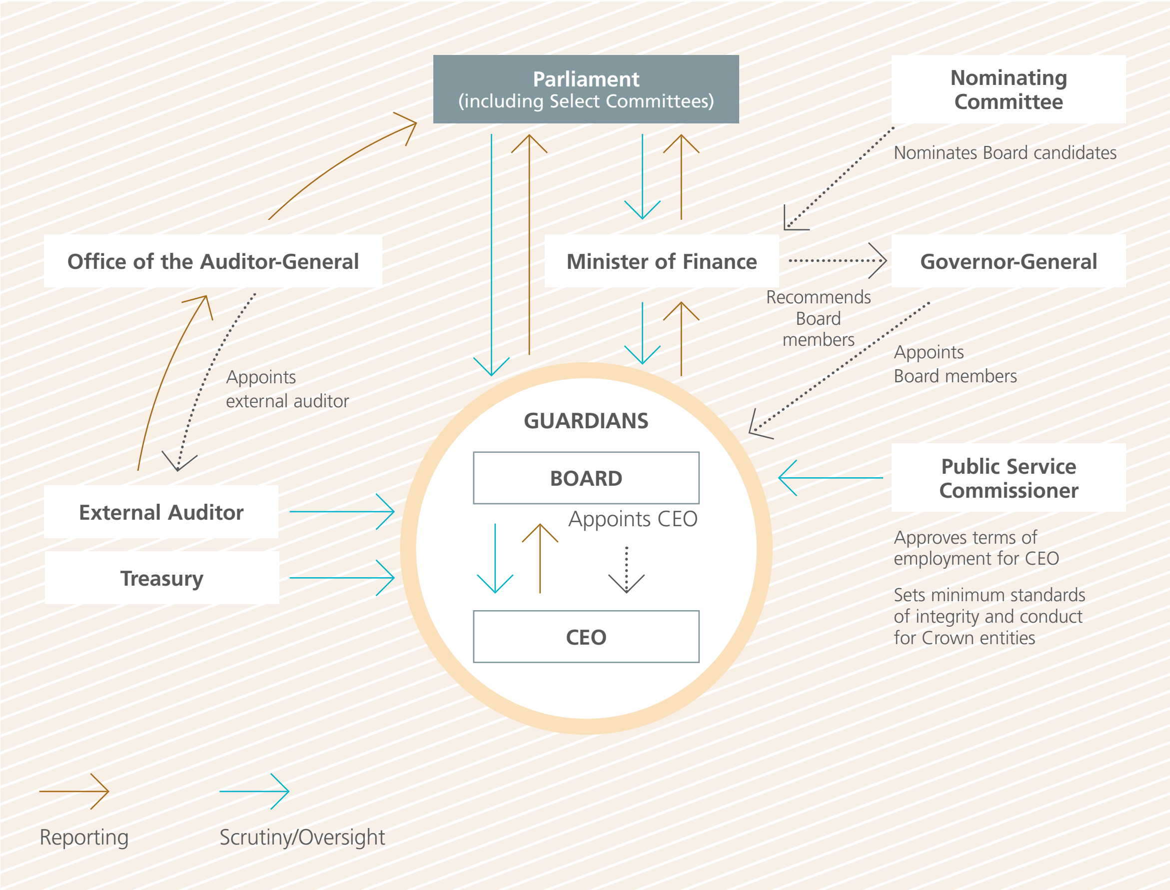
Our governance framework reflects our statutory context, purpose, the expectations of our key stakeholders, and applicable good-practice standards. The information in this Annual Report is intended to assist key stakeholders with their assessment of both how effectively the Guardians is being governed and performing and how well placed it is to meet future challenges.

STATUTORY CONTEXT

The statutory governance arrangements for the Guardians are set out in the NZ Super Act, the VCF Act and the Crown Entities Act 2004. These Acts establish the function and powers of the Guardians, the powers and duties of Board members, and reporting and accountability requirements.

The Guardians is an autonomous Crown entity. It is part of the public sector but legally separate from the Crown and designed to operate at 'double arm's-length' from the Government. This means that, although the Guardians is still accountable to the Government, it is governed by an independent board and has operational independence regarding investment decisions. The statutory governance design for the Guardians is one of the four 'endowments' that give us an innate advantage as an investor.

The Guardians is responsible for managing and administering the NZ Super Fund and Elevate Fund. Each fund is a pool of Crown assets but is not an entity in its own right. The statutory governance framework for the Guardians is illustrated below.



A feature of our legislation is the requirement for a five-yearly review to assess the efficiency and effectiveness of our governance and operations. This is conducted by an independent reviewer appointed by the Minister of Finance. The review is an important accountability mechanism and provides assurances that the organisation is meeting and can continue to meet its purpose and mission.

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A review was completed in 2024 by global advisory firm WTW (see page 101-102 for more details about the review). The matters that they were asked to assess included whether the Guardians' governance frameworks were in accordance with 'best practice'. They assessed the Guardians' governance model as AA (Excellent). WTW notes that AAA or AA is a very high rating, attained by a small number of asset owners globally and reflects their view that the Guardians achieve best practice in most of what they do.

The Guardians' governance framework substantially reflects the eight corporate governance principles outlined in the Financial Market Authority's Corporate Governance Handbook.

1

ETHICAL STANDARDS

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

(see pages 86-87)

2

BOARD COMPOSITION AND PERFORMANCE

To ensure an effective board, there should be a balance of skills, knowledge, experience, independence and perspectives.

(see pages 88-91)

3

BOARD COMMITTEES

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

(see pages 91-97)

4

REPORTING AND DISCLOSURE

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

(see pages 98-99)

5

REMUNERATION

The remuneration of directors and executives should be transparent, fair and reasonable.

(see page 91)

6

RISK MANAGEMENT

Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.

(see pages 103-106)

7

AUDITORS

The board should ensure the quality and independence of the external audit process.

(see pages 98-99)

8

SHAREHOLDER RELATIONS AND STAKEHOLDER INTERESTS

The board should respect the rights of shareholders, and foster constructive relationships with shareholders and stakeholders. Shareholders should be encouraged to engage with the entity.

(see pages 99-100)

CULTURE AND CONDUCT

One of the Board's key roles is to shape the culture and ethics of the organisation. The Board sets the 'tone from the top' and articulates expectations for ethical conduct in the Codes of Conduct established for the Board and for employees and contractors.

Culture

Culture plays a significant role in keeping staff engaged, with implications for financial performance, recruitment, risk management, retention and ethical behaviour. We recognise the importance of culture and the need to continually maintain it. To learn more about our culture and the steps that we take to assess and maintain it, see the Our People section of this report (page 37).

Ethical conduct

The Guardians is a public entity and high standards of ethical and professional behaviour are expected from its Board members, employees and contractors. The expected standards of behaviour are articulated in the Codes of Conduct for Board members and for employees and contractors. The Board Code of Conduct incorporates the code of conduct for members of Crown entity boards issued by the Public Service Commissioner in March 2021. The Board Code of Conduct is included in the Board Charter (available on our website).

The Code of Conduct for Employees and Contractors incorporates the Standards of Integrity and Conduct (the code of conduct for the Public Services) issued by the Public Services Commissioner in 2007. These Standards require employees and contractors to be fair, impartial, responsible and trustworthy. The Code of Conduct for Employees and Contractors is contained in our People & Culture Policy (available on our website).

The Codes include requirements regarding acting with honesty, integrity, fairness and impartiality; identifying and disclosing conflicts of interest; using corporate information and assets; gifts and hospitality; and reporting breaches of ethics. The induction programme for new Board members, employees and contractors includes the relevant Code of Conduct.

To instill a culture of ethical behaviour and transparency, there is mandatory training for employees on core topics (including gifts and hospitality, fraud awareness, securities trading, and privacy), and there is a six-monthly attestation process covering compliance with policies and authorities, conflicts of interest, disclosure of gifts and hospitality, health and safety, and securities trading.

Whistleblowing

The Guardians is committed to conducting business in a manner which is safe, ethical, professional and compliant with the law. Provision of an accessible, transparent and robust whistleblowing process that can be used by employees and contractors in all appropriate circumstances is critical to achieving this objective.

Information on reporting concerns and whistleblowing is set out in the Code of Conduct for Employees and Contractors and is also available on our intranet and website.

A confidential Speak-Up line is available for employees, contractors and external parties to report any serious wrongdoing or potential issues they may have experienced or encountered, without any risk of retribution. Whistleblowing complaints will be reported to the CEO and/or Board Chair, as appropriate, and the General Manager Risk is responsible for the Guardians' whistleblowing process, which ensures any allegations are appropriately investigated, documented, reported and responded to.

Securities trading procedure

The Guardians' Securities Trading Procedure aims to reduce the risk of Guardians' employees and contractors breaching the Financial Markets Conduct Act, or similar legislation. It does this by providing guidance on the law and the consequences of breaching it and by setting rules about information flows and trading. All employees and contractors must seek permission in advance before trading single-name listed securities (or derivatives of them) and are required to disclose any personal trading they have undertaken by completing six-monthly attestations. A copy of the Securities Trading Procedure is set out in our People & Culture Policy, which can be found on our website.

Sensitive expenditure

Being a public entity, we are very focused on ensuring that expenditure, particularly travel and sensitive expenditure (including hospitality, gifts, koha and donations), is managed prudently and effectively. Our expectations concerning travel and sensitive expenditure are set out in our Travel and Sensitive Expenditure Policy (which can be found on our website).

Conflicts of interest

Our procedures for identifying, disclosing and managing conflicts of interest are set out in the Codes of Conduct. Actual and potential conflicts of interest must be disclosed and are recorded in interest registers. To ensure that Board members, employees and contractors are familiar with and follow the conflict of interest procedures, they are specifically covered in our induction programmes and in periodic refresher training. In addition, six-monthly confirmation is obtained from Board members, employees and contractors to ensure their interest registers are up to date. For Board members, conflicts of interest are managed in accordance with statutory requirements.

Board members must disclose financial and non-financial interests in matters involving the Guardians and may not vote, take part in discussions or otherwise participate in any activity of the Guardians relating to a matter in which they have an interest. Board members' interests are a standard agenda item at every Board meeting and any disclosure of interest is recorded in the meeting minutes.

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BOARD ROLE AND RESPONSIBILITIES

The Board Charter establishes a governance framework for the Guardians and clearly defines the respective roles and responsibilities of the Board and management. It includes the terms of reference for the Board's two standing committees (the Audit & Risk Committee and the People & Culture Committee) and a Code of Conduct for Board members. The Board Charter is reviewed biennially and is available on our website.

Division of responsibilities

While the Board has overall responsibility for the affairs and activities of the Guardians, it has delegated authority for the day-to-day management of the Guardians to the CEO and other officers, to be exercised within Board-approved parameters. The framework for the delegation of authority is set out in the Guardians' Delegations Policy (available on our website). The division of responsibilities between the Board and management means that the Board's primary focus is on the governance framework, strategic direction, organisational identity (purpose, vision and culture) and resources, risk, key stakeholder relationships and accountability reporting, and oversight of management. Management is responsible for implementing strategy, both investment and enterprise-wide.

KEY MATTERS RESERVED TO THE BOARD INCLUDE:

WHOLE-OF-ORGANISATION

Appointing, reviewing and setting remuneration for the CEO.

—

Approving statutory reporting and accountability documents (Annual Report and financial statements, Statement of Performance Expectations, Statement of Performance and Statement of Intent).

—

Approving the annual budget and strategic plan.

—

Approving the enterprise risk appetite and risk assessment framework.

—

Approving the remuneration structure.

—

Approving organisational policies and delegations framework.

NZ SUPER FUND

Setting the risk and return profile (Reference Portfolio), active risk budget and investment constraints for the portfolio.

—

Approving investment policies, beliefs and benchmarks.

—

Approving the Sustainable Investment Framework, exclusion categories and carbon reduction targets.

ELEVATE

Terminating the Manager of the Fund.

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BOARD COMPOSITION AND PERFORMANCE

Appointment process

The process for appointing members of the Guardians' Board (summarised below) has unique features that are designed to promote the independence of Board members and the operational independence of the Guardians. Board members are generally appointed for terms of between three and five years and may be reappointed at the expiry of their term.

NEW ZEALAND GOVERNMENT The Minister of Finance appoints members to an independent Nominating Committee →	Committee must have no fewer than 4 persons with proven skills or relevant work experience that will enable them to identify candidates for appointment.
INDEPENDENT NOMINATING COMMITTEE Identifies candidates for the Board →	Board candidates must have substantial experience and expertise in the management of financial investments.
MINISTER OF FINANCE Recommends candidates from the pool chosen by the Nominating Committee →	The Minister must consult with representatives of other political parties in Parliament before recommending candidates.
GOVERNOR-GENERAL Appoints members to the Board →	The Board must have 5-7 members. Appointments are for a term of up to 5 years. There are no restrictions on the number of reappointments.

The Nominating Committee works with the Guardians' Board, primarily through the Chair, to assess the collective skills and experience of the Board. This assessment is used to inform the search criteria for new Board candidates. The Nominating Committee, with input from the Guardians' Board and CEO, nominates Board candidates to the Minister.

Board composition

By statute, the Guardians' Board is required to consist of at least five, but no more than seven, Board members. As at 30 June 2024, the Board has six members. The Board is led by the Chair, who is appointed by the Minister of Finance.

Two changes were made to the Board composition during the year. Chair Catherine Drayton stepped down from the Board in March 2024, and was replaced as Chair by existing Board member John Williamson. A new Board member, Hinerangi Raumati Tu'ua, was appointed to the Board in April 2024 for a four-and-a-half-year term.

BOARD MEMBER PROFILES

JOHN WILLIAMSON

BA, LLB, LLM, CMInstD

Chair of the Board

Appointment: 30 May 2016, and appointed Chair of the Board on 1 March 2024

Term: expires on 30 September 2025

Committee memberships: People & Culture and Audit & Risk

Skills and experience: John is a private company investor. He has deep operational and financial expertise gained from leadership roles in listed and private equity-owned companies across multiple sectors, including as Group Chief Executive of ACG Education, Group Managing Director of investment holding group Hellaby Holdings and senior leadership positions with Fletcher Building and Bendon. His experience spans M&A, and investment, distribution, manufacturing, industrial services, retail and education businesses in New Zealand and Australia. John is Chair of Ritchies Transport Holdings and a former Chair of Hockey New Zealand.

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DOUG PEARCE *BCom, ICD.D* ***Chair of the Audit & Risk Committee*** **Appointment**: 30 May 2016, and appointed Audit & Risk Committee Chair on 1 April 2021 **Term**: expires on 31 December 2024 **Committee membership**: Audit & Risk	**Skills and experience:** Doug has extensive experience in funds management and capital markets. He was the founding Chief Executive Officer and Chief Investment Officer of the British Columbia Investment Management Corporation (BCI), one of Canada's largest institutional investors. He held these positions from 1988 until he retired in 2014 and has over 35 years of experience in the capital markets. Doug sits on the boards of Fortis BC and the Alzheimer Society of British Columbia and has also served as director and Chair of the Canadian Coalition for Good Governance (CCGG), the Pacific Pension Institute (PPI), and the Pension Investment Association of Canada (PIAC). He has a keen interest in business strategy and good governance and has been a member of the advisory board at the Forum for Women Entrepreneurs and the Faculty Advisory Board at UBC Sauder School of Business. Doug lives in Canada.
HENK BERKMAN *PhD, MCom* **Appointment**: 1 October 2018 **Term**: expires on 30 September 2027 **Committee memberships**: Audit & Risk and People & Culture	**Skills and experience:** Henk has extensive expertise in the areas of investment, corporate finance and corporate governance. He is a Professor of Finance at the University of Auckland and has a fractional appointment as Research Professor at the University of Sydney. He completed his PhD at Erasmus University Rotterdam and has published extensively in leading finance journals. He was adjunct director at Arthur Andersen Global Corporate Finance, and has consulted to a number of multinationals and market regulators around the world. Former directorships include SIRCA, a not-for-profit organisation with the mission to promote financial research, and Rozetta Technology, a big-data analytics organisation based in Sydney. Henk also serves as President of the Dutch language school in Auckland.
DAVID McCLATCHY *BCom* **Appointment**: 1 October 2021 **Term**: expires on 30 September 2026 **Committee membership**: Audit & Risk	**Skills and experience:** A respected business leader and financial markets professional, David returned to New Zealand following a successful career based in Sydney, Australia. There he served as Group Chief Investment Officer of Insurance Australia Group and Managing Director at IAG Asset Management until 2019, and before this he held the role of CEO and Chairman at ING Investment Management Australia. Prior to his move across the Tasman, David spent 16 years with banking and investment management companies in New Zealand. He has run and directed multinational investment organisations across New Zealand, Australia and Asia, managing funds for insurance firms, corporates, sovereign wealth funds, superannuation funds, and charities. David is a director of NZX-listed investment companies Kingfish, Barramundi and Marlin Global, as well as Trust Investment Management, a professional services entity supporting charities with governance and investment, and Waipuna Hospice, a non-profit palliative care provider. David is a past member of Chartered Accountants Australia and New Zealand.
FIONA OLIVER *LLB, BA, CFInstD* ***Chair of the People & Culture Committee*** **Appointment**: 24 March 2023 **Term**: expires on 30 September 2027 **Committee membership**: People & Culture	**Skills and experience:** Fiona is a highly experienced director and holds governance roles that span a number of business sectors including transport, renewable energy, natural gas, technology, commercial property, sport and financial services. She is a director of Summerset Group Holding, Kingfish, Barramundi, Marlin Global, Clarus (First Gas), Gentrack Group, Freightways Group, Wynyard Group (in liquidation) and New Zealand Water Polo. Fiona is a former director of BNZ Life Insurance, BNZ Insurance Services, Augusta Capital and Augusta Funds Management, and a director and audit committee chair for Tilt Renewables. In addition, she is a former member of Inland Revenue's Risk and Assurance Committee. Fiona has held leadership roles in funds management for Westpac and AMP in New Zealand and commercial roles in asset management and private equity in Sydney and London. Before that, she practised as a senior corporate and commercial lawyer, both in New Zealand and overseas, with a focus on mergers and acquisitions. In 2021 Fiona was awarded the New Zealand Shareholders Association Beacon Award, which recognises outstanding performance in leadership and corporate guidance.
HINERANGI RAUMATI TU'UA *MNZM, BMS, MMS* **Appointment:** 1 April 2024 **Term:** expires on 30 September 2028 **Committee membership:** Audit & Risk	**Skills and experience:** A chartered accountant, Hinerangi was formerly Executive Director of Operations at Te Wānanga o Aotearoa and prior to that was Chief Financial Officer of Tainui Group Holdings. Her governance career includes directorships with various iwi organisations, listed companies, and Crown and Council-Controlled entities including the Reserve Bank of New Zealand. She was the first woman elected to the Parininihi ki Waitōtara board, the first Waikato-Tainui iwi member to be appointed chair of Tainui Group Holdings, and was made a Member of the New Zealand Order of Merit in 2012. She is currently on the boards of Genesis Energy and Tainui Group Holdings, and chairs the Nga Miro Trust. She is a fellow of Chartered Accountants Australia & New Zealand.

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PRINCIPLES FOR CORPORATE GOVERNANCE (CONTINUED)

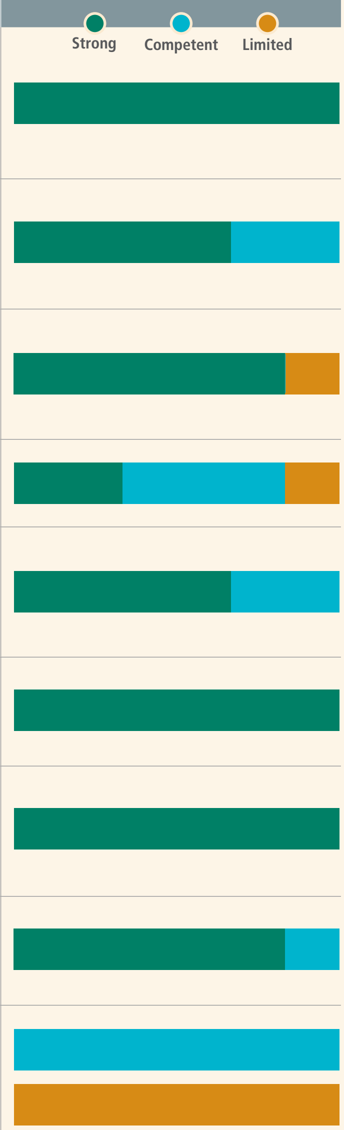
BOARD SKILLS

The Board periodically reviews (including as part of performance evaluations) whether it collectively has the right mix of personalities, knowledge, skills and expertise and the appropriate degree of diversity of thinking to meet the strategy, future challenges and regulatory demands of the organisation. The Skills Matrix is used to support the planning process for Board appointments with a copy of the Skills Matrix and feedback on the Board's views being provided by the Chair to the Nominating Committee.

A key feature of the appointment process for Guardians' Board members is that it is a statutory requirement for Board members to have substantial experience, training and expertise in the management of financial investments.

A general description of the skills identified as being necessary for the Guardians' Board is set out in the table below. These skills reflect the purpose and mandate of the Guardians and the Funds. Not all Board members will or need to possess skills in all areas – it is the strength of the entire Board that matters. Effective teamwork within the Board and between the Board and management is also important. In addition, there may be some areas of expertise that the Board feels comfortable taking external advice on as and when required. More information about the skills of our Board members can be found earlier in this section.

BOARD SKILLS AND EXPERIENCE (identified as being most relevant to the Guardians' functions)	IMPORTANCE	BOARD COMPOSITION IN RELATION TO EACH AREA:
MANAGEMENT OF FINANCIAL INVESTMENTS Under the Guardians' legislation, having substantial experience, training and expertise in the management of financial investments is a criteria for appointment to the Guardians' Board. This expertise is directly relevant to the sole function of the Guardians, which is to manage the NZ Super Fund and Elevate.	Essential	
INVESTMENT ENVIRONMENT/PERSPECTIVE Knowledge of financial markets, economic drivers and global investment perspectives relevant to the Guardians and portfolio management. Understanding of sustainable finance principles and an intergenerational perspective on investing.	Core	
GOVERNANCE Experience as a director of a listed entity, large investment fund and/or large/complex organisation. Understanding of the principles of good corporate governance in the context of the purpose of the Guardians and the Funds that it manages.	Core	
STAKEHOLDER MANAGEMENT Experience in relation to significant stakeholder engagement/management.	Core	
STRATEGY Ability to define strategic objectives, constructively evaluate business plans, oversee the implementation of strategy using commercial judgement and bring a global perspective to bear. Enterprise building capacity.	Core	
FINANCIAL ACUMEN Good understanding of financial statements and reporting for organisations of significant size, including ability to probe the adequacies of financial and related risk control.	Core	
RISK MANAGEMENT Experience in anticipating, recognising and managing risks, including financial, non-financial and emerging risks. Understanding of the regulatory environment that the Guardians operates in.	Core	
LEADERSHIP Held a CEO or a similar senior leadership role in a large/complex organisation. Experience in people matters, leading organisational change and delivering desired business outcomes.	Desirable	
DIGITAL AND TECHNOLOGY A. Experience with strategies or projects for the transformation of analogue processes to digital. B. Understanding of technology (including AI) that can be used in investment decision-making	Desirable	



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Induction and development

There is a formal induction programme for each new Board member on appointment, consisting of a series of 'deep dive' sessions, one-to-one sessions with the Leadership Team and comprehensive induction papers.

Recognising that training and development are continuing processes, an ongoing development programme for Board members ensures they continue to have the skills and expertise needed to discharge their responsibilities. The topics and calendar for this programme are approved by the Board. The programme includes 'deep dive' sessions presented by management and external speakers. It also includes arranging for Board members to meet with global peer funds and investment managers and to participate in international peer forums, including forums held by the International Forum of Sovereign Wealth Funds (IFSWF), the Pacific Pension and Investment Institute (PPI), the Sovereign Investor Institute and the International Centre for Pension Management. Engagement with international peer funds and managers, and with other strategic partners (such as engagement collaborators), and participation at international forums helps ensure that the Board can govern in line with best practice.

Board evaluation

The performance of the Board, its committees, and individual members is evaluated at regular intervals, generally annually for the Board and at least once every two years for its committees.

Evaluations seek to assess both performance to date and fitness for future challenges. The Chair and Nominating Committee keep Treasury informed on Board evaluations, including progress on action items.

Last year's evaluation was conducted by an external specialist, so this year the evaluation of the Board and its Committees was conducted using a self-evaluation questionnaire. The key action items arising from the evaluation were recognition that board meetings should have a greater focus on strategic matters, with a corresponding streamlining of meeting agenda workflow. The Board is also seeking greater visibility around the development, performance and succession planning of Guardians' senior management.

Board Secretariat

The Board Secretariat is accountable to the Board for governance matters. The Chair and all Board members have access to the Board Secretariat on matters relating to the conduct of the Guardians' affairs and the corporate governance of the Guardians, and on any matter pertaining to the Board Charter. The Board Secretariat facilitates the induction and ongoing development programme for Board members. The Board is kept up to date on legal, regulatory, compliance and governance matters through advice and regular papers from the General Counsel, the Board Secretariat and other advisors.

Board remuneration

The remuneration of Board members is set by the Minister of Finance operating in accordance with the Fees Framework for Members of Statutory and Other Bodies Appointed by the Crown, and as such is not controlled by the Guardians. The remuneration set for Board members in the 2023/24 financial year was:

Chair	$98,000 p.a.
Committee Chair	$53,900 p.a.
Board Members	$49,000 p.a.

Board remuneration has remained unchanged since the last reporting period.

BOARD MEETINGS AND ACTIVITY

Meetings

During the year, there were six scheduled Board meetings and one special meeting (to consider the five-yearly independent review report). The Board also had a number of informal meetings as part of the CEO appointment process. Meeting agendas are a mix of forward-looking and priority items and regular standing items. After each scheduled Board meeting, an all-staff briefing is held to keep everyone informed of items discussed and decisions made. Board papers are also made available to staff via the intranet (to the extent appropriate having regard to commercial and privacy sensitivities). The Board also meets with Treasury at least once a year (to discuss Ministerial expectations, topics of specific relevance to the Guardians and Treasury's broader work programme) and has an annual strategy day.

Where possible, a 'deep dive' or strategy discussion is scheduled to be held before a Board meeting. 'Deep dive' topics and strategy discussions are based on feedback received from the Board. Discussion topics during the year included the life cycle of an investment opportunity, public sector governance, reflections from secondments at peer funds, corporate office strategies, the Reference Portfolio review and strategic focus areas.

In addition to Board meetings, other events attended by Board members during the year included a workshop for Crown entity Chairs, the annual Select Committee hearing, an annual day-long seminar for the Directors of NZ Super Fund investee companies, a stakeholder information day, introductory meetings with the new Minister of Finance, Opposition Finance spokesperson and the Chair of NZ Transport Agency Waka Kotahi, and a stakeholder event to mark the 20th anniversary of the NZ Super Fund.

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KEY BOARD ACTIVITIES

Strategic framework and strategy

As summarised in the diagram below, a stream of work initiated by the Board to design the 'Guardians of the Future' culminated in the Board approving a revised strategic framework and new strategy in April 2024. More detail about the Guardians of the Future strategy can be found on pages 24-25.

DEVELOPING THE GUARDIANS OF THE FUTURE STRATEGY

THE STRATEGIC CHALLENGE SET BY THE BOARD

"To continue delivering out-performance and maximising our potential, what should we be focusing on; how should we operate; and what do we need to look like?"

PROCESS FOLLOWED BY THE BOARD

November 2022	September 2023	November 2023	February 2024	April 2024	
Board strategy day, discussed core themes, set direction →	Board interviews – feedback, workshop outputs, adaptive strategy approach introduced, additional input sought →	Board strategy day, developed strategic framework, focus area workshop: strengthen our investment approach – principles and direction established →	Board focus area workshops: optimising the organisation, maximising our team's culture and potential, and enhancing our external presence – principles and direction established →	Final Board review and refinement →	Guardians of the Future Strategy

The Board also approved a new Statement of Intent (SOI) for the Guardians for the period 2024 to 2029. As a Crown entity, the Guardians is required to prepare and publish an SOI, which is tabled in Parliament, at least once in every three-year period. The SOI sets out our medium-term strategy and how we intend to achieve it, and includes performance measures for the Guardians and the Funds. The new SOI reflects our new strategic framework and updates our performance measures including a new commitment to annually report on the dollar amount of assets under management in impact investments.

CEO appointment and succession planning

A key focus for the Board has been appointing a CEO to replace Matt Whineray, who stepped down at the end of 2023 after 15 years at the Guardians. The appointment process was run by the Board and culminated in the appointment of Jo Townsend, a highly-experienced CEO with a 30-year career in the Australian investment sector, in April 2024. Paula Steed, General Manager Strategy and Shared Services, was appointed Acting CEO until Jo Townsend took up her new role.

Enhancing the Guardians' succession planning processes has been identified as a top priority by the Board. To emphasise the Board's increased focus in this area, the Board Charter and Terms of Reference for the People & Culture Committee have been updated to include more explicit reference to monitoring the appointment and performance of senior managers and reviewing their development and succession plans. Reviewing succession planning processes was also a recommendation made in the 2024 independent review report.

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Independent review

The 2024 five-yearly independent review was once again a major piece of work which involved significant input from both the Board and management, including surveys and multiple interviews.

The report produced by WTW was discussed by the Board at a special Board meeting in May 2024 and again at its June 2024 meeting, where feedback was provided for the Guardians' formal response to the report.

Board composition

Appointments to the Guardians' Board are made by the Minister of Finance from candidates nominated by an independent Nominating Committee administered by Treasury. The pool of potential candidates for the Board includes a statutory requirement that Board members have substantial experience and expertise in the management of financial investments.

Securing new Board members has been challenging; the Board has been operating without a full complement since May 2023 and addressing continuity challenges at board level has been an area of focus for both the current and the former Board Chair.

Investment strategy and performance

The most important decision for the Guardians' investment strategy is to determine the construction of the Reference Portfolio for the NZ Super Fund, which is a Board decision. The Reference Portfolio serves as both a governance benchmark and an articulation by the Board of risk appropriate for the NZ Super Fund's purpose. The Reference Portfolio is reviewed by the Board every five years.

There is a significant amount of engagement between the Board and management in the lead up to the Reference Portfolio decision, which began with one-to-one interviews with Board members in January, discussions at the February, April and June Board meetings and a meeting with Roger Urwin of WTW. Recognising the importance of the decision, the Board has asked for discussions on the Reference Portfolio to be wide-ranging in scope, and there will be a series of deep dives and Board papers on a range of topics over a 24-month period before a final decision is made. The review process will include consideration of recommendations and suggestions made by WTW in the latest independent review report (see pages 101-102). Given that there will be a new Chief Investment Officer for the review and we expect two new Board members to be appointed in late 2024, the Board has decided to defer the date for the final decision from 2025 to 2026.

The Board has an interest in commercial infrastructure investment opportunities, and it has considered a report on infrastructure opportunities generally as well as updates on two infrastructure initiatives currently being pursued.

Legislative change

It has been a Board focus for some time to have our enabling legislation amended to enable the NZ Super Fund to take controlling interests in entities (see page 112 for more details about this change). Ongoing engagement by the Board and management with key stakeholders culminated in legislative change coming into effect in June 2024. In the lead up to this legislative change, the Board and management had a series of discussions to establish a governance framework for controlled entities and the Board approved changes to the Statement of Investment Policies, Standards and Procedures for the Fund to reflect this framework.

To provide assurance for key stakeholders on the proposed governance framework for controlled entities, WTW was asked to comment on it as part of the 2024 Independent Review of the Guardians. They expressed the view that the proposed governance framework will ensure that the Guardians' Board maintains a high level of oversight to any directly controlled investments and will ensure that clear separation is in place between the Guardians and controlled investments.

Optimising the organisation

The Board approved the business case for delivering five further modules from Oracle HCM (a cloud-based solution for human resource processes) that will increase the integration of human resource systems and reduce reliance on manual processes. See page 33 for further details.

The Board also approved the business case for the next phases of a multi-year programme to create a flexible investment data environment and analytics capability (known as IDAP), including the budget for 2024/25.

The Board received two reports from the Generative AI Working Group on potential risks and benefits of usage.

People

On the recommendation of the People & Culture Committee, the Board approved extending the annual leave entitlement for employees from four weeks to five weeks.

Regular reviews

Reviews considered by the Board on a regular cycle included:

- annual Report (including financial statements for the Guardians and the Funds), annual Statement of Performance Expectations and annual Statement of Performance
- annual review of the Statement of Investment Policies, Standards and Procedures for each Fund
- annual reports for Investment Opportunities, Portfolio Completion and Total Portfolio
- annual sustainable finance review
- economic updates (including scenario analyses)
- annual presentation of strategies for each of the Investment and Corporate Office business units
- annual Strategic Plan and quarterly updates on progress of strategic programmes of work against expectations set in the Strategic Plan
- annual review of how the Guardians' Risk Appetite Statement and Risk Assessment Framework are being operationalised
- six-monthly enterprise risk reports
- annual information security strategy report
- policy reviews (Risk Management, Strategic Tilting, and Diversity, Equity and Inclusion)
- Control Effectiveness Assessments for top risks (staff capability and climate change)
- annual CEO performance and remuneration reviews
- annual health and safety review
- annual third-party supplier review
- annual Cost Effectiveness Measurement survey review
- custodian review
- biennial review of the Board Charter and Committee's Terms of Reference
- annual review of the Board calendar.

In addition, the Board receives dashboard reporting that includes reporting on: risk appetite and portfolio performance, organisational strategy, and compliance and risk.

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PRINCIPLES FOR CORPORATE GOVERNANCE (CONTINUED)

Meeting attendance

The following table shows the attendance of Board members at scheduled Board and Committee meetings during the 2023/24 financial year.

	Board	Audit & Risk Committee	People & Culture Committee
	Meetings attended	Meetings attended	Meetings attended
John Williamson	6/6	3/3	4/4
Henk Berkman*	6/6	4/4	2/2
Doug Pearce	6/6	4/4	N/A
David McClatchy	6/6	4/4	N/A
Fiona Oliver**	6/6	4/4	4/4
Hinerangi Raumati Tu'ua***	1/1	1/1	N/A
Catherine Drayton****	4/4	1/2	2/2

* Henk Berkman was appointed to the People & Culture Committee with effect from 1 March 2024.
** Fiona Oliver stepped down from the Audit & Risk Committee with effect from 1 March 2024.
*** Hinerangi Raumati-Tu'ua was appointed as a Board member and member of the Audit & Risk Committee with effect from 1 April 2024.
**** Catherine Drayton stepped down from the Board with effect from 1 March 2024.

All Board members attend the September Audit & Risk Committee meeting.

BOARD COMMITTEES AND ACTIVITY

The Board and Committee structure for the Guardians is set out in the diagram on the following page.

The roles and responsibilities, reporting requirements, composition, structure and membership requirements of each standing Board Committee are set out in the respective committee's terms of reference. Copies of the terms of reference are contained within the Board Charter (available on our website).

Each standing committee's terms of reference and performance are periodically reviewed by the Board. Minutes of committee meetings are provided to the Board for information and the Committee Chairs provide verbal updates on committee meetings at the following Board meeting. In addition, all Board members are able to attend any committee meeting.

The Board appoints the Chair of each standing committee. The Chair of the Board cannot also be Chair of the Audit & Risk Committee or the People & Culture Committee. The Guardians' Head of Internal Audit has a direct reporting line to the Chair of the Audit & Risk Committee.

From time to time, the Board may establish a specific subcommittee to address a particular matter or for a particular purpose. This allows the Board to function effectively and to manage conflicts of interest.

The standing Board Committees meet quarterly, with additional meetings convened as necessary. Each committee is entitled to the resources and information it requires to operate effectively. The CEO and other members of the management team are invited to attend committee meetings as necessary.

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BOARD
Responsible for the overall management of the Guardians and investment of the Funds, including setting strategic direction, standards and risk appetite, and overseeing performance

DELEGATION ↓ **REPORTING** ↑

AUDIT & RISK COMMITTEE | **PEOPLE & CULTURE COMMITTEE** — Standing Committees

AD-HOC COMMITTEES — Ad-hoc Committees

Audit & Risk Committee

Assists the Board with oversight of enterprise risk management (other than investment risk) and with ensuring the integrity of financial reporting, including oversight of:

- the financial statements and internal control environment
- the external audit process and relationship with the external auditor
- the internal audit function

People & Culture Committee

Assists the Board with matters relating to human resource management policies and practices, including:

- managing the Board's employment relationship with the CEO
- ensuring recruitment and remuneration are designed to attract and retain quality staff while providing appropriate accountability for performance
- succession planning

Ad-hoc Committees

Established as necessary to assist the Board on particular matters (such as to enable actual or potential conflicts of interest to be managed)

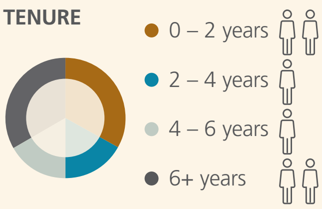
PROFESSIONAL EXPERIENCE

Academia, consulting, banking, funds management, insurance, sales and marketing, manufacturing, industrial services, business management, investment, operational, mergers and acquisitions

NATIONALITIES

Canada, New Zealand and The Netherlands

TENURE



Average tenure: 4.4 years

GENDER

Male 4, Female 2, Non-binary 0

COUNTRY EXPERIENCE

Australia, Canada, New Zealand, Asia, Europe, United Kingdom

AGE RANGE

50 - 75

2-9
2-12
2-15
405-1

PRINCIPLES FOR CORPORATE GOVERNANCE (CONTINUED)

Audit & Risk Committee activity

Terms of Reference

The Committee reviewed its Terms of Reference in May 2024 and proposed some changes that were approved by the Board in June 2024. The key changes were to add specific references to oversight of climate-related reporting in the Committee's responsibilities. At the same time, the Board approved a change in the name of the Committee from the Audit Committee to the Audit & Risk Committee.

Members

Five members as at 30 June 2024:

- Doug Pearce (Chair)
- Henk Berkman
- David McClatchy
- Hinerangi Raumati-Tu'ua
- John Williamson

Meetings

Met four times in the 2023/24 financial year

Attendance

See page 94 for details of meeting attendance by Committee members. The external auditors are invited to each meeting and meet with the Committee independently of management at least once a year. The Head of Internal Audit attends each meeting and meets with the Committee independently of management at every meeting. The Committee Chair had regular one-to-one meetings or calls with the Head of Internal Audit.

Summary of main matters considered during the year

Climate-related disclosures: A key focus for the Committee during the year has been oversight of the project to align the Guardians' Climate Change Report with the Aotearoa New Zealand Climate Standards published by the External Reporting Board (as contemplated by the *Ministerial Enduring Letter of Expectations to Crown Financial Institutions in Relation to Responsible Investment* (December 2021)). The Committee reviewed the governance framework for the Guardians' climate reporting, and amendments were made to its Terms of Reference to support the Board's oversight of climate reporting. The Guardians' 2024 Climate Change Report and Carbon Footprint Report are the first ones reviewed by the Committee against the new Climate Standards.

Risk culture: The Committee received a report on progress of agreed actions in response to a review of risk culture by PwC in 2022. All of the action items have now been completed.

The Committee considered an enterprise risk maturity assessment report by PwC and a proposal to use the All-of-Government enterprise risk maturity framework to assess the organisation's enterprise risk maturity going forward. It also considered a report on the processes for annual business unit risk register review and business environment scans, and how those processes link onto the enterprise risk reports.

Control frameworks: The Committee reviewed an assessment of the organisation's current cyber maturity levels against the National Institute of Standards and Technology cyber security framework, and considered proposed target maturity level. It also received a report on high-risk systems and the certification and accreditation processes for applications and systems implemented at the Guardians.

Matters reviewed by the Committee on a regular cycle included:

- annual statutory financial statements for the Guardians, NZ Super Fund and Elevate
- annual Statement of Performance
- six-monthly enterprise risk reports
- Control Effectiveness Assessments for two of the Guardians' top enterprise risks (staff capability and climate change)
- annual legal and regulatory change report
- annual update from the Chair of the Risk Committee
- external auditor appointment and fees
- valuation working group annual plan and annual report
- annual internal audit plan and annual review of outcomes
- annual review of Audit & Risk Committee calendar
- annual overviews from Finance and Tax teams
- annual overview of year-end processes
- annual external audit plan and annual external audit report
- six-monthly Compliance Certificates
- annual Tax Compliance and Strategy Update
- system and organisation control reports for major suppliers
- biennial review of the Committee's terms of reference.

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At each meeting the Committee receives reports from Internal Audit and the General Managers of Risk, Technology, Corporate Affairs, and Strategy and Shared Services and a Dashboard Report covering open audit items, learning opportunities reports, custodial incidents, mandate breaches and tax position updates.

People & Culture Committee activity
Terms of Reference The Committee reviewed its Terms of Reference in June 2024 and proposed some changes that were approved by the Board in June 2024. The key changes were to make more explicit reference to oversight of the appointment, performance and development of senior managers. At the same time, the Board approved a change in the name of the Committee from the Employee, Policy and Remuneration Committee to the People & Culture Committee.
Members Three members as at 30 June 2024: • Fiona Oliver (Chair) • Henk Berkman • John Williamson
Meetings Met four times in the 2023/24 financial year
Attendance See page 94 for details of meeting attendance by Board members.
Summary of main matters considered during the year **Appointment of a new CEO:** The Committee considered the transition plan for the new CEO developed by a cross-functional working group. **Professional development and succession planning:** Professional development and succession planning for senior managers is a key focus for the Committee, highlighted by changes made to the Committee's terms of reference. The Committee reviewed the organisation's current approach to professional development and succession planning at its June 2024 meeting. **Remuneration and benefits:** The Committee considered two reports by PwC relating to remuneration. The first report considered the competitiveness of the Guardians' remuneration package in comparison to the market. The second report provided total remuneration benchmark analysis and commented on approaches to benchmarking total remuneration. The Committee considered the annual leave entitlement for employees and recommended to the Board that the leave entitlement be increased from four weeks to five weeks. Matters reviewed by the Committee on a regular cycle included: • review of the refreshed People Strategy • Diversity, Equity and Inclusion Strategy update • organisational culture and engagement update • review of Leadership Team succession planning and key person risk management • CEO performance review and remuneration • CEO and Leadership Team goals (2024/25) • annual performance review (2023/24) and remuneration review (2024/25) outcomes including strategic programmes achievement update • interim bonus scheme update for 2023/24 and final report on bonus scheme outcomes for 2022/23 • annual talent management review • annual staff departure review • people dashboards • annual review of the Committee's calendar • review of the individual employment agreement template • biennial review of the Committee's terms of reference At each meeting the People & Culture Committee receives a report from the General Manager People & Culture.

PRINCIPLES FOR CORPORATE GOVERNANCE (CONTINUED)

ACCOUNTABILITY REPORTING

Transparency and quality public reporting are critical to maintaining stakeholder confidence in the Guardians and its mandates. Our aim is to keep our stakeholders well informed about what we do and why we do it. The quality of our reporting has been recognised with regular awards, including winning Report of the Year for excellence in reporting at the 2024 Australasian Reporting Awards.

The Guardians is required to prepare and present a range of reports to its responsible Minister and Parliament to facilitate its oversight and accountability. The reporting framework for the Guardians' key reporting documents is included in its Communications and Engagement Procedures (available on our website). The table below summarises key reporting requirements.

Annual	• Statement of Performance Expectations including, for the NZ Super Fund, forecasting fund performance and setting out priority activities for the year • Annual Report summarising the year's performance and Statement of Performance reporting against the Statement of Performance Expectations (the Statement for the 2023/24 financial year was published in June 2023) • Annual audited financial statements for the Guardians and the Funds • Annual review by Parliamentary Select Committee with participation from the Office of the Auditor-General • Annual Climate Change Report including Carbon Footprint for the NZ Super Fund
Three-yearly	Statement of Intent setting out key strategic objectives and performance measures. The current Statement of Intent sets out the strategic outcome and performance measures for the five years from 2024–2029.
Six-monthly	Portfolio holdings and exclusions
Quarterly	Report to Minister of Finance covering important developments relating to the Funds and the Guardians
Monthly	• Portfolio performance • Financial data provided to Treasury
As it happens	• Anything necessary to comply with the expectation that we will operate on a 'no surprises' basis with the Minister of Finance • Responses to questions from Parliament, Treasury, media and via the Official Information Act 1982

The Annual Report, which is tabled in the House of Representatives, is available to the public in hard copy and on our website. The report contains both audited financial statements for each Fund, which are signed by the Chair of the Board and the CEO, and audited financial statements for the Guardians, which are signed by the Chair and one other Board member.

The Audit & Risk Committee and Board review the Guardians' and each Fund's financial statements. The CEO and the General Manager Strategy and Shared Services state in writing to the Board that the Guardians' and each Fund's financial statements present fairly, in all material respects, the Guardians' and the relevant Fund's financial position and performance, in accordance with relevant accounting standards. They are also required to sign off on the adequacy of the systems of internal control.

The Guardians received 11 requests under the Official Information Act 1982 (OIA) during 2023/24. Copies of our responses, where we consider these to be of material public interest, are available on our website.

MINISTERIAL DIRECTIONS

The Minister of Finance may give directions regarding the Crown's expectations as to the NZ Super Fund's performance, including its expectations regarding risk and return. The Minister may not, however, give any direction that is inconsistent with the duty to invest the Fund on a prudent, commercial basis. No directions were received in the 2023/24 financial year. We report on our progress in implementing the single direction received to date (May 2009, about our New Zealand investment activities) on pages 60-61 of this Annual Report.

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Along with the other New Zealand CFIs, the Guardians received an annual Letter of Expectations for 2023/24 from the Minister of Finance in December 2023. This letter and the Guardians' response are available on our website. As well as reporting under the requirements of its legislation, the Guardians also reports under a 'no surprises' protocol with the Minister of Finance. This protocol requires the Guardians to inform the Minister in advance of any material or significant events, transactions and other issues that could be considered contentious or attract wide public interest.

AUDITORS

The Guardians does not appoint the external auditor; this is undertaken by New Zealand's Office of the Auditor-General. Typically the audit partner is rotated every six years.

Emma Winsloe of EY has been appointed to carry out the external audit of the Guardians and the NZ Super Fund on the Auditor-General's behalf. This is the third year of her rotation. Graeme Bennett of EY has been appointed to carry out the external audit of Elevate and this is his fifth year.

The Audit & Risk Committee is responsible for overseeing the external audit of the Guardians and the Funds. Accordingly, it monitors developments in the areas of audit and threats to audit independence to ensure the Guardians' policies and practices are consistent with emerging best practice in these areas. The external auditors are not permitted to perform non-audit work assignments without the approval of the Audit & Risk Committee.

Any non-audit work conducted by the audit firm is disclosed in the financial statements.

Both the external auditor and Head of Internal Audit attend Audit & Risk Committee meetings. The Audit & Risk Committee meets with the external auditor and Head of Internal Audit independently of management as often as is appropriate, but not less than once a year for the external auditor and twice for the Head of Internal Audit. The Guardians' Head of Internal Audit has a direct reporting line to the Chair of the Audit & Risk Committee.

STAKEHOLDER INTERESTS AND RELATIONSHIPS

Stakeholder engagement

We recognise that building and maintaining healthy stakeholder relationships is important to our success. We continue to refine our communications strategy to improve stakeholder and public awareness and understanding of the Guardians and the Funds. We undertake periodic qualitative and quantitative third-party perception research, which has shown us that our stakeholder relationships are healthy and that we maintain stakeholder trust and confidence. Key topics raised by stakeholders are presented in our impact assessment on page 34 and our responses to these topics are included in this report. Our main stakeholder groups are:

- employees
- investee companies
- Crown (Parliament, responsible Minister, Treasury and other governmental agencies)
- New Zealand public
- non-governmental organisations
- iwi
- media
- business partners (contractors, suppliers, asset and investment managers)
- co-investors
- peer funds, CFIs, industry and investment groups
- regulators.

Priorities for 2023/24 included:

- Employee culture and engagement, including on risk management and in support of hybrid working
- Changing our public reporting to include new 20-year performance figures
- Integrating talent and DE&I objectives into social media, sponsorship and speaking programmes and reconnecting and engaging with our alumni
- Supporting the appointment of a new Chair and CEO through briefings and a series of meetings with key stakeholders
- Our work programmes (particularly the Modern Workplace programme, which included a new intranet) - more information is available on page 33.

Sponsorships

We undertake a limited number of sponsorships in New Zealand to support activities or events that are consistent with our role and responsibilities. These are listed on our website.

Total sponsorship spend in 2023/24 was $114,000 (2022/23: $98,000).

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PRINCIPLES FOR CORPORATE GOVERNANCE (CONTINUED)

<table>
<tr><th>Stakeholder</th><th>Engagement initiatives undertaken during 2023/24</th></tr>
<tr><td>Crown</td><td>Why we engage
To build a trusting, constructive relationship. The Funds are owned by the Crown and we are accountable to the Minister and Parliament for the management of the Funds.
Key engagement activity in 2023/24
• The New Zealand Superannuation and Retirement Income (Controlling Interests) Amendment Bill including appearing at the Finance and Expenditure Committee
• With the Minister on her annual Letter of Expectations and our annual Statement of Performance Expectations
• Appearing at the Finance and Expenditure Select Committee for our regular annual review and responding to written questions from the Committee
• Regular discussions with and the provision of information to Treasury
• In support of our exploration of domestic infrastructure investment opportunities
• Regarding our five-yearly independent review.</td></tr>
<tr><td>Our people</td><td>Why we engage
Maintaining and continuing to develop a strong, diverse and inclusive team with a constructive culture is essential to fulfil our purpose and vision and embrace ongoing external and internal challenges effectively. 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.
Key engagement activity in 2023/24
• Staff engagement as part of the development of the Diversity, Equity and Inclusion Strategy and our engagement with te ao Māori
• Holding briefing meetings for all staff after each Board meeting
• Holding Town Hall meetings for staff
• Getting feedback via a periodic survey using an online tool, as well as two-yearly culture and engagement surveys
• Staff engagement to inform the redevelopment of our intranet as part of our Modern Workplace Programme.</td></tr>
<tr><td>Peer funds, industry networks and investment groups</td><td>Why we engage
To build strategic investment relationships and inform best-practice portfolio management.
Key engagement activity in 2023/24
• Participating in peer fund and industry networks and initiatives including participating in annual meetings of the International Forum of Sovereign Wealth Funds; Association of Superannuation Investors; Standards Board for Alternative Investments; International Corporate Governance Network; Institute of Finance Professionals; One Planet Sovereign Wealth Fund Initiative; Pacific Pension & Investment Institute; and various team-level meetings
• Participating in the annual cost survey of peer funds by CEM Benchmarking
• Collaborating with, and providing support to, the other New Zealand CFIs
• In support of our exploration of domestic infrastructure investment opportunities.</td></tr>
<tr><td>Investee companies</td><td>Why we engage
To add value, protect our interests, better understand the impacts of investee companies on our portfolio and on society and the environment and to use our leverage, as appropriate, to encourage responsible business conduct.
Our Engagement Report (page 77) summarises our key engagement activity in relation to investee companies for 2023/24. Domestically, there are two items of note:
• We hosted an annual development and networking day for CEOs and Directors of our investee companies
• We worked with fellow CFIs to engage with NZX50-listed companies on climate change.</td></tr>
<tr><td>Others</td><td>Why we engage
Stakeholder perspectives inform how we go about managing the Funds in a manner consistent with best-practice portfolio management and avoiding prejudice to New Zealand’s reputation as a responsible member of the world community. Engagement also helps us understand the impact of our portfolio on society and the environment.</td></tr>
</table>

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Our 2024 independent review confirmed that the Guardians is operating at global best-practice levels and provided recommendations to help us maintain our leading position.

An independent review of how effectively and efficiently the Guardians is performing its function is carried out every five years, as required by the New Zealand Superannuation and Retirement Income Act 2001. This provides a valuable opportunity for our policies, processes and thinking to be tested against global best practices; and for our stakeholders to gain assurance that we are looking after the funds under our care as we should. The 2024 review was completed by global business advisory firm WTW between January and June this year.

The review process involved: document reviews; on-site and online meetings; a survey of Board and leadership views; and consideration of over 50,000 data points in a recent WTW study comparing large asset owners in the Guardians' peer group.

This is the fifth independent review we have undergone, with the first being 20 years ago in 2004. While the 2004 review also noted the Guardians was operating at 'best practice', each subsequent report has noted significant progress over time as we continually improve the way we operate and invest.

WTW's feedback on how the Guardians is equipped to meet our vision and purpose was overwhelmingly positive, stating we stand "exceptionally strongly" among our global peers. Their view is that our excellent results over the past five years have been achieved principally through the inspiration of our leaders past and present; good systems design; and a strong culture emphasising continuous improvement. The review also provided assurance that our governance and compliance are satisfactory.

WTW rated our investment model AAA: its highest rating, denoting best practice. Among factors they looked at to arrive at this rating, they gave particular praise to our strong risk budgeting framework and our effectiveness in long-term horizon investing. Other areas of our practice receiving AAA ratings were: effective alignment with our sponsor and key stakeholders; competitive positioning and comparative advantage; strong governance practices across our Board and management; and shared history and heritage as influenced by leadership.

However, global best practice is constantly evolving and the report noted significant changes would be needed over the next five years to continue delivering towards our purpose to a high level. The recommendations they highlighted as most important were:

- developing complexity principles and strategies, to ensure that project work and change management are given sufficient weight in our mix of focus and strategy
- evolving our Total Portfolio Approach model and further integrating systemic risk (including climate, geopolitical and inequality risks) into our Total Portfolio Approach design
- maturing our in-house private market investment model to build exposure to global and co-investment opportunities, including considering establishing an overseas presence
- maturing our sustainability proposition and model, adapting to changes and expectations in sustainable investment (this is discussed in more detail in our Sustainable Investment Report on page 74)
- elevating the ambition of our learning and developing platforms, to support our fast-changing environment
- strengthening our technology proposition and upskilling our team in technology
- ensuring strong leadership succession practices, particularly for top Board and management leadership roles.

The report acknowledged that the Fund's investment returns going forward are uncertain, with returns for all asset classes over the next decade quite possibly lower than recent experience. Systemic challenges, costs arising from the net-zero transition, high levels of sovereign debt, and the Fund's large exposure to equity markets all pose significant risks to future performance.

Most recommendations arising from the review broadly relate to issues and challenges that the Guardians has already been considering, so it is encouraging to know that our focus is in the appropriate places.

The final report and our response, which outlines the work we plan to undertake, are available on our website.

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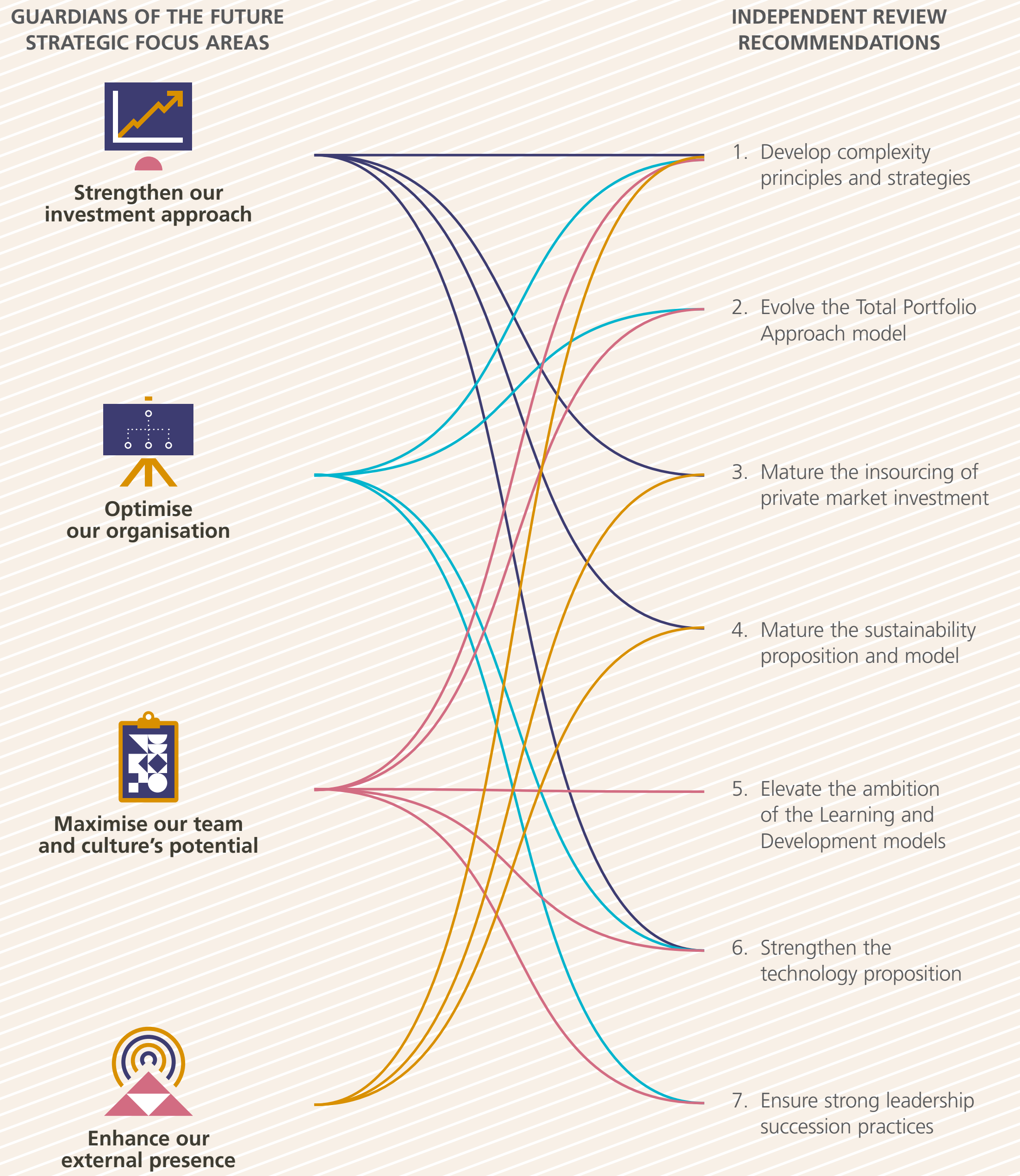
INDEPENDENT REVIEW (CONTINUED)

"The Fund's results over the last five years have been excellent, reflecting the organisation's effectiveness in carrying out its mandate. At the present time the Guardians is operating at global best practice in its activities. It has achieved this state principally though the inspiration of its leaders – past and present; its system design; and its culture." – WTW

INDEPENDENT REVIEW RECOMMENDATIONS MAPPED WITH GUARDIANS OF THE FUTURE STRATEGIC FOCUS AREAS



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We believe having great culture, governance, people and processes is critical to managing risk.

RISK GOVERNANCE

Role of the Board

The Board is responsible for setting both investment and enterprise risk appetite. It provides risk governance and oversight and reviews and approves the Guardians' Risk Management Framework on a regular schedule. The Board has developed a process for delegating authority to the CEO and beyond for the management of both investment and enterprise risk. This ensures that there is accountability for the management of risk within the Guardians and that there is a response plan in place to act on risks in a timely manner. A summary of our principal risks is outlined on pages 105-106.

Risk sits at the heart of what we do. The Board is willing to take investment risk to achieve our mandate and to optimise and manage other complex enterprise risks. We know risk events will happen; our focus is on mitigating the likelihood of serious risk events and on ensuring we have the right mechanisms in place to respond resiliently should they occur.

The Board expects that management operates on a 'no surprises' approach to risk, and that the CEO will seek Board input if the CEO does not have the delegated authority to respond.

Role of management

Management is responsible for implementing the Risk Management Framework and ensuring the Guardians stays within the Board-approved risk appetite.

The CEO and management team attest semi-annually that they have complied with the Guardians' policies. This is intended to ensure that day-to-day responsibility for risk management is at the business unit level, as part of the overall business process, and that a robust framework of identification, evaluation, monitoring and control exists. These management representations support the sign-off of the full-year financial statements.

The Risk Committee (a management committee) provides a governance overview of the enterprise activity of the Guardians. The committee is comprised of staff from across the Guardians and reviews the material risks of the business, the risk and control self-assessments of the business units, and third-party risk reviews. The Risk Committee also reviews environment scans and emerging risks to understand impacts to the Guardians.

Three lines of accountability

Our approach to risk management adopts a 'three lines of accountability' model, setting out risk ownership responsibilities that are functionally independent from oversight and assurance.

- The primary responsibility for risk management lies with the business. The risk owner is the first line of accountability. We have policies, procedures and internal controls for staff, external investment managers and other expert service providers.
- The Risk function forms the second line of accountability, partnering across the business to enhance decision-making through independent advice, insightful reporting, and constructive challenge.
- Internal Audit, as the third line of accountability, provides independent and objective risk-based assurance on compliance with and effectiveness of the Guardians' investment and risk management frameworks.

RISK MANAGEMENT FRAMEWORK

Our Risk Management Framework is the totality of systems, policies, structures, processes and people within the Guardians that identify, measure, control, mitigate and report internal and external sources of material risk. The framework makes it clear that accountability for investment and enterprise risk identification and mitigation sits across all parts of our team. The Risk Appetite Statement outlines the approach to risk we take to achieve our strategic goals.

RISK ASSESSMENT FRAMEWORK

The Risk Assessment Framework supports implementation of our risk appetite and how we will respond to risks we have identified in the four categories set out in the Risk Appetite Statement. Our Risk Assessment Framework:

- ensures the risk categories are defined
- sets out the questions we need to ask ourselves
- defines the Guardians' core expectations
- ensures there is appropriate monitoring and reporting of our risk appetite assessments.

RISK APPETITE STATEMENT

The Guardians of New Zealand Superannuation has developed into, and has a strong ambition to remain, a world-class organisation with a purpose that reflects its intergenerational focus.

In setting out its risk appetite, the Board recognises that risk, internal and external, to its business is likely to come from a range of causes. For these risks, how we respond falls into four broad categories: Culture, Governance, People and Processes.

The Board is willing to take risk to achieve its purpose; it expects the Guardians to continue to use all reasonable measures, without imposing excessive costs or constraints, for its management of the four categories.

Our risk appetite will be determined by the Guardians' Purpose and Vision, with Investment Risk managed by the adoption of the Reference Portfolio and approved Investment Constraints; and Enterprise Risk managed by the Risk Assessment Framework.

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RISK MANAGEMENT (CONTINUED)

POLICIES

Our policies are key tools for ensuring that risks taken are consistent with our risk appetite. Our approach to managing investment risk is set out in our Statement of Investment Policies, Standards and Procedures (SIPSP) and our Investment Risk Allocation Policy. The Risk Appetite Statement, along with our wider approach to managing enterprise risk, is set out in schedule 1 of the Guardians' Risk Management Policy and in our SIPSP, which are available on our website. Both the Investment Risk Allocation and the Risk Management Policy are reviewed by the Board at least once every five years. The Risk Management Policy was reviewed during 2023 and approved in February 2024, with a focus on simplification and a stronger linkage with our culture in relation to risk.

CULTURE AND RISK

A strong risk culture matters because, ultimately, people – our behaviours and decisions – are what makes effective risk-taking possible. Increasing our risk maturity remains an important goal for the Guardians. We take risk to achieve our purpose, and our risk maturity supports informed decision-making to better manage risks and opportunities.

In 2022/23, we completed an independent assessment of the progress and the maturity of our risk culture since we last reviewed it in 2018/19. While the assessment found that our risk culture was mature relative to similar peer organisations, it also highlighted opportunities for improvement, a number of which we made good progress on during 2023/24, including:

- communicating our risk culture aspirations internally
- reviewing and updating our existing training modules to include explicit linkage to risk
- adding our risk culture aspirations into our Risk Management Procedures
- expanding our anonymous staff surveys and voluntary exit interview questionnaire to include questions about risk
- updating Board, Leadership Team, and management committees' terms of reference/charters to reflect responsibilities in relation to risk culture
- working with people leaders to operationalise and embed our Risk Appetite Statement and Risk Assessment Framework
- simplifying our policies and procedures as they come up for review to make them more practical and applicable
- changing our business Risk Register Review process to focus more on emerging risks and environmental factors with frequency of business reviews being subject to criteria on risk maturity
- adding more time for the Risk Committee agendas to regularly discuss emerging risk
- developing a change management framework
- continuing to build an open and comfortable environment to provide constructive challenge by introducing Growth Mindset training available to all staff; Conversational Capacity training for people leaders; and Psychological Safety training for business units.

In 2024/25 we will remeasure our risk culture maturity and identify further opportunities for improvement.

MONITORING AND REPORTING

The Board receives an Enterprise Risk Report every six months. This report is derived from strategic and emerging risks identified by the Guardians' business units and Leadership Team and is facilitated by the Enterprise Risk Team and the Risk Committee. Each business unit maintains a risk register that identifies the risks that could impact on its specific objectives and activities, with related controls and action plans presented to the Risk Committee. The Enterprise Risk Team and Risk Committee confirm and identify any new risks or changes to existing top risks. They also assess emerging risks and identify those that should be escalated in reporting. The Leadership Team and Board review the principal risks and evaluate the effectiveness of our risk management plans and whether any further action is needed.

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PRINCIPAL RISKS

The Guardians' 10 principal risks as of 30 June 2024 are detailed below. Three of our principal risks are elevated and seven remain within our risk appetite.

Definitions of risk rating		
● (green) Within risk appetite	● (orange) Within risk appetite though the environment scan has identified heightened potential for risk to occur. The risk has been elevated to management, with actions underway to prevent or reduce its impact.	● (red) Likely to exceed risk appetite. Event or issue is imminent or has occurred. The risk has been elevated to management and urgent actions are underway to bring the risk back within our risk appetite.

ELEVATED PRINCIPAL RISKS

Risk	Controls
● (orange) **Employee capability and capacity shortfall** Successful execution of our purpose relies on our ability to attract and retain our workforce while managing the optimal people-resourcing mix, being change capable and ensuring effective knowledge capture and transfer. Although this risk has remained elevated since last year, the reasons for this have changed. Originally, it was due to concerns about the ability to recruit and the wellbeing of staff (particularly in the COVID-19 period), but now is more about ensuring new staff are properly connected with experienced staff with deep institutional knowledge. Our People Strategy and enterprise portfolio management framework have guided our internal and external work to mitigate this risk this year, particularly through the development of the Guardians of the Future strategy, programme prioritisation, and a focus on change management capability.	• Strategic plan design and communication processes • Enterprise portfolio management governance • Diversity, Equity and Inclusion Strategy • Individual development plans • Succession and annual workforce planning • Talent Sourcing Strategy and plans • Culture shaping and measurement • Professional development offerings • Use of external advisors • Maintain appropriate total remuneration
● (orange) **IT infrastructure or business systems connecting to our network ceases to be fit for purpose** Our IT infrastructure and business systems are critical in ensuring the Guardians operates effectively. Under-investment in technology has the potential to result in lost opportunities and a need for more staff to manage processes and the volume of work. In addition, long-standing IT infrastructure and systems may reduce resilience and can result in business disruption. There is a need for further investment in the Cloud environment. We are addressing this risk through some of our major programmes of work including the refresh of the Technology Strategy, Modern Workplace and IDAP.	• Technology strategy • Due diligence and monitoring of IT and business system providers • Business continuity framework • Regular maintenance and upgrade of IT infrastructure • Regular monitoring of strength of network • Secondary data centre
● (orange) **Process failures leading to poor execution** Current programmes are improving process maturity. However, difficulties in transferring knowledge are resulting in reliance on institutional memory and key people for existing processes, introducing error risk and reflecting a lack of resilience. A lack of right-sized processes is also slowing down execution. We are addressing this through a focus on process simplification and right sizing.	• Enterprise portfolio management framework • Embedded committees and systems for cross-team input, including subject matter expertise, and approval on investment deals and non-investment projects • Policies and procedures • Access to external advisors e.g. IT, Risk, Operational Due Diligence, Tax, Legal and Finance

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RISK MANAGEMENT (CONTINUED)

RISKS WITHIN OUR RISK APPETITE

	Risk
●	**Insufficient liquidity to meet our obligations and maintain our strategies**
●	**Investment approach does not meet our purpose**
●	**Guardians does not effectively manage climate-related risk**
●	**Change in key stakeholder support resulting in the failure to successfully execute the Guardians' mandates and achieve our overall purpose**
●	**Incidents of fraudulent activity (including rogue traders, bribery and corruption)**
●	**Cyber event occurs (such as malware, phishing attack, or denial-of-service attack)**
●	**Wellness/culture**

ONGOING RISK MONITORING

Team members' compliance with our policies and procedures is actively monitored, as is compliance by external managers with the investment mandates we award them. In 2023/24, the Guardians recorded no active breaches of compliance by an external manager of NZ Super Fund investment mandates and reported three high-risk internal operational errors. These related to two instances of approval processes not being followed and one failure of control on an external manager's performance fee measurements. As with all learning opportunities, new controls have been identified and implemented to minimise the likelihood of these errors occurring again.

	Performance against key Fund risk measures				
Business risk measures	**2023/24**	**2022/23**	**2021/22**	**2020/21**	**2019/20**
Active breaches of compliance with investment mandates*	0	1	0	0	4
Operational incidents or errors rated as potentially material risk**	3	2	4	2	2

* Our custodian reports any breaches of compliance with the Fund's segregated listed investment mandates to us for investigation and discussion with the manager involved. All breaches, passive and active, are factored into our monitoring and reviews of our external and internal investment managers. In the case of serious incidents, a claims process may be available to the NZ Super Fund.

** The Guardians has a structured process for reporting, investigating and rectifying operational incidents and errors. Incidents or errors with potentially high or extreme impacts are reported to the Board's Audit & Risk Committee as soon as practicable. As our objective is to capture as much information as possible with a view to improving our processes and controls, we do not set a target for reducing the number of errors reported.

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We are required to manage our Funds in line with best-practice portfolio management. To achieve this, we must provide competitive remuneration packages that will attract, motivate and retain a world-class team.

Fixed remuneration consists of base salary, KiwiSaver and insurance benefits. As is standard practice in the financial services sector, we offer an at-risk incentive programme to reward exceptional performance.

KEY FACTORS

In structuring remuneration at the Guardians, we are conscious of the need to:

- reinforce the long-term objectives of the NZ Super Fund
- reinforce our investment strategy, which is based on a whole-of-Fund approach, rather than individual asset classes or investment portfolios
- ensure remuneration encourages appropriate, but not excessive, risk-taking
- be realistic about the periods for which staff are likely to remain with the Guardians and can reasonably expect to be rewarded for performance while looking to align Fund and staff outcomes.

BASE SALARIES

Employees receive a fixed base salary, which reflects their role, contribution and level of experience. This is based on:

- independently determined job sizes
- employees' competence in roles
- current, independent remuneration market data, based on upper-quartile, New Zealand financial services sector rates.

Every employee has a base salary associated with their position, which is re-evaluated periodically by remuneration specialists using market evaluation systems. Salaries are reviewed annually. Eligibility for a salary review is subject to meeting minimum performance expectations.

KIWISAVER

We match employee contributions to KiwiSaver, New Zealand's voluntary, work-based retirement savings scheme, up to 8%.

DISCRETIONARY BENEFITS SCHEME

Other benefits are also offered to permanent staff on a discretionary, non-contractual basis. These benefits include income protection, life, trauma and health insurance. The total cost to the Guardians of providing these benefits was $1,057,360 in 2023/24 ($865,722 in 2022/23).

DISCRETIONARY INCENTIVE SCHEME

As is standard within the financial services sector, a portion of staff remuneration for permanent employees of the Guardians is at risk and paid on a discretionary basis, based on performance. This is common practice as a way of incentivising behaviour, aligning personal outcomes with Fund outcomes and creating a culture of good performance. There are two components to the bonus scheme: individual and NZ Super Fund performance, as outlined below. All discretionary incentive payments are at the discretion of the Board.

	Total	Individual component	Fund performance component
Leadership, Investments and Portfolio Completion teams	60% of actual remuneration paid for the financial year*	20%	40%, composed of: • Excess return – 1/3 • Value added – 2/3
Corporate staff (Corporate Affairs, People & Culture, Internal Audit, Risk, Strategy and Shared Services, and Technology teams)	30% of actual remuneration paid for the financial year*	20%	10%, composed of: • Excess return –1/3 • Value added – 2/3

* Actual remuneration paid comprises salary and holiday pay paid during the financial year. It excludes KiwiSaver contributions and other benefits such as insurance.

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REMUNERATION AND DISCRETIONARY INCENTIVE SCHEME (CONTINUED)

Excess Return and Value-Add Measures Explained

These two measures are based on whole-of-Fund performance over a four-year period. Using these performance measures instead of focusing on individual asset classes or investment portfolios is intentionally designed to reinforce our total portfolio investment approach.

The **Excess Return** measure, which comprises one-third of the total potential Fund performance bonus, is calculated on the Fund's actual return less the 90-day Treasury Bill return (a proxy of the opportunity cost to the Government of investing in the Fund instead of paying down debt). This measure reflects whether taxpayers have received value for the money that has been contributed to the Fund. It is paid out in full if the average Fund return over the four-year period exceeds the Treasury Bill return by 4%.

The **Value-add** measure, which comprises two-thirds of the total potential Fund performance bonus, is calculated on the Fund's actual return less the Reference Portfolio return. This measure reflects whether the Guardians' active investment strategies have added value to the Fund compared to what a low-cost, passive strategy would have achieved. It is paid out in full if the Fund's average return over the four-year period exceeds the Reference Portfolio return by 0.75%. See pages 45-46 for more information on our Reference Portfolio benchmark.

Bonus achievement for the four years ending 30 June 2024

On average, Fund performance over the four years to 30 June 2024 has been very strong, exceeding the levels required for full bonus payment noted above:

- The average excess return over the four years was 9.76% (maximum is achieved at 4%).
- The average value-add over the four years was 2.16% (maximum is achieved at 0.75%).

For bonus purposes, Fund returns are calculated using a cumulative average percentage over the four years. All performance figures are calculated after costs, before New Zealand tax.

Fund performance bonus payments to individuals vary according to base remuneration and tenure. See also Notes 3(a) and 3(b) of the Guardians' financial statements.

Individual component

Individual performance is measured by reference to the individual's performance against behavioural criteria, consistent with the Guardians' desired workplace culture. Performance is determined by the individual's manager, takes account of feedback from the individual as well as 360-degree input and is calibrated with the Leadership Team. All discretionary bonus payments are contingent on staff having both achieved their individual objectives and met minimum threshold performance requirements. This is captured in an assessment of performance against a set of expectations agreed in writing between the employee and their manager. It is available to all permanent employees at up to 20% of current year actual remuneration.

PAY EQUITY AND GENDER PAY GAP

We are committed to achieving the principle of equal pay for equal work for the same or similar roles (irrespective of gender or ethnicity). We monitor this closely and are confident that we are paying equally for work of equal value.

We measure our gender pay gap (the differences in pay between women and men based on median and mean pay levels) annually. The current gap is primarily a reflection of the predominance of males in more senior, higher-paying roles at the Guardians. The mean gender pay gap on the base pay at the Guardians has narrowed from 25% in 2019/20 to 15% in 2023/24, and over the same period the median gap on the base pay has narrowed from 37% to 17%.

We also publish our gender pay gap for total remuneration (i.e. including incentive payments, KiwiSaver and insurance benefits as well as base pay). We are not able to do this for the most recent reporting year because of the timing of the Annual Report relative to the approval of annual bonus payments; however, we can report in respect of 2022/23. The reduction in the total remuneration gender pay gap (median) from 2020/2021 to 2022/2023 of 42% to 16% is significant and primarily the outcome of changes in the gender composition of our team across different levels, as well as base salary movements over that time.

Our Diversity, Equity and Inclusion (DE&I) Strategy 2022–2027 (available on our website) describes how we are taking a systems-thinking approach to addressing our gender pay gap. We understand that change is needed structurally (processes, practices and policies), as well as in our behaviours and culture, and that these are interconnected. We see that progress on the gender pay gap will take time, requiring multi-layered initiatives that have short-, medium- and long-term outcomes.

Our Kia Toipoto (Annual Pay Gap Action Plan) outlines our DE&I Strategy goal for reducing the gender pay gap, the activities planned and our key indicators for success. This includes a DE&I focus in our new graduate programme and scholarships and through our career progression and talent management strategies. Further information about remuneration can be found in our People & Culture Policy, available on our website. See also Notes 3(a) and 3(b) of the Guardians' financial statements.

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Gender pay gap*	2024	2023	2022	2021	2020
Base salary (mean)	15%	14%	17%	25%	25%
Base salary (median)	17%	13%	27%	34%	37%
Total remuneration (mean)**	-	17%	21%	26%	-
Total remuneration (median)**	-	16%	26%	42%	-

* We report contractual base hourly rate of pay for the entire permanent employee workforce (excluding CEO). The numbers reported are the difference of male pay less female pay, divided by male pay. If there was no gap, the result would be 0%. The mean gender pay gap is the difference between the mean hourly base pay of males and females. The median gender pay gap is the difference between the mid-points in the range of hourly base pay of males and females. The mid-point is calculated by taking all hourly base pays in the sample, lining them up in order from lowest to highest, and picking the middle hourly base pay.

** As noted on the previous page, the figure for 2023/24 will be included in next year's Annual Report.

Further information about remuneration can be found in our People & Culture Policy, available on our website. See also Notes 3(a) and 3(b) of the Guardians' financial statements.

CHIEF EXECUTIVE OFFICER REMUNERATION

Two of the Board's most important decisions are the appointment and remuneration of the CEO. The Board actively considers the public sector context in making remuneration decisions. Under the Crown Entities Act 2004, the Board's recommendation is then passed to the Public Service Commissioner to agree contractual terms including base remuneration and remuneration structure; the Commissioner also agrees to any future changes to base remuneration.

The CEO is eligible for bonus payments up to a maximum of 60% of actual base remuneration under the Guardians' discretionary incentive scheme. The details of this scheme and the rationale behind it are set out on pages 107-108.

The discretionary at-risk incentive payment scheme forms part of the CEO's existing terms and conditions and the payment is established by factors determined by the Board. The Public Service Commissioner does not approve the level of discretionary at-risk incentive payment.

Process

The People & Culture Committee (see page 97), based on independent advice from external remuneration specialists, reviews the CEO's remuneration annually and makes recommendations to the Board. As is normal good practice, the Board aims to ensure alignment between the CEO's remuneration and the strategy and performance of the Guardians and its Funds. Details of the CEO's remuneration over the past five years are set out in the table on pages 110-111.

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REMUNERATION AND DISCRETIONARY INCENTIVE SCHEME (CONTINUED)

CHIEF EXECUTIVE OFFICER REMUNERATION

Financial year	2023/24			
	Jo Townsend (Apr – Jun 2024)		Matt Whineray (Jun – Jan 2024)	
	$	% achieved	$	% achieved
Contractual base remuneration	$853,000	–	$870,000	–
Actual base remuneration payment (A number of factors can mean there is a difference between the contractual and actual base. See footnote 1 for more detail).[1]	$180,442	–	$554,766	–
At risk – individual component	–[2]	–	$94,310	17.0%
At risk – Fund financial performance 'excess return' on a 4-year moving average	–[2]	–	$73,950	13.3% (100% achievement level 13.3%)
At risk – Fund financial performance 'value add' on a 4-year moving average	–[2]	–	$147,956	26.7% (100% achievement level 26.7%)
KiwiSaver	$14,435	–	$68,601	–
Benefits (Life income protection, trauma, and health insurance)[3]	$2,421	–	$7,498	–
Total remuneration	**$197,298**	**–**	**$947,081**	**–**

1. Actual base salary payments can be lower or higher than contractual base salary depending on a number of factors, including the amount and value of leave taken, or from ceasing employment part-way through the financial year. From April 2020, the CEO took a voluntary pay cut of 20% of base salary for six months; this had an impact in the 2019/20 and 2020/21 financial years.
2. Eligibility for the bonus programme commences 1 July 2024.
3. Benefits include Fringe Benefit Tax (FBT) where applicable, but exclude Good and Services Tax (GST).

2022/23		2021/22		2020/21		2019/20	
$	**% achieved**	**$**	**% achieved**	**$**	**% achieved**	**$**	**% achieved**
$797,000	–	$724,000	–	$611,000	–	$611,000	–
$811,040	–	$730,982	–	$598,886	–	$638,481	–
$137,877	17.0%	$116,957	16.0%	$114,021	18%	$119,170	18%
$108,112	13.3% (100% achievement level 13.3%)	$73,101	10.0% (100% achievement level 13.3%)	$111,718	17.5% (100% achievement level 13.3%)	$57,209	9.2% (100% achievement level 13.3%)
$216,304	26.67% (100% achievement level 26.7%)	$369,202	10.0% (100% achievement level 13.3%)	$92,179	14.2% (100% achievement level 26.7%)	$39,993	6.7% (100% achievement level 26.7%)
$102,757	–	$103,219	–	$73,050	–	$68,087	–
$10,647	–	$8,201	–	$6,691	–	$5,593	–
$1,386,737	**–**	**$1,401,663**	**–**	**$996,545**	**–**	**$928,533**	**–**

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REGULATORY UPDATE

As a global investor, we are impacted by a wide range of legal and regulatory requirements.

MONITORING FRAMEWORK

We identify and monitor proposed changes to core legal obligations that affect our business and operations. We ensure the changes are appropriately considered when making investment decisions and/or incorporated in business-as-usual processes to ensure compliance. Key legislative and regulatory changes relevant to the Guardians are reported to the Audit & Risk Committee annually and discussed at the Risk Committee semi-annually.

NEW ZEALAND SUPERANNUATION AND RETIREMENT INCOME (CONTROLLING INTERESTS) AMENDMENT ACT

A legislative milestone was reached in June 2024 when our enabling legislation was amended by the passing of the New Zealand Superannuation and Retirement Income (Controlling Interests) Amendment Act. This updated the New Zealand Superannuation and Retirement Income Act 2001 to allow the NZ Super Fund to take a controlling interest in entities. This gives us investment flexibility; we now have a broader set of investment opportunities and can make the decisions that best serve the Fund's long-term interests. We have established governance framework principles we will apply to controlled entities and updated our investment policies accordingly. This legislation was passed after the publication of our latest Statement of Intent and Statement of Performance Expectations.

SUBMISSIONS

From time to time we make submissions on government policy, with a focus on issues that are relevant to our investment mandates or directly impact the Guardians. We made the following submissions, copies of which are available on our website, in 2023/24:

- to the European Commission: Proposal for a council directive on faster and safer relief of excess withholding taxes
- to the Australian Senate Standing Committees on Economics on the Treasury Laws Amendment (Making Multinationals Pay Their Fair Share - Integrity and Transparency) Bill, alongside foreign funds
- to the Australian Treasury on the Treasury Laws Amendment (Making Multinationals Pay Their Fair Share - Integrity and Transparency) Bill, alongside foreign funds
- to the Australian Senate Standing Committees on Economics on the Amendments to Treasury Laws Amendment (Making Multinationals Pay Their Fair Share - Integrity and Transparency) Bill 2023, alongside foreign funds
- to the New Zealand Parliament's Economic Development, Science and Innovation Committee on the Companies (Address Information) Amendment Bill
- to the Financial Markets Authority on prospective financial information requirements for initial public offering documents for NZX listings.

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LEGAL TEAM PROFILE

Our Legal team was named the 2024 In-house Lawyers Association of New Zealand (ILANZ) Public Sector In-house Team of the Year.

The award recognises their skill and leadership on complex work including: advising on all our new and ongoing investments across a range of countries and asset classes; providing input to all Guardians' projects; and being involved in thought leadership across a broad range of issues including governance, capital markets, mergers and acquisitions, and legislative reform. Our Legal team works closely with all Guardians teams, participating in numerous groups and committees ranging from the Risk Committee to the Health, Safety, Security and Environment Committee and the Knowledge Governance Group.

Over the award period, they advised on more than 20 significant and complex domestic and international investment trades. These included:

- the acquisition of a 4.99% shareholding in Brussels-based Euroclear, a provider of critical financial markets infrastructure with approximately EUR 37 trillion of assets under custody and over EUR 1 quadrillion worth of annual securities transactions
- the sale of Kiwibank to the Crown, with the purchase of stakes from NZSF, ACC and NZ Post – a major transaction which was named M&A Deal of the Year at the 2023 New Zealand Law Awards
- investments with external managers totalling more than $2 billion across a range of asset classes including real estate, venture capital, growth equity, distressed credit, infrastructure, sustainable transition and hedge funds.

Highlights of 2023/24 for our Legal team included coordinating our five-yearly independent statutory review, providing technical advice to the Select Committee on the New Zealand Superannuation and Retirement Income (Controlling Interests) Amendment Bill, and hosting senior legal professionals from sovereign wealth funds around the world at the Australasian Legal Peer Forum. They have also worked to innovate and improve the way we work at the Guardians, introducing a more efficient new self-service process for non-investment contracts and developing a governance framework for the Guardians' use of generative AI technology.

CARVING

Māori are world-renowned carvers, with ornate meeting houses adorned with carvings depicting ancestors, whakapapa (lineage) and historical events.

Wooden carving details on a Maori War Canoe, Waitangi Treaty Grounds, Bay of Islands, North Island, New Zealand

Financial Statements
Ngā Pūrongo Tahua

Explaining our Financial Statements

PAULA STEED
GENERAL MANAGER STRATEGY AND SHARED SERVICES

This Annual Report includes three sets of financial statements: the Guardians of New Zealand Superannuation (Guardians); the New Zealand Superannuation Fund (NZ Super Fund); and the Elevate NZ Venture Fund (Elevate).

The financial statements for the Guardians are on pages 121-145; the NZ Super Fund are on pages 146-203; and Elevate are on pages 204-229.

The Guardians is an autonomous Crown entity that manages two separate investment mandates: the NZ Super Fund and Elevate. The costs incurred by the Guardians mainly comprise employee-related and technology costs. All of these costs are recovered from the two mandates, except for a small appropriation that is funded by Parliament, for Board fees and expenses. As a result, the Guardians has a 'zero' net surplus for the year. A breakdown of the expenses recovered from the NZ Super Fund is included in the expense analysis on pages 117-118. The financial statements of the Guardians are prepared in accordance with Public Benefit Entity (PBE) Accounting Standards.

The NZ Super Fund is a pool of assets set aside by the Crown for the purpose of assisting future governments to pay for superannuation. The financial statements are among the largest and most complex for a New Zealand reporting entity. The financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Key elements of these financial statements are discussed on the following pages.

Elevate was formed with the aim of stimulating a functioning venture capital industry and ensuring that high-growth New Zealand businesses have access to the capital and connections they need to be successful. The day-to-day management of Elevate is outsourced to New Zealand Growth Capital Partners (NZGCP), a fellow Crown entity. The financial statements are prepared in accordance with PBE Accounting Standards.

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NZ Super Fund Five-Year Financial Summary

	2024	2023	2022	2021	2020
	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
INCOME STATEMENT					
Investment income	1,657,776	1,324,600	1,054,552	740,262	807,059
Investment gains/(losses)	8,344,560	5,787,682	(5,133,394)	12,775,611	4,931
Net operating income	**10,002,336**	**7,112,282**	**(4,078,842)**	**13,515,873**	**811,990**
Operating expenditure	(261,837)	(255,407)	(278,086)	(130,772)	(132,201)
Profit/(loss) before income tax expense	**9,740,499**	**6,856,875**	**(4,356,928)**	**13,385,101**	**679,789**
Income tax (expense)/income	(1,218,356)	(926,043)	758,046	(2,146,656)	(465,250)
Profit/(loss) after income tax expense	**8,522,143**	**5,930,832**	**(3,598,882)**	**11,238,445**	**214,539**
BALANCE SHEET					
Cash and cash equivalents	2,601,543	1,858,270	2,370,257	6,579,356	5,723,737
Net cash (collateral received)/ pledged as collateral	(679,890)	(355,965)	173,396	(343,758)	(315,691)
Net investments	74,210,170	63,734,632	54,519,078	53,070,293	39,486,309
Other assets (including PPE and intangible assets)	745,217	514,854	3,202,306	657,925	583,564
Other liabilities	(801,480)	(890,475)	(5,077,257)	(669,076)	(1,171,762)
Net assets excluding income tax	**76,075,560**	**64,861,316**	**55,187,780**	**59,294,740**	**44,306,157**
Income tax payable/(receivable)	(1,281,410)	(138,459)	272,916	(1,887,279)	(257,725)
Deferred tax asset/(liability)	21,927	(49,566)	749,766	(42,866)	(51,128)
Net assets	**74,816,077**	**64,673,291**	**56,210,462**	**57,364,595**	**43,997,304**
Contributed capital	26,554,079	24,940,079	22,382,079	19,962,079	17,842,079
Other reserves	48,261,998	39,733,212	33,828,383	37,402,516	26,155,225
Total equity	**74,816,077**	**64,673,291**	**56,210,462**	**57,364,595**	**43,997,304**

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Understanding our Financial Statements

NZ SUPER FUND

This section explains the key elements of the NZ Super Fund's financial statements and highlights the main financial features of the 2023/24 year.

INCOME STATEMENT

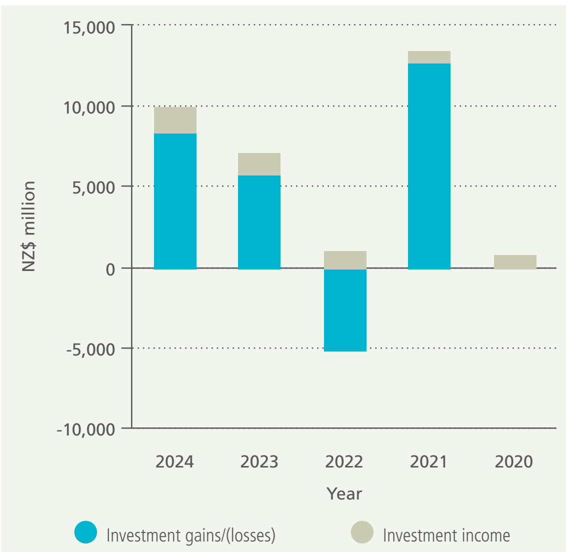
Income

Net operating income is the annual income generated by the NZ Super Fund before expenses are deducted. There are two key components to net operating income:

1. Investment income – primarily interest and dividends; and
2. Investment gains/(losses) – changes in the fair value of the NZ Super Fund investments, along with the impact of changes in the value of the New Zealand dollar on investments held in foreign currencies. Reasonable volatility is expected in investment gains/(losses) given the significant reliance on the performance of global equity markets.

The volatility in net operating income since 2020 is depicted in the following graph:

Investment income



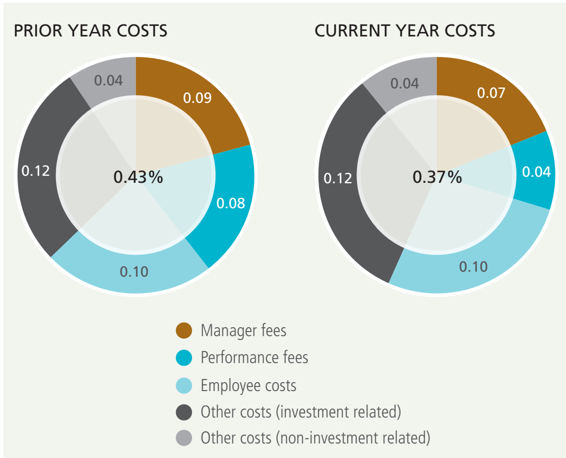
During 2023/24, favourable global equity market conditions resulted in net operating income of $10.0 billion. Gains in our Reference Portfolio positions in passive global equity were supplemented by gains in our active positions in multi-factor mandates and real assets (including timber). Refer to the Performance Report on pages 45-50 for more information on performance against our benchmark.

Expenses

We exercise prudent judgement in managing the costs of the NZ Super Fund. Expected returns net of expenses are key to our investment decision-making and we therefore manage our expenses carefully by:

- ensuring fees paid to external managers are in line with market standards and the complexity of the investment
- including the cost of due diligence in our assessment of whether an investment opportunity is worth pursuing, relative to the potential risk-adjusted value
- choosing cost-effective access points for all investment opportunities
- benchmarking our costs against peers through the annual CEM Cost-Effectiveness survey (as noted on page 30)
- applying critical judgement and decision-making with regard to controllable costs.

Cost of managing the NZ Super Fund as a percentage of average net assets



As a percentage of average net assets, total costs decreased from 0.43% in the prior year to 0.37% in the current year. This movement was primarily due to lower performance fees. Performance fees were higher in the prior year due to strong performances by some of the NZ Super Fund's active investments.

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CURRENT AND PRIOR YEAR COSTS

MANAGER FEES

—

$51.3m

WHAT DO THEY PAY FOR?

Fees paid to external managers for managing committed and invested capital for the NZ Super Fund.

WHY DO WE INCUR THE COST?

We seek exposure to a wide range of asset classes, geographic markets and strategies which require a diversification of management skills. In some cases, it is not possible to provide specific expertise and economies of scale in-house and we therefore appoint well-aligned external managers who demonstrate the required capabilities.

CURRENT AND PRIOR YEAR COSTS

Manager fees were broadly in line with the prior year.

PERFORMANCE FEES

—

$30.4m

WHAT DO THEY PAY FOR?

Fees paid to external managers for performance (returns) meeting a predetermined benchmark on an investment.

WHY DO WE INCUR THE COST?

Performance fees are a form of profit-sharing when returns exceed a predefined percentage hurdle. They are only earned by a small number of external managers if they outperform specified benchmarks and can vary considerably year-on-year. When negotiating fees and other terms, we aim to align managers' and our investment goals.

CURRENT AND PRIOR YEAR COSTS

Performance fees decreased by $15.3 million to $30.4 million in the current year. This decrease was largely due to lower performance in respect of one of our investments compared with the prior year.

EMPLOYEE COSTS

—

$69.9m

WHAT DO THEY PAY FOR?

Employee remuneration and other employee-related costs, including incentive payments and KiwiSaver contributions. These costs are incurred by the Guardians then reimbursed by the NZ Super Fund.

WHY DO WE INCUR THE COST?

To ensure best-practice portfolio management and to successfully execute our purpose, we aim to employ and retain top-quality, diverse talent from within New Zealand and overseas.

CURRENT AND PRIOR YEAR COSTS

Costs increased by $8.1 million to $69.9 million in the current year. The increase reflects growth in FTE employees (213 to 238) as a result of business activity, and general wage inflation. Remuneration information is reported on pages 134-135 (Note 3(b)). This information should be read alongside the explanation of our remuneration framework on pages 107-109.

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CURRENT AND PRIOR YEAR COSTS (CONTINUED)

INVESTMENT-RELATED COSTS

—

$82.3m

WHAT DO THEY PAY FOR?

Transaction expenses (such as legal, financial and tax advisors, consultants, custodian fees, trading commissions) and the impairment of investments held at amortised cost.

WHY DO WE INCUR THE COST?

Pursuing complex, large investment opportunities in public and private markets requires us to incur due diligence and compliance costs associated with international regulatory and tax regimes.

CURRENT AND PRIOR YEAR COSTS

Costs increased by $11.8 million in the current year to $82.3 million, which was largely due to the impairment of a loan backed by US commercial property. Other transaction expenses were consistent year-on-year.

OTHER COSTS

—

$27.9m

WHAT DO THEY PAY FOR?

Data and technology services, travel and accommodation, lease costs and other general expenses. These costs are incurred by the Guardians then charged to the NZ Super Fund.

WHY DO WE INCUR THE COST?

Day-to-day costs to maintain the general infrastructure and business operations.

CURRENT AND PRIOR YEAR COSTS

Other costs increased due to continued expenditure on technology and transformation projects.

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Indirect costs

Indirect costs, such as manager fees incurred by investment vehicles in which the NZ Super Fund holds an interest, are netted off against investment gains and losses.

Indirect investment manager fees increased by $11.5 million to $72.3 million in the current year. This increase was primarily due to higher manager fees from additional private equity investments, offset by lower performance fees (a reduction of $4.2 million to $38.3 million in the current year) due to lower-than-benchmark performance by some managers.

This supplementary disclosure is based on unaudited information and derived using a variety of methodologies – such as reporting from investment managers; additional enquiries made of managers; and our own calculations at the end of the financial year. In providing this additional information, we aim to provide a full and complete indication of total investment management and performance fees.

It is important to note that, for some external investment managers, the pay-out of the current year's performance fee is capped, with the remaining fee held for possible pay-out in future periods. For these managers, poor performance in subsequent years could lead to a reduction in the entitlement held at year end.

Income tax

Since its inception, the NZ Super Fund has paid $9.6 billion in tax to the New Zealand Government, making it one of the largest taxpayers in the country. This tax paid is excluded from the NZ Super Fund's performance as it is considered a return to the Crown.

New Zealand tax is paid on dividends received from New Zealand and most listed Australian equity investments.

New Zealand tax on foreign equities (excluding most listed Australian equity investments) is calculated notionally under New Zealand's 'Fair Dividend Rate' (FDR) regime. A 'deemed dividend' of 5% per annum is taxable while actual dividends received and gains or losses are not subject to tax. As a result, the NZ Super Fund's tax rate is very volatile.

Income or losses arising from the NZ Super Fund's other investments (e.g. equity derivatives, bonds and cash deposits) are generally subject to 28% New Zealand tax.

New Zealand income tax of $145 million was paid during the 2023/24 income year relating to tax payable for the NZ Super Fund and its subsidiaries for 2022/23. An additional $1.5 billion was paid in July 2024 in respect of the 2023/24 income year.

The NZ Super Fund is also subject to foreign tax depending on the source of its offshore income.

Foreign withholding taxes of $18.2 million have been paid (excluding underlying taxes paid by the NZ Super Fund's investments).

Tax governance

The Guardians has a cooperative compliance agreement with the New Zealand Inland Revenue (IRD). Under this agreement, tax positions taken by the NZ Super Fund on its activities are disclosed to the IRD. This provides us with real-time engagement with the IRD and enhanced certainty around our tax position before the New Zealand tax return is filed.

BALANCE SHEET

The balance sheet shows how much the NZ Super Fund is worth at the end of the financial year. While year-on-year performance is important, central to our purpose is how much we grow the NZ Super Fund over the longer term. Since its inception, the NZ Super Fund has received contributions of $26.5 billion from the Crown and added gross value of $57.9 billion. As a result of this growth, the NZ Super Fund has paid a total of $9.6 billion of tax back to the Crown, resulting in a net value added to the Crown of $48.3 billion.

Cash and liquidity

Liquidity management remains a key and ongoing focus for the NZ Super Fund, given its critical importance to operations. As a result of market performance, there was a significant inflow of collateral. Additionally, cash balances were high at year-end due to a large provisional tax payment in July 2024.

Investments and fair value

The majority of the assets and liabilities of the NZ Super Fund are measured at fair value. Fair value is the price that one party would be happy to pay, and another party would be happy to receive in a transaction between the two parties. Fair value is obtained from readily observable market data and priced daily for approximately 75% of the NZ Super Fund's investments. For the remaining assets, where no observable market data is available, a number of valuation methods are used to determine fair value. For these assets, the value that is recognised in the balance sheet represents management's best assessment of fair value based on the most up-to-date information available. Further information on the fair value hierarchy and valuation techniques is outlined on pages 160-165 (refer Note 2).

CONTRIBUTIONS

Crown contributions of $1.6 billion were received in the current year, with total Crown contributions of $26.5 billion received since inception. Contributions are received monthly and recorded on the balance sheet as contributed capital.

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LIFE TO DATE RETURN ON CROWN CONTRIBUTIONS

RETURNS TO THE CROWN BY NZ SUPER FUND

$26.5b	$48.3b	$9.6b
Contributions from the Crown	Returns after tax payments	Tax paid to the Crown

NZ SUPER FUND BALANCE SHEET

ELEVATE

This section highlights the main financial features of Elevate's financial statements for the 2023/24 financial year.

INCOME STATEMENT

Income

Net operating revenue is the annual revenue generated by Elevate before expenses have been deducted. Similar to the NZ Super Fund, there are two key components to net operating revenue:

1. Investment income – primarily interest; and
2. Investment gains/(losses) – changes in the fair value of Elevate's investments (net of external fund manager costs).

A number of Elevate's underlying investments were revalued during the year. This has resulted in net fair value losses of $3.9 million, compared with net fair value gains of $21.5 million in the prior year.

Expenses

Total costs for managing Elevate were $3.2 million in the current year, which is in line with costs of $3.1 million in the prior year.

Income tax

Elevate is required to file a New Zealand income tax return and is therefore included in the cooperative compliance agreement with the IRD. However, given the investment profile of Elevate and the tax exemption from which Elevate benefits (on gains from New Zealand shares), taxable income is not anticipated.

BALANCE SHEET

Investments

At financial year end, Elevate had made commitments of $221 million into nine venture capital funds. Six of these funds are with established managers in the early-stage investment space; the remaining three funds are with first-time fund managers. To date, these funds have called $136 million for capital and management fees, of which $32.9 million was called in the current year. Net fair value gains of $12.6 million have been recorded on the underlying investments since inception, resulting in total investments of $147.9 million at balance date.

CONTRIBUTIONS

Crown capital contributions of $39.7 million were received in the current year, resulting in total capital contributions of $161.5 million from the Crown since inception. Requests for capital contributions for the Elevate mandate are received and approved by the Guardians prior to submission to Treasury. Capital contributions from the Crown are recorded in public equity in Elevate's balance sheet.

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STATEMENT OF RESPONSIBILITY

For the year ended 30 June 2024

The Board and management of the Guardians of New Zealand Superannuation accept responsibility for the preparation of the annual financial statements and the Statement of Performance of the Guardians of New Zealand Superannuation and Group and the judgements used in them.

The Board and management of the Guardians of New Zealand Superannuation accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting of the Guardians of New Zealand Superannuation and Group.

In the opinion of the Board and management of the Guardians of New Zealand Superannuation, the annual financial statements and the Statement of Performance for the year ended 30 June 2024 fairly reflect the financial position, operations and cash flows of the Guardians of New Zealand Superannuation and Group.

JOHN WILLIAMSON

CHAIR
26 September 2024

DOUG PEARCE

BOARD MEMBER
26 September 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2024	NOTE	ACTUAL	ACTUAL	BUDGET (UNAUDITED)
		2024	2023	2024
		NZD'000	NZD'000	NZD'000
Revenue	2.a	99,365	88,127	107,160
Expenses	2.b	99,365	88,127	107,160
Surplus/(Deficit) for the year		-	-	-
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense for the year		-	-	-

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024	NOTE	ACTUAL	ACTUAL	BUDGET (UNAUDITED)
		2024	2023	2024
		NZD'000	NZD'000	NZD'000
ASSETS				
Current assets				
Cash and cash equivalents	4.b	4,627	2,855	5,195
Receivables from exchange transactions	4.c	20,478	20,056	23,734
Receivables from non-exchange transactions	4.c	138	107	-
Prepayments		2,105	1,825	-
Total current assets		**27,348**	**24,843**	**28,929**
Non-current assets				
Receivables from exchange transactions	4.c	1,522	1,480	-
Total non-current assets		**1,522**	**1,480**	**-**
Total assets		**28,870**	**26,323**	**28,929**
LIABILITIES				
Current liabilities				
Payables under exchange transactions	4.d	2,207	2,417	1,704
Employee entitlements	4.e	24,257	21,562	24,880
Deferred lease incentive	4.f	86	86	86
Total current liabilities		**26,550**	**24,065**	**26,670**
Non-current liabilities				
Employee entitlements	4.e	1,522	1,480	1,676
Deferred lease incentive	4.f	83	169	83
Lease make-good provision	4.g	215	109	-
Total non-current liabilities		**1,820**	**1,758**	**1,759**
Total liabilities		**28,370**	**25,823**	**28,429**
Net assets		**500**	**500**	**500**
PUBLIC EQUITY				
Accumulated comprehensive revenue and expense		-	-	-
General equity reserve		500	500	500
Total public equity	4.h	**500**	**500**	**500**

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN PUBLIC EQUITY

For the year ended 30 June 2024	ACTUAL		
	GENERAL EQUITY RESERVE NZD'000	ACCUMULATED COMPREHENSIVE REVENUE AND EXPENSE NZD'000	TOTAL NZD'000
Balance at 1 July 2022	**500**	**-**	**500**
Total comprehensive revenue and expense for the year	-	-	-
Balance at 30 June 2023	**500**	**-**	**500**
Total comprehensive revenue and expense for the year	-	-	-
Balance at 30 June 2024	**500**	**-**	**500**

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024	NOTE	ACTUAL	ACTUAL	BUDGET (UNAUDITED)
		2024	2023	2024
		NZD'000	NZD'000	NZD'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from the Crown		584	545	728
Receipts from the NZ Super Fund		97,275	87,156	97,202
Receipts from the Elevate Fund		500	500	460
Interest received		338	229	174
Goods and services tax		93	-	25
Other receipts		80	90	97
Total cash inflow from operating activities		**98,870**	**88,520**	**98,686**
Cash was applied to:				
Payments to Board members		(348)	(360)	(404)
Payments to suppliers		(31,472)	(28,094)	(35,317)
Payments to employees		(65,278)	(59,266)	(63,144)
Goods and services tax		-	(179)	-
Total cash outflow from operating activities		**(97,098)**	**(87,899)**	**(98,865)**
Net cash flows provided by/(used in) operating activities		**1,772**	**621**	**(179)**
Net cash flows provided by investing activities		**-**	**-**	**-**
Net cash flows provided by financing activities		**-**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**1,772**	**621**	**(179)**
Cash and cash equivalents at the beginning of the year		2,855	2,234	5,374
Cash and cash equivalents at the end of the year	4.b	**4,627**	**2,855**	**5,195**

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 30 June 2024	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
RECONCILIATION OF SURPLUS/(DEFICIT) FOR THE YEAR TO NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Surplus/(Deficit) for the year	-	-
Changes in working capital:		
(Increase)/Decrease in assets:		
Receivables and prepayments	(775)	(443)
Increase/(Decrease) in liabilities:		
Payables and employee entitlements	2,527	1,041
Deferred lease incentive	(86)	(86)
Lease make-good provision	106	109
Net cash flows provided by operating activities	**1,772**	**621**

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

SECTION 1: GENERAL INFORMATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

(a) General information

These are the consolidated financial statements of the Guardians of New Zealand Superannuation (Guardians) and its subsidiaries (Group). The Guardians is a Crown entity as defined by the Crown Entities Act 2004. The Guardians is also a public authority in terms of the Income Tax Act 2007 and therefore is exempt from income tax.

The Guardians is domiciled in New Zealand and the address of its principal place of business is set out in the Corporate Directory on page 239.

The consolidated financial statements of the Group for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Board of the Guardians of New Zealand Superannuation on 26 September 2024.

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Crown Entities Act 2004 and the Public Finance Act 1989.

The Guardians is a public benefit entity, as the primary purpose is to manage and administer the New Zealand Superannuation Fund (NZ Super Fund) and the Elevate NZ Venture Fund (Elevate Fund). The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards (PBE Standards) as appropriate for Tier 1 public benefit entities.

(c) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in New Zealand dollars. All values are rounded to the nearest thousand dollars (NZD'000) unless stated otherwise.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported. Accounting policies relating to specific financial statement items are set out in the relevant notes to the financial statements. Accounting policies that materially affect the financial statements as a whole are set out below.

(d) Significant judgements and estimates

The preparation of the Guardians financial statements requires the Board and management to make judgements and use estimates that affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying disclosures. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities in future periods. The judgements and estimates used in respect of the Guardians are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Guardians and that are believed to be reasonable under the circumstances. The judgements and estimates that the Board and management have assessed to have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Employee entitlements - long service leave (Note 4(e)).

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Guardians and its subsidiaries as at 30 June 2024.

The financial statements of subsidiaries are prepared for the same reporting period as the Guardians using consistent accounting policies. In preparing consolidated financial statements, all inter-entity transactions, balances, unrealised gains and losses are eliminated.

SECTION 1: GENERAL INFORMATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Subsidiaries

Subsidiaries are those entities that are controlled by the Guardians under the provisions of PBE IPSAS 35 Consolidated Financial Statements. The Guardians controls an entity when it is exposed to, or has rights to, variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the entity. The Guardians control of an entity is reassessed if facts and circumstances indicate that there are changes to one or more of the elements of control.

The Guardians has interests in the following subsidiaries:

				OWNERSHIP INTEREST	
NAME	NOTE	BALANCE DATE	COUNTRY OF INCORPORATION	2024 %	2023 %
New Zealand Superannuation Fund Nominees Limited	(i)	30 June	New Zealand	100.0	100.0
NZSF Private Equity Investments (No 1) Limited	(i)	30 June	New Zealand	100.0	100.0

(i) The principal activity of each subsidiary is to act as a nominee company, holding assets and liabilities on behalf of the NZ Super Fund. These assets and liabilities are recognised in the financial statements of the NZ Super Fund and accordingly, are not presented in these financial statements. Nominee companies may only act on the direction of the Guardians.

(g) Foreign currency

Functional and presentation currency

Items included in the consolidated financial statements of the Guardians are measured using the currency of the primary economic environment in which the Guardians operates (the functional currency). The functional currency of the Guardians is New Zealand dollars. It is also the presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are converted to New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at balance date. Where there is a movement in the exchange rate between the date of a foreign currency transaction and balance date, the resulting exchange differences are recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

(h) Goods and services tax (GST)

Revenue, expenses, assets and liabilities are recognised in the consolidated financial statements exclusive of GST, with the exception of receivables and payables which are stated inclusive of GST. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Consolidated Statement of Financial Position.

(i) Statement of Cash Flows

The following are the definitions of the terms used in the Consolidated Statement of Cash Flows:

Operating activities include all activities other than investing or financing activities. Cash inflows include all receipts from the sale of goods and services, interest and other sources of revenue that support the Group's operating activities. Cash outflows include payments made to employees, suppliers and for taxes and levies, other than income tax.

Investing activities are those activities relating to the acquisition, holding and disposal of current and non-current investments and other non-current assets.

Financing activities are those activities relating to changes in public equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's public equity.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the IRD, is classified as cash flows from operating activities.

(j) Changes in accounting policies

There have been no changes in accounting policies during the year. All accounting policies are consistent with those applied in the previous financial year.

(k) New and amended standard adopted

The following amended standard has been applied for the first time in these consolidated financial statements.

PBE IPSAS 1 DISCLOSURE OF FEES FOR AUDIT FIRMS' SERVICES

The amendments to PBE IPSAS 1 Disclosure of Fees for Audit Firms' Services require additional disclosures for fees paid to audit firms for different types of services using prescribed categories. The amended standard is effective for reporting periods beginning on or after 1 January 2024, with early adoption permitted. The Board and management have elected to early adopt the amendments to PBE IPSAS 1 Disclosure of Fees for Audit Firms' Services. The adoption of these amendments has not resulted in any changes for the Guardians consolidated financial statements, as the only fees paid to the auditor during the year were for audit fees.

(l) Budget figures

The budget was approved by the Board of the Guardians of New Zealand Superannuation for the year ended 30 June 2024. The budget figures are unaudited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

SECTION 2: FINANCIAL PERFORMANCE

(a) Revenue

	NOTE	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Revenue from exchange transactions			
Cost reimbursement from the NZ Super Fund	3.a	97,822	86,760
Cost reimbursement from the Elevate Fund	3.a	500	500
Other revenue		90	90
Interest income - financial assets at amortised cost		338	229
		98,750	**87,579**
Revenue from non-exchange transactions			
Appropriations from the Crown	3.a	615	548
		615	**548**
Total revenue		**99,365**	**88,127**

Accounting Policy

The Guardians primarily derives revenue through the provision of services to the Crown, the NZ Super Fund and the Elevate Fund. Revenue is recognised when it is probable that economic benefits will flow to the Guardians and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

REVENUE FROM EXCHANGE TRANSACTIONS

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Rendering of services

Cost reimbursement from the NZ Super Fund and the Elevate Fund is recognised by reference to the stage of completion of services provided at balance date when the transaction involving the rendering of services can be reliably estimated. The stage of completion is measured by the proportion of costs incurred to date compared with estimated total costs of the transaction.

Interest income

Interest income is recognised as the interest accrues, using the effective interest method. The effective interest method allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

REVENUE FROM NON-EXCHANGE TRANSACTIONS

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Appropriations from the Crown

Revenue is recognised from the Crown when it is probable that appropriations will be received, the value of those appropriations can be reliably measured and the transfer is free from conditions that require the assets to be refunded or returned to the Crown if the conditions are not fulfilled. To the extent there is a related condition attached to the appropriations that would give rise to a liability to repay the appropriate amount, deferred revenue is recognised instead of revenue. In such situations, revenue is then recognised as the conditions are satisfied.

(b) Expenses

	NOTE	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Employee entitlements and other employment-related expenses			
Employee benefits (including salaries, annual leave and long service leave) and other employment-related expenses		47,009	41,867
Employee incentive scheme		18,402	15,895
Employer contributions to KiwiSaver		4,512	4,009
		69,923	**61,771**
Other expenses			
Travel and accommodation expenses		2,762	2,581
Technology expenses		16,653	14,846
Operating lease expenses		1,828	1,719
Professional fees		2,349	2,360
Board members' fees	3.a	348	360
Fees for audit firms' services	2.c	72	68
Other expenses		5,430	4,422
		29,442	**26,356**
Total expenses		**99,365**	**88,127**

Further disclosures on employee entitlements are contained in Note 4(e).

Accounting Policy

OPERATING LEASES

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains) a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases in which the lessor retains substantially all the risks and benefits of ownership of an asset are classified as operating leases. Operating lease expenses are recognised on a straight-line basis over the period of the lease.

Operating lease expenses relate to office premises in one location with a remaining term of 2 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period. Non-cancellable lease commitments payable in relation to leased assets have been disclosed in Note 6(a).

(c) Fees for audit firms' services

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Audit of the Guardians financial statements	72	68
	72	**68**

The auditor of the Group is Emma Winsloe of Ernst & Young, on behalf of the Auditor-General.

SECTION 3: RELATED PARTY TRANSACTIONS AND EMPLOYEE REMUNERATION

(a) Related party transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. All related party transactions with other government-related entities have been entered into on an arm's length basis.

Outstanding amounts with related parties at balance date are unsecured and subordinate to other liabilities. Interest is not charged on outstanding balances. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2024, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2023: $nil).

PARENT ENTITY

The parent entity in the Group is the Guardians which is a wholly owned entity of the Crown. Crown appropriations for the year ended 30 June 2024 were $615,000 (2023: $548,000). The related party receivable from the Crown as at 30 June 2024 is $138,000 (2023: $107,000).

SUBSIDIARIES

Details of the Guardians interests in subsidiaries are disclosed in Note 1(f). There were no related party transactions with these entities during the year (2023: $nil).

OTHER RELATED PARTIES

The Guardians pays expenses relating to the NZ Super Fund, as it is required to do under the New Zealand Superannuation and Retirement Income Act 2001 (Act). A portion of these expenses is reimbursed by the NZ Super Fund as is entitled under the Act. The amount of reimbursement from the NZ Super Fund for the year ended 30 June 2024 was $97,822,000 (2023: $86,760,000). The related party receivable from the NZ Super Fund as at 30 June 2024 is $21,378,000 (2023: $20,831,000).

The Guardians also pays expenses relating to the Elevate Fund, as it is entitled to do under the Venture Capital Fund Act 2019. These expenses are reimbursed by the Elevate Fund. The amount of reimbursement from the Elevate Fund for the year ended 30 June 2024 was $500,000 (2023: $500,000). The related party receivable from the Elevate Fund as at 30 June 2024 is $nil (2023: $nil).

In addition to the above, the Guardians purchases services from Datacom Employer Services Limited and Datacom Systems Limited, which are subsidiaries of a joint venture held by the NZ Super Fund. These purchases totalled $3,093,000 for the year ended 30 June 2024 (2023: $2,929,000). The related party payable to these entities as at 30 June 2024 is $204,000 (2023: $359,000).

OTHER GOVERNMENT-RELATED ENTITIES

In conducting its activities, the Group is required to pay various taxes and levies (such as GST, Fringe Benefit Tax (FBT), Pay As You Earn (PAYE), and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. The Group is exempt from paying income tax.

KEY MANAGEMENT PERSONNEL

Key management personnel of the Guardians comprise members of the Board and the Leadership Team. The Leadership Team comprises 8 employees (2023: 8 employees).

The compensation of the Board and the Leadership Team is set out below:

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Leadership team		
Employee benefits (including salaries, annual leave and long service leave)	4,356	4,303
Employee incentive scheme	2,361	2,461
	6,717	**6,764**
Board members' fees		
Board members earned the following fees during the year:		
J Williamson (appointed Chair 1 March 2024, P&CC Chair until 1 March 2024)	69	54
C Drayton (Chair) (retired 1 March 2024)	65	98
H Berkman	49	49
D McClatchy	49	49
F Oliver (appointed 24 March 2023, appointed P&CC Chair 1 March 2024)	50	13
D Pearce (Audit Committee Chair)	54	54
H Raumati-Tu'ua (appointed 1 April 2024)	12	-
R Vilgan (resigned 15 May 2023)	-	43
	348	**360**

Board remuneration is set by the Minister of Finance in accordance with the Fees Framework for Members of Statutory and Other Bodies Appointed by the Crown. The Minister of Finance has set the annual base fees for all Board members at $49,000, plus additional annual amounts for the Chair (a further $49,000), Deputy Chair (a further $12,250) and Chairs of the Audit and People and Culture Committees (P&CC) (a further $4,900).

Board members' and employees' indemnity and insurance

The Guardians has indemnified Board members and certain employees (and former employees) who have been appointed as directors, nominated by the Guardians, or as other officers of entities in which the Guardians has invested. These indemnities are given, to the maximum extent permitted by the Crown Entities Act 2004, in respect of any liability connected with acts or omissions carried out as a consequence of the role. Each indemnified person is also indemnified in respect of costs incurred by that person in defending or settling any claim or proceeding.

The Guardians has effected Directors and Officers Liability insurance cover in respect of the liability or costs of Board members, employees and external director appointees.

SECTION 3: RELATED PARTY TRANSACTIONS AND EMPLOYEE REMUNERATION (CONTINUED)

(b) Employees' remuneration over $100,000 per annum

For a full discussion of the Guardians remuneration framework, please refer to page 107 of the Annual Report.

Base remuneration in the following table consists of an employee's gross base salary payable in relation to the current financial year, including KiwiSaver contributions made by the Guardians. Total remuneration comprises an employee's base remuneration and the proportion of their incentive entitlement that will be paid out after balance date, including KiwiSaver contributions on that incentive entitlement. The Guardians matches employee contributions up to 8%.

The employee incentive has both individual performance and financial performance targets of the NZ Super Fund. The financial performance component is based on the preceding four years of returns against thresholds and benchmarks.

TOTAL REMUNERATION AND BENEFITS

ACTUAL					
BASE REMUNERATION RANGE	NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES	TOTAL REMUNERATION RANGE	NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES
NZD'000	2024	2023	NZD'000	2024	2023
100 - 110	9	12	100 - 110	4	3
110 - 120	14	11	110 - 120	5	7
120 - 130	10	4	120 - 130	5	5
130 - 140	13	12	130 - 140	8	11
140 - 150	14	11	140 - 150	9	4
150 - 160	5	6	150 - 160	3	1
160 - 170	11	10	160 - 170	4	5
170 - 180	10	9	170 - 180	9	8
180 - 190	10	6	180 - 190	7	14
190 - 200	10	8	190 - 200	9	8
200 - 210	11	10	200 - 210	8	10
210 - 220	8	7	210 - 220	9	8
220 - 230	7	3	220 - 230	14	6
230 - 240	7	6	230 - 240	8	3
240 - 250	2	6	240 - 250	5	5
250 - 260	7	7	250 - 260	8	5
260 - 270	5	5	260 - 270	8	2
270 - 280	5	7	270 - 280	3	3
280 - 290	9	2	280 - 290	5	2
290 - 300	2	5	290 - 300	-	3
300 - 310	3	2	300 - 310	3	4
310 - 320	4	3	310 - 320	3	3
320 - 330	3	-	320 - 330	5	4
330 - 340	2	-	330 - 340	2	5
340 - 350	3	-	340 - 350	7	6
350 - 360	-	2	350 - 360	1	2
360 - 370	1	2	360 - 370	8	1
370 - 380	-	3	370 - 380	4	4
380 - 390	-	1	380 - 390	2	3
390 - 400	3	-	390 - 400	2	3
400 - 410	1	1	400 - 410	3	2
410 - 420	1	-	410 - 420	2	1
420 - 430	-	1	420 - 430	1	1
430 - 440	-	-	430 - 440	3	3

		ACTUAL			
BASE REMUNERATION RANGE	NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES	TOTAL REMUNERATION RANGE	NUMBER OF EMPLOYEES	NUMBER OF EMPLOYEES
NZD'000	2024	2023	NZD'000	2024	2023
440 - 450	-	-	440 - 450	4	3
450 - 460	1	-	450 - 460	1	1
460 - 470	1	1	460 - 470	-	3
470 - 480	-	1	470 - 480	2	-
480 - 490	-	1	480 - 490	2	1
490 - 500	1	-	490 - 500	3	2
500 - 510	1	1	500 - 510	-	2
510 - 520	-	1	510 - 520	1	1
520 - 530	1	-	520 - 530	2	-
530 - 540	-	2	530 - 540	1	-
540 - 550	1	-	540 - 550	4	-
560 - 570	-	-	560 - 570	-	3
570 - 580	1	-	570 - 580	-	1
590 - 600	1	-	590 - 600	-	1
600 - 610	1	-	600 - 610	-	-
610 - 620	1	-	610 - 620	1	-
620 - 630	-	-	620 - 630	1	-
630 - 640	-	1	630 - 640	-	1
650 - 660	-	-	650 - 660	1	-
680 - 690	-	-	680 - 690	-	1
710 - 720	-	-	710 - 720	1	-
720 - 730	-	-	720 - 730	-	1
730 - 740	-	-	730 - 740	1	1
740 - 750	-	1	740 - 750	-	-
750 - 760	-	-	750 - 760	1	-
760 - 770	-	-	760 - 770	-	1
780 - 790	1	-	780 - 790	-	-
790 - 800	-	-	790 - 800	1	1
810 - 820	-	-	810 - 820	-	1
820 - 830	-	-	820 - 830	1	-
840 - 850	-	-	840 - 850	-	2
860 - 870	-	-	860 - 870	1	-
870 - 880	-	1	870 - 880	1	-
930 - 940	-	-	930 - 940	1	-
960 - 970	-	-	960 - 970	1	-
990 - 1,000	-	-	990 - 1,000	-	1
1,030 - 1,040	-	-	1,030 - 1,040	1	-
1,160 - 1,170	-	-	1,160 - 1,170	-	1
1,290 - 1,300	-	-	1,290 - 1,300	1	-
1,370 - 1,380	-	-	1,370 - 1,380	-	1
	201	**172**		**211**	**185**

There was a payment of $15,000 in respect of one individual who ceased to be employed during the year ended 30 June 2024 (2023: $nil).

SECTION 4: FINANCIAL POSITION

(a) Financial instruments

		ACTUAL		
2024	NOTE	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
		NZD'000	NZD'000	NZD'000
Financial assets				
Cash and cash equivalents	4.b	4,627		4,627
Receivables from exchange transactions (excluding GST receivable)	4.c	19,869		19,869
Receivables from non-exchange transactions	4.c	138		138
		24,634	**-**	**24,634**
Financial liabilities				
Payables under exchange transactions	4.d		2,207	2,207
		-	**2,207**	**2,207**
2023				
Financial assets				
Cash and cash equivalents	4.b	2,855		2,855
Receivables from exchange transactions (excluding GST receivable)	4.c	19,354		19,354
Receivables from non-exchange transactions	4.c	107		107
		22,316	**-**	**22,316**
Financial liabilities				
Payables under exchange transactions	4.d		2,417	2,417
		-	**2,417**	**2,417**

Accounting Policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, receivables and payables. All financial instruments are recognised in the Consolidated Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

INITIAL RECOGNITION

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the financial instrument. They are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial asset or financial liability.

The classification of financial instruments at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. In making an assessment of the business model for managing a financial asset, the Board and management consider all relevant information.

SUBSEQUENT MEASUREMENT

The Group's financial assets and financial liabilities are subsequently classified into the following categories:

Financial assets at amortised cost

The Group's financial assets are classified at amortised cost if both of the following criteria are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and

- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

This category includes cash and cash equivalents and receivables. Subsequent to initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method and are subject to impairment. When a financial asset is impaired, impairment losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expense in the period in which they arise.

The Group's financial assets are reclassified when, and only when, the business model for managing those financial assets changes.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities. This category includes trade payables and accrued expenses. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or when the Group has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the Group's obligation under the liability is discharged, cancelled or has expired.

IMPAIRMENT

The Board and management assess, at each reporting date, whether a financial asset is impaired. The amount of the impairment loss is the difference between the contractual cash flows due in relation to the financial asset and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Financial assets that are measured at amortised cost and therefore subject to the impairment provisions (the 'expected credit loss model') of PBE IPSAS 41 Financial Instruments comprise cash and cash equivalents and receivables.

The risk of impairment loss for cash and cash equivalents is considered immaterial. Disclosures relating to the impairment of receivables are provided in Note 4(c).

OFFSETTING

The Group offsets financial assets and financial liabilities when it has a current legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis.

(b) Cash and cash equivalents

Accounting Policy

Cash and cash equivalents includes cash on hand, cash held in bank accounts, demand deposits and other highly liquid investments with an original maturity of three months or less.

SECTION 4: FINANCIAL POSITION (CONTINUED)

(c) Receivables

	NOTE	ACTUAL	ACTUAL
		2024	2023
		NZD'000	NZD'000
Current assets			
Receivables from exchange transactions			
Receivable for reimbursement of the Guardians expenses from the NZ Super Fund	3.a	19,856	19,351
Trade receivables		13	3
GST receivable		609	702
		20,478	**20,056**
Receivables from non-exchange transactions			
Receivable for Crown appropriations	3.a	138	107
		138	**107**
Non-current assets			
Receivables from exchange transactions			
Receivable for reimbursement of the Guardians expenses from the NZ Super Fund	3.a	1,522	1,480
		1,522	**1,480**

Accounting Policy

Receivables are initially recognised at fair value which is equal to the amount of consideration that is unconditional. The Group holds receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less impairment losses using the effective interest method.

The Board and management have applied a simplified approach for calculating expected credit losses (ECLs) on receivables under PBE IPSAS 41 Financial Instruments. As a result, the Board and management do not track changes in credit risk, but instead, recognise impairment losses based on lifetime ECLs at each reporting date. The Group's approach to ECLs reflects a probability-weighted outcome using reasonable and supportable information that is available without undue cost or effort at reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are non-interest bearing and have standard 30-day credit terms. The Group does not have a history of default on trade receivables and the Board and management consider the probability of default in the future to be very low as the counterparties have a strong capacity to meet their contractual obligations in the short term. Accordingly, no allowance has been made for impairment.

(d) Payables

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Payables under exchange transactions		
Trade payables	1,517	1,890
Accrued expenses	690	527
	2,207	**2,417**

Accounting Policy

Short-term trade and other payables are initially recognised at fair value, then subsequently at amortised cost.

Trade and other payables represent amounts due to third parties in the normal course of business. They are non-interest bearing and are normally settled within 30-day credit terms. The Group has risk management policies in place to ensure that all payables are paid within the credit time frame.

(e) Employee entitlements

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Current liabilities		
Accrued salaries (including annual leave and long service leave) - key management personnel	499	704
Accrued salaries (including annual leave and long service leave) - other employees	4,039	3,759
Incentives - key management personnel	2,550	2,658
Incentives - other employees	17,169	14,441
	24,257	**21,562**
Non-current liabilities		
Long service leave - key management personnel	96	226
Long service leave - other employees	1,426	1,254
	1,522	**1,480**

Accounting Policy

Liabilities for salaries, annual leave, long service leave and incentives are recognised in the Consolidated Statement of Comprehensive Revenue and Expense during the period in which the employee rendered the related service, when it is probable that settlement will be required and such employee entitlements are capable of being measured reliably.

Employee entitlements that are due to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Employee entitlements that are not due to be settled within 12 months are measured at the present value of the estimated future cash outflows. The estimated future cash flows are based on likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information.

LONG SERVICE LEAVE

Employees become eligible for long service leave after five years of service.

Key judgement - long service leave

The key assumptions used in calculating the long service leave liability include the discount rate, the likelihood that the employee will reach the required level of service and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability. Expected future payments are discounted using forward rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The likelihood of employees reaching the required level of service has been determined after considering historical staff retention rates. The salary inflation factor has been determined after considering historical salary inflation patterns.

INCENTIVES

The Guardians has an incentive scheme in place for all employees. The scheme has two components: achievement of individual performance criteria over the past financial year; and financial performance of the NZ Super Fund relative to investment benchmarks over the preceding four years. Incentives are calculated and paid annually in arrears.

(f) Deferred lease incentive

The deferred lease incentive relates to the lease of office premises. The lease incentive is recognised as a reduction of rental expense on a straight-line basis over the period of the lease. The remaining term is 2 years.

SECTION 4: FINANCIAL POSITION (CONTINUED)

(g) Lease make-good provision

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Opening balance	109	-
New provision during the year	106	109
Closing balance	**215**	**109**

Accounting Policy

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present obligation arising as a result of a past event, it is probable that cash will be paid to settle the obligation and the amount can be estimated reliably. The amount recognised as a provision is the best estimate of the consideration to settle the obligation at balance date, taking into consideration the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

A lease make-good provision has been recognised by the Group in respect of the lease of office premises at 21 Queen Street, Auckland for reinstatement and make-good obligations as required under the lease agreement upon termination or expiry of the lease. The amount of the provision represents the Board and management's best estimate of the cost to reinstate the premises to the condition required under the lease agreement.

(h) Public equity

Equity is the Crown's interest in the Group and is measured as the difference between total assets and total liabilities.

As a public benefit entity that is fully funded by Crown appropriations (for budgeted Board and audit costs) and by NZ Super Fund and Elevate Fund reimbursements (for all other operating costs), the Group has no specific liquidity policies, procedures or targets. Operating budgets are set on an annual basis, with an emphasis upon cost control. The Group is not permitted to borrow and ensures a positive cash position at all times through collection of appropriations and reimbursements.

SECTION 5: RISK MANAGEMENT

(a) Risk management

Through its activities, the Group is exposed to various types of risk including market risk, credit risk and liquidity risk. These risks are not considered significant because the Group does not hold significant financial assets or financial liabilities and it is fully funded by Crown appropriations and NZ Super Fund and Elevate Fund reimbursements.

The Board and management of the Guardians are responsible for the management of risk. A separate Risk Committee has been established to provide risk leadership on the effectiveness of frameworks and processes at the Guardians and to support effective governance of non-investment risk at the Guardians.

The Guardians has established risk management policies, procedures and other internal controls to manage the Group's exposure to risk. The framework for managing this risk is set out in its Statement of Investment Policies, Standards and Procedures, including the Risk Management Policy.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. The market risk that the Group is primarily exposed to is interest rate risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Group's exposure to interest rate risk is limited to movements in New Zealand short-term interest rates in relation to its cash and cash equivalents which are held in short-term floating interest rate accounts. The Board and management ensure the Group receives a fair market return on its cash position but it does not actively monitor exposure to interest rates or interest rate returns.

(c) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. The Group is exposed to credit risk arising from its cash and cash equivalents and receivables. The maximum amount of credit risk for each class of financial asset is the carrying amount included in the Consolidated Statement of Financial Position.

The Board and management mitigate the Group's exposure to credit risk by investing cash and cash equivalents with reputable financial institutions with a high credit rating. There is no collateral held as security against its financial instruments.

CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents is primarily held with Westpac New Zealand Limited which has a credit rating of AA-, obtained from Standard & Poor's as at 30 June 2024 (2023: AA-).

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due. The Group's liquidity framework is designed to ensure that the Group has the ability to generate sufficient cash in a timely manner to meet its financial commitments.

The Board and management mitigate the Group's exposure to liquidity risk by monitoring forecast and actual cash flow requirements and by maintaining a positive cash position from the recovery of all of its expenses from the Crown or the NZ Super Fund or the Elevate Fund.

SECTION 6: UNRECOGNISED ITEMS

(a) Commitments and contingencies

OPERATING LEASE COMMITMENTS

The base future minimum amounts payable under non-cancellable operating leases are as follows:

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Less than 1 year	2,053	1,901
1 to 2 years	3,951	1,939
2 to 5 years	11,517	11,396
Later than 5 years	27,441	33,605
	44,962	**48,841**

Operating lease commitments relate to two leases for office premises in two locations. One lease is for office premises at 21 Queen Street, Auckland with a remaining term of 2 years. The other lease is for new office premises for which the Guardians has entered into an agreement to lease for an initial term of 10 years with a commencement date of 2 January 2026. The Guardians has a right of renewal under this lease agreement but does not have an option to purchase the leased asset at the expiry of the lease period.

CONTINGENCIES

The Guardians has no contingent liabilities as at 30 June 2024 (2023: $nil).

(b) Events after the reporting date

There were no reportable events subsequent to balance date.

(c) Comparison to budget (unaudited)

	ACTUAL	BUDGET (UNAUDITED)	FAVOURABLE/ (UNFAVOURABLE) VARIANCE
	2024	2024	2024
	NZD'000	NZD'000	NZD'000
Consolidated Statement of Comprehensive Revenue and Expense: total expenses incurred*	99,365	107,160	7,795
Consolidated Statement of Changes in Public Equity	500	500	-
Consolidated Statement of Financial Position	500	500	-

* Total expenses were lower than budget predominantly due to lower employee costs and technology expenses.

Building a better
working world

Independent Auditor's Report

TO THE READERS OF GUARDIANS OF NEW ZEALAND SUPERANNUATION'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION

FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of the Guardians of New Zealand Superannuation and its subsidiaries (the Group). The Auditor-General has appointed me, Emma Winsloe, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of the Group on his behalf.

OPINION

We have audited:

- the financial statements of the Group on pages 122 to 142, that comprise the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in public equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information which reports against the Group's statement of performance expectations and appropriations for the year ended 30 June 2024 on pages 24 to 33.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2024; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the Group's performance information for the year ended 30 June 2024:
  - presents fairly, in all material respects, for each class of reportable outputs:
    - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
    - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
  - presents fairly, in all material respects, for the appropriations:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure appropriated or forecast to be incurred; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 26 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of the Guardians of New Zealand Superannuation (Board) and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

The Board is responsible on behalf of the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Public Finance Act 1989 and the Crown Entities Act 2004.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the performance information which reports against the Group's statement of performance expectations and appropriations.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 23, 34 to 122 and 146 to 239, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon other than in relation to New Zealand Superannuation Fund's financial statements on pages 142 to 201 and Elevate NZ Venture Fund's financial statements on pages 205 to 227.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

We provide audit and other services to entities which the Group manages and to investees in which those managed entities invest. The provision of these services does not impact our independence from the Group. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Emma Winsloe

Emma Winsloe
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand

STATEMENT OF RESPONSIBILITY

For the year ended 30 June 2024

The Board and management of the Guardians of New Zealand Superannuation accept responsibility for the preparation of the annual financial statements of the New Zealand Superannuation Fund and the judgements used in them.

The Board and management of the Guardians of New Zealand Superannuation accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting of the New Zealand Superannuation Fund.

In the opinion of the Board and management of the Guardians of New Zealand Superannuation, the annual financial statements for the year ended 30 June 2024 fairly reflect the financial position, operations and cash flows of the New Zealand Superannuation Fund.

JOHN WILLIAMSON

CHAIR
26 September 2024

J Townsend

JO TOWNSEND

CHIEF EXECUTIVE OFFICER
26 September 2024

STATEMENT OF FINANCIAL POSITION

As at 30 June 2024	NOTE	ACTUAL	ACTUAL	BUDGET (UNAUDITED)
		2024	2023	2024
		NZD'000	NZD'000	NZD'000
ASSETS				
Cash and cash equivalents	4.a, 4.b	2,601,543	1,858,270	1,074,633
Cash pledged as collateral	4.a, 4.c	906,012	580,326	613,769
Trade and other receivables	4.a, 4.d	704,785	481,646	1,423,184
Investments				
Investments - derivative financial instrument assets	2.a, 4.a, 4.e	1,668,878	1,857,777	-
Investments - other financial assets	2.a, 4.a	65,858,679	55,884,314	58,500,032
Investments in unconsolidated subsidiaries	2.a, 4.a	7,173,628	7,316,854	7,732,365
		74,701,185	65,058,945	66,232,397
Deferred tax asset	7.e	21,927	-	-
Property, plant and equipment		2,092	1,511	2,852
Intangible assets	2.a	38,340	31,697	58,019
Total assets		**78,975,884**	**68,012,395**	**69,404,854**
LIABILITIES				
Cash collateral received	4.a, 4.c	1,585,902	936,291	899,359
Trade and other payables	4.a, 4.h	795,395	829,425	105,329
Investments - derivative financial instrument liabilities	2.a, 4.a, 4.e	491,015	1,324,313	-
Income tax payable		1,281,410	138,459	366,781
Provision for performance-based fees	5.a	6,085	61,050	77,258
Deferred tax liability	7.e	-	49,566	74,704
Total liabilities		**4,159,807**	**3,339,104**	**1,523,431**
Net assets		**74,816,077**	**64,673,291**	**67,881,423**
PUBLIC EQUITY				
Retained surplus		48,228,908	39,706,765	41,097,574
Asset revaluation reserve	6.b	33,090	26,447	52,769
Contributed capital	6.a	26,554,079	24,940,079	26,731,080
Total public equity		**74,816,077**	**64,673,291**	**67,881,423**

The attached notes form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2024	NOTE	ACTUAL	ACTUAL	BUDGET (UNAUDITED)
		2024	2023	2024
		NZD'000	NZD'000	NZD'000
Net operating income	7.a	10,002,336	7,112,282	5,098,736
Operating expenditure	7.c	261,837	255,407	226,834
Profit for the year before income tax expense		**9,740,499**	**6,856,875**	**4,871,902**
Income tax expense	7.e	1,218,356	926,043	1,169,289
Profit for the year after income tax expense		**8,522,143**	**5,930,832**	**3,702,613**
Other comprehensive income - not reclassifiable to profit or loss in subsequent periods				
Gains/(losses) on revaluation of assets		6,643	(26,003)	-
Tax expense on items of other comprehensive income	7.e	-	-	-
Other comprehensive income for the year, net of tax		**6,643**	**(26,003)**	**-**
Total comprehensive income for the year		**8,528,786**	**5,904,829**	**3,702,613**

The attached notes form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN PUBLIC EQUITY

For the year ended 30 June 2024		ACTUAL			
	NOTE	ASSET REVALUATION RESERVE NZD'000	CONTRIBUTED CAPITAL NZD'000	RETAINED SURPLUS NZD'000	TOTAL NZD'000
Balance at 1 July 2022		**52,450**	**22,382,079**	**33,775,933**	**56,210,462**
Profit for the year				5,930,832	5,930,832
Other comprehensive loss	6.b	(26,003)			(26,003)
Tax expense on items of other comprehensive income		-			-
Total comprehensive income/(loss) for the year		(26,003)	-	5,930,832	5,904,829
Fund capital contributions from the Crown	6.a		2,558,000		2,558,000
Capital contributions from the Crown in respect of funding the net cost of New Zealand superannuation entitlements	6.a		19,517,000		19,517,000
Capital withdrawals by the Crown in respect of funding the net cost of New Zealand superannuation entitlements	6.a		(19,517,000)		(19,517,000)
Balance at 30 June 2023		**26,447**	**24,940,079**	**39,706,765**	**64,673,291**
Profit for the year				8,522,143	8,522,143
Other comprehensive income	6.b	6,643			6,643
Tax expense on items of other comprehensive income		-			-
Total comprehensive income for the year		6,643	-	8,522,143	8,528,786
Fund capital contributions from the Crown	6.a		1,614,000		1,614,000
Capital contributions from the Crown in respect of funding the net cost of New Zealand superannuation entitlements	6.a		21,574,000		21,574,000
Capital withdrawals by the Crown in respect of funding the net cost of New Zealand superannuation entitlements	6.a		(21,574,000)		(21,574,000)
Balance at 30 June 2024		**33,090**	**26,554,079**	**48,228,908**	**74,816,077**

The attached notes form part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2024	NOTE	ACTUAL	ACTUAL	BUDGET (UNAUDITED)
		2024	2023	2024
		NZD'000	NZD'000	NZD'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of investments		41,814,565	43,518,298	61,150,961
Cash collateral received		18,168,586	20,152,953	-
Dividends received		810,392	762,438	798,727
Interest received		811,502	512,997	422,675
Income tax received		-	284,664	-
Other income		10,804	9,906	-
Total cash inflow from operating activities		**61,615,849**	**65,241,256**	**62,372,363**
Cash was applied to:				
Purchases of investments		(44,225,003)	(48,520,094)	(64,035,656)
Cash collateral paid		(17,844,661)	(19,623,593)	-
Managers' fees		(141,430)	(74,239)	(103,703)
Payments to suppliers		(149,290)	(114,138)	(169,349)
Income tax paid		(140,146)	-	(909,285)
Goods and services tax		(504)	(25)	-
Total cash outflow from operating activities		**(62,501,034)**	**(68,332,089)**	**(65,217,993)**
Net cash flows used in operating activities	7.f	**(885,185)**	**(3,090,833)**	**(2,845,630)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of property, plant and equipment		4	3	-
Total cash inflow from investing activities		**4**	**3**	**-**
Cash was applied to:				
Purchases of property, plant and equipment		(1,087)	(359)	(1,346)
Total cash outflow from investing activities		**(1,087)**	**(359)**	**(1,346)**
Net cash flows used in investing activities		**(1,083)**	**(356)**	**(1,346)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Fund capital contributions from the Crown		1,614,000	2,558,000	1,791,000
Net cash flows provided by financing activities		**1,614,000**	**2,558,000**	**1,791,000**
Net increase/(decrease) in cash and cash equivalents		**727,732**	**(533,189)**	**(1,055,976)**
Cash and cash equivalents at the beginning of the year		1,858,270	2,370,257	2,130,609
Effects of exchange rate changes on the balance of cash held in foreign currencies		15,541	21,202	-
Cash and cash equivalents at the end of the year	4.a, 4.b	**2,601,543**	**1,858,270**	**1,074,633**

The attached notes form part of, and should be read in conjunction with, these financial statements.

SECTION 1: GENERAL AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) General information

These are the financial statements of the New Zealand Superannuation Fund (NZ Super Fund), a fund established under Section 37 of the New Zealand Superannuation and Retirement Income Act 2001 (Act) on 11 October 2001.

The NZ Super Fund is a long-term, growth-oriented, sovereign wealth fund that was established to help reduce the tax burden on future taxpayers of the rising cost of New Zealand superannuation. The NZ Super Fund is managed and administered by the Guardians of New Zealand Superannuation (Guardians). The Guardians was established as a Crown entity by Section 48 of the Act and became operative from 30 August 2002. The Guardians is expected to invest the NZ Super Fund on a prudent, commercial basis, consistent with:

- Best-practice portfolio management;
- Maximising return without undue risk to the NZ Super Fund as a whole; and
- Avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

The NZ Super Fund's global master custodian is the Northern Trust Corporation.

The NZ Super Fund is domiciled in New Zealand and the address of its principal place of business is set out in the Corporate Directory on page 239.

The financial statements of the NZ Super Fund for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Board of the Guardians of New Zealand Superannuation on 26 September 2024.

(b) Basis of preparation

The NZ Super Fund is a profit-oriented entity. The financial statements of the NZ Super Fund have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and the requirements of the Act. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other authoritative pronouncements of the External Reporting Board, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a fair value basis, except for certain items as detailed in the notes to the financial statements.

The financial statements are presented in New Zealand dollars. All values are rounded to the nearest thousand dollars (NZD'000) unless stated otherwise.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported. Accounting policies relating to specific financial statement items are set out in the relevant notes to the financial statements. Accounting policies that materially affect the financial statements as a whole are set out below.

The NZ Super Fund meets the definition of an investment entity and therefore the Board and management have applied the exemption from preparing consolidated financial statements available under NZ IFRS 10 Consolidated Financial Statements. As a result, its investments in subsidiaries are not consolidated, but are measured at fair value through profit or loss in accordance with NZ IFRS 9 Financial Instruments and are classified as 'unconsolidated subsidiaries' in the Statement of Financial Position. These separate financial statements are the only financial statements presented by the NZ Super Fund.

The budget was approved by the Board of the Guardians of New Zealand Superannuation for the year ended 30 June 2024. The budget figures are unaudited.

(c) Significant judgements and estimates

The preparation of the NZ Super Fund's financial statements requires the Board and management to make judgements and use estimates that affect the reported amounts of income, expenditure, assets, liabilities and the accompanying disclosures. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities in future periods. The judgements and estimates used in respect of the NZ Super Fund are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the NZ Super Fund and that are believed to be reasonable under the circumstances. The judgements and estimates that the Board and management have assessed to have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Assessment as an investment entity (Note 1(d));
- Assessment of control, joint control or significant influence (Notes 1(e) - (g));
- Assessment of investments in structured entities (Note 1(h)); and

SECTION 1: GENERAL AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

- Determination of fair value (Note 2(b)).

(d) Investment entity

The NZ Super Fund meets the definition of an investment entity as the following conditions exist:

- The NZ Super Fund obtains and manages funds for the purpose of providing its investor with investment management services;
- The NZ Super Fund has committed to its investor that its business purpose is to invest funds solely for returns from capital appreciation and investment income;
- The NZ Super Fund measures and evaluates the performance of substantially all of its investments on a fair value basis;
- The NZ Super Fund has more than one investment; and
- The NZ Super Fund has documented exit strategies for its investments.

Key judgement - assessment as an investment entity

Although the NZ Super Fund does not meet all of the typical characteristics of an investment entity (namely, the NZ Super Fund does not have multiple investors, its investor is a related party and it does not have ownership interests in the form of equity), the Board and management believe the NZ Super Fund is an investment entity because it has been specifically established as an investment vehicle, it has a diversified investment portfolio with best practice investment policies and procedures in place, it invests funds for the purpose of maximising returns and it has elected to fair value its investments where feasible for the purposes of its financial statements.

The Board and management reassess the NZ Super Fund's investment entity status on an annual basis, if any of the criteria or characteristics change.

(e) Subsidiaries

Subsidiaries are those entities (including structured entities and other holding vehicles) that are controlled by the NZ Super Fund under the provisions of NZ IFRS 10 Consolidated Financial Statements. The NZ Super Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The NZ Super Fund's investments are reassessed for the existence of control if facts and circumstances indicate that there are changes to one or more of the elements of control. As an investment entity, the NZ Super Fund does not consolidate any of its subsidiaries.

The Guardians was formerly required by Section 59 of the Act to use its best endeavours to ensure the NZ Super Fund did not control any other entity (referred to as the 'control restriction'), with the exception of Fund Investment Vehicles. The term 'Fund Investment Vehicle (FIV)' was a statutory term used for entities formed or controlled by the Guardians for the purpose of holding, facilitating or managing investments of the NZ Super Fund. On 6 June 2024, the New Zealand Superannuation and Retirement Income (Controlling Interests) Amendment Act 2024 amended Section 59 to remove the control restriction and the concept of FIVs. As a result, there is no longer a statutory concept of FIVs and the Guardians may now control other entities (and continues to control entities formerly designated as FIVs). Any such controlled entities will be subsidiaries of the NZ Super Fund for financial reporting purposes.

The NZ Super Fund has interests in the following subsidiaries that are measured at fair value through profit or loss in accordance with NZ IFRS 9 Financial Instruments and classified as 'unconsolidated subsidiaries' in the Statement of Financial Position:

NAME	BALANCE DATE	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2024 %	2023 %
APG Infrastructure Asset Owner Fund 1, C.V.	31 December	The Netherlands	99.6	99.6
Ara Fund Co-Investment G, SCSp	31 December	Luxembourg	99.8	0.0
Bain Capital Credit Managed Account (NZSF), Limited Partnership	31 March	Cayman Islands	99.9	99.9
BCC Managed Account (NZSF) Holdings, Limited Partnership	31 March	Cayman Islands	99.9	99.9
BTF II-C Co-Invest, Limited Partnership	31 December	Ontario, Canada	100.0	100.0
Canyon NZ-DOF Investing Limited Partnership	30 June	Delaware, US	91.2	100.0
CNH CA Master Account, Limited Partnership	31 December	Cayman Islands	97.4	97.4
Episteme ESQTR SMF I, Ltd	31 December	Cayman Islands	100.0	100.0
Fifth Wall Ventures III SPV XXVIII, Limited Partnership	31 December	Cayman Islands	99.0	99.0
Global Merger Partners LLC	31 December	Delaware, US	0.0	96.3
Global Merger Partners Master Limited	31 December	Cayman Islands	0.0	81.7
KKR NZSF Energy Investor Limited Partnership	31 December	Cayman Islands	100.0	100.0
N-Data Center Portfolio Co-Investor, LLC	31 December	Delaware, US	99.9	99.9
N-Novva Co-Investor, LLC	31 December	Delaware, US	99.9	99.9
Neuberger Berman Principal Strategies Merger Fund (NZSF), Limited Partnership	31 December	Cayman Islands	0.0	99.9
NZSF Australian Rural Holdings Limited	30 June	New Zealand	100.0	100.0
NZSF Australian Rural Holdings Trust*	30 June	Australia	100.0	100.0
Palgrove Holdings Pty Limited	30 June	Australia	100.0	100.0
Palgrove Land Holdings Trust*	30 June	Australia	100.0	100.0
Palgrove Pastoral Co. Pty Limited	30 June	Australia	100.0	100.0
NZSF Beachlands Limited	30 June	New Zealand	100.0	100.0
Beachlands South GP Limited	30 June	New Zealand	73.6	73.6
Beachlands South Limited Partnership	30 June	New Zealand	73.6	73.6
NZSF Euro Limited	30 June	New Zealand	100.0	0.0
NZSF Healthcare Investments Limited	30 June	New Zealand	100.0	100.0
NZSF Horticulture Investments Limited	30 June	New Zealand	100.0	100.0
NZSF Hotel Holdings Limited	30 June	New Zealand	100.0	100.0
NZ Hotel Holdings Asset GP Limited	30 June	New Zealand	80.0	80.0
NZ Hotel 396 Queen Asset GP Limited	30 June	New Zealand	80.0	80.0
NZ Hotel Cashel Street Asset GP Limited	30 June	New Zealand	80.0	80.0
NZ Hotel Central Lakes Asset GP Limited	30 June	New Zealand	80.0	80.0
NZ Hotel CNI Asset GP Limited	30 June	New Zealand	80.0	80.0
NZ Hotel Quba Asset GP Limited	30 June	New Zealand	80.0	80.0
NZ Hotel Viaduct Asset GP Limited	30 June	New Zealand	80.0	80.0
NZ Hotel Wellington Asset GP Limited	30 June	New Zealand	80.0	80.0
NZ Hotel Holdings Asset Limited Partnership	30 June	New Zealand	80.0	80.0
NZ Hotel 396 Queen Asset Limited Partnership	30 June	New Zealand	80.0	80.0

* NZSF Australian Rural Holdings Trust is an Australian Managed Investment Trust established for the purpose of acquiring and holding units in the Palgrove Land Holdings Trust, a unit trust established to acquire and hold land assets in Australia.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2024

SECTION 1: GENERAL AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

NAME	BALANCE DATE	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 2024 %	OWNERSHIP INTEREST 2023 %
NZ Hotel Cashel Street Asset Limited Partnership	30 June	New Zealand	80.0	80.0
NZ Hotel Central Lakes Asset Limited Partnership	30 June	New Zealand	80.0	80.0
NZ Hotel CNI Asset Limited Partnership	30 June	New Zealand	80.0	80.0
NZ Hotel Quba Asset Limited Partnership	30 June	New Zealand	80.0	80.0
NZ Hotel Viaduct Asset Limited Partnership	30 June	New Zealand	80.0	80.0
NZ Hotel Wellington Asset Limited Partnership	30 June	New Zealand	80.0	80.0
NZSF Infrastructure Limited	30 June	New Zealand	100.0	100.0
NZSF Land Holdings Limited	30 June	New Zealand	100.0	100.0
NZSF Hobsonville Investments Limited	30 June	New Zealand	100.0	100.0
NZSF Land Development Limited	30 June	New Zealand	100.0	100.0
Kaha Ake Head GP Limited	30 June	New Zealand	80.0	80.0
KA Feilding Sub GP Limited	30 June	New Zealand	80.0	80.0
KA Matamata Sub GP Limited	30 June	New Zealand	80.0	80.0
KA Waimanawa Sub GP Limited	30 June	New Zealand	80.0	80.0
KA Woolshed Sub GP Limited	30 June	New Zealand	80.0	80.0
Kaha Ake Limited Partnership	30 June	New Zealand	80.0	80.0
KA Feilding Limited Partnership	30 June	New Zealand	80.0	80.0
KA Matamata Limited Partnership	30 June	New Zealand	80.0	80.0
KA Waimanawa Limited Partnership	30 June	New Zealand	80.0	80.0
KA Woolshed Limited Partnership	30 June	New Zealand	80.0	80.0
NZSF Renewables NZ Limited	30 June	New Zealand	100.0	100.0
NZSF Rural Holdings Limited	30 June	New Zealand	100.0	100.0
NZSF Canterbury Farms Limited	30 June	New Zealand	100.0	100.0
NZSF Rural Land Limited	30 June	New Zealand	100.0	100.0
NZSF Southland Farms Limited	30 June	New Zealand	100.0	100.0
NZSF Waikato Farms Limited	30 June	New Zealand	100.0	100.0
NZSF Side Car (Movac) Limited Partnership	31 March	New Zealand	100.0	100.0
NZSF Side Car (Pioneer) Limited Partnership	31 March	New Zealand	100.0	100.0
NZSF Timber Investments Limited	30 June	New Zealand	100.0	0.0
NZSF Timber Investments (No 4) Limited	30 June	New Zealand	0.0	100.0
NZSF Tui Investments Limited	30 June	New Zealand	100.0	100.0
NZSF US Renewables, Inc.	31 December	Delaware, US	100.0	100.0
NZSF Variable Co-Investment (Direct Capital) Limited Partnership	31 December	New Zealand	100.0	100.0
StepStone NZ Infrastructure Opportunities Fund, Limited Partnership	31 December	Cayman Islands	99.5	99.5
StepStone Opportunities VC NZ, Limited Partnership	31 December	Cayman Islands	100.0	100.0
StepStone Opportunities VC NZ, Limited	31 December	Cayman Islands	100.0	0.0
Stonepeak Fern Investment Partners, Limited Partnership	31 December	Delaware, US	99.1	99.1
Sutherland Timber Parent, Limited Partnership	30 June	Delaware, US	99.0	0.0
Sutherland Timber RT, LLC	30 June	Delaware, US	99.0	0.0
Sutherland Timber SCW, LLC	30 June	Delaware, US	99.0	0.0
Sutherland Timber SA, LLC	30 June	Delaware, US	99.0	0.0
Sutherland Timber NE, LLC	30 June	Delaware, US	99.0	0.0
Sutherland Timber SCE, LLC	30 June	Delaware, US	99.0	0.0

These unconsolidated subsidiaries have been established for the purpose of holding, facilitating and managing investments of the NZ Super Fund.

In addition, the NZ Super Fund has 100% ownership in 37 Segregated Accounts (2023: 25 Segregated Accounts) of Horseshoe Re II Limited, a Bermudan-domiciled segregated accounts company, all with balance dates of 31 December. Horseshoe Re II Limited, acting for, and for the benefit of, the Segregated Accounts, enters into agreements relating to the NZ Super Fund's investments in insurance-linked products. These companies are domiciled in Bermuda as Bermuda is a large, well regulated centre for reinsurance business. As a matter of Bermudan law, a Segregated Account is not a 'legal person' and has no existence separate from the Segregated Account company.

As at 30 June 2024, there are no significant restrictions on the ability of unconsolidated subsidiaries to transfer funds, including dividends, to the NZ Super Fund.

Further disclosures on transactions with unconsolidated subsidiaries are contained in Note 9(a).

Key judgement – assessment of control

The NZ Super Fund's investments in subsidiaries have been assessed in light of the control model established under NZ IFRS 10 Consolidated Financial Statements to ensure the correct classification and disclosure of investments in subsidiaries. The NZ Super Fund holds investments in a number of entities that are not considered subsidiaries even though its ownership interest exceeds 50%. The Board and management have concluded that the NZ Super Fund has no unilateral power to direct the relevant activities of these entities and therefore it does not have control of these entities.

(f) Associates

Associates are those entities over which the NZ Super Fund has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity, but is not control or joint control over those policies.

The NZ Super Fund has interests in the following associates that are measured at fair value through profit or loss in accordance with NZ IFRS 9 Financial Instruments:

			OWNERSHIP INTEREST	
NAME	BALANCE DATE	COUNTRY OF INCORPORATION	2024 %	2023 %
Fidelity Life Assurance Company Limited	30 June	New Zealand	49.6	49.6
Galileo Green Energy GMBH	31 March	Switzerland	20.0	20.0
Kaingaroa Timberlands Limited	30 June	New Zealand	42.0	5.3
Kaingaroa Timberlands Partnership	30 June	New Zealand	42.0	42.0
Sustainable Communities Infrastructure Pty Limited	30 June	Australia	30.0	30.0
Sustainable Communities Infrastructure Trust	30 June	Australia	30.0	30.0

As at 30 June 2024, there are no significant restrictions on the ability of associates to transfer funds, including dividends, to the NZ Super Fund.

Further disclosures on transactions with associates are contained in Note 9(a).

Key judgement - assessment of significant influence

The NZ Super Fund's investments in associates have been assessed in light of the definition of significant influence included in NZ IAS 28 Investments in Associates and Joint Ventures to ensure the correct classification and disclosure of investments in associates. The NZ Super Fund holds investments in a number of entities that are not considered associates even though its ownership interest exceeds 20%. The Board and management have concluded that the NZ Super Fund has no power to participate in the financial and operating policy decisions of these entities and therefore it does not have significant influence over these entities.

SECTION 1: GENERAL AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The NZ Super Fund has interests in the following joint ventures that are measured at fair value through profit or loss in accordance with NZ IFRS 9 Financial Instruments:

			OWNERSHIP INTEREST	
NAME	BALANCE DATE	COUNTRY OF INCORPORATION	2024 %	2023 %
Datacom Group Limited	31 March	New Zealand	45.1	45.1
Gourmet International Holdings Limited	30 June	New Zealand	27.1	27.1
Hobsonville Development GP Limited	31 March	New Zealand	49.0	49.0
Hobsonville Development Limited Partnership	31 March	New Zealand	49.0	49.0
Longroad Energy Holdings, LLC	31 December	Delaware, US	37.3	37.1
New Ground Living (Hobsonville Point) Limited	31 March	New Zealand	45.0	45.0
NZ Healthcare Investments Limited	31 December	New Zealand	48.0	48.0
APHG NZ Investments Limited	31 December	New Zealand	48.0	48.0
NZ Hotel Holdings Management GP Limited	30 June	New Zealand	50.0	50.0
NZ Hotel 396 Queen Management GP Limited	30 June	New Zealand	50.0	50.0
NZ Hotel Cashel Street Management GP Limited	30 June	New Zealand	50.0	50.0
NZ Hotel Central Lakes Management GP Limited	30 June	New Zealand	50.0	50.0
NZ Hotel CNI Management GP Limited	30 June	New Zealand	50.0	50.0
NZ Hotel Quba Management GP Limited	30 June	New Zealand	50.0	50.0
NZ Hotel Viaduct Management GP Limited	30 June	New Zealand	50.0	50.0
NZ Hotel Wellington Management GP Limited	30 June	New Zealand	50.0	50.0
NZ Hotel Holdings Management Limited Partnership	30 June	New Zealand	50.0	50.0
NZ Hotel 396 Queen Management Limited Partnership	30 June	New Zealand	50.0	50.0
NZ Hotel Cashel Street Management Limited Partnership	30 June	New Zealand	50.0	50.0
NZ Hotel Central Lakes Management Limited Partnership	30 June	New Zealand	50.0	50.0
NZ Hotel CNI Management Limited Partnership	30 June	New Zealand	50.0	50.0
NZ Hotel Quba Management Limited Partnership	30 June	New Zealand	50.0	50.0
NZ Hotel Viaduct Management Limited Partnership	30 June	New Zealand	50.0	50.0
NZ Hotel Wellington Management Limited Partnership	30 June	New Zealand	50.0	50.0
NZ Infra Limited	31 December	New Zealand	50.0	50.0
NZ Offshore Wind Development Limited	30 June	New Zealand	50.0	50.0
RA (Holdings) 2014 Pty Limited	31 March	Australia	50.0	50.0

As at 30 June 2024, there are no significant restrictions on the ability of joint ventures to transfer funds, including dividends, to the NZ Super Fund.

Further disclosures on transactions with joint ventures are contained in Note 9(a).

Key judgement - assessment of joint control

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The NZ Super Fund's joint arrangements are classified as joint ventures because certain key operating and financial activities require the approval of the NZ Super Fund as well as at least one other investor and the contractual arrangements provide the parties with rights to the net assets of the joint arrangements.

(h) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The NZ Super Fund is principally involved with structured entities through its investments in private equity investment funds, unconsolidated subsidiaries, collective investment funds, insurance-linked investments, shareholder loans, agency mortgage-backed securities and asset-backed securities that are issued by structured entities. The NZ Super Fund invests in structured entities to assist with the implementation of its overall investment strategy. The NZ Super Fund does not sponsor any structured entities.

The NZ Super Fund's investments in structured entities have the following business activities:

PRIVATE EQUITY INVESTMENT FUNDS AND UNCONSOLIDATED SUBSIDIARIES

Private equity investment funds and unconsolidated subsidiaries provide a mechanism to share exposure with other investors and may take various legal forms (e.g. limited liability companies, limited partnerships, trusts). The NZ Super Fund makes commitments to, and investments in, these legal structures and in return is issued with rights to a proportional stake in their net assets. They have a broad range of investment objectives and are managed by unrelated asset managers who apply various investment strategies to achieve their respective investment objectives.

COLLECTIVE INVESTMENT FUNDS

Collective investment funds finance their operations by way of subscription, in which case, the NZ Super Fund subscribes and is issued with redeemable shares that entitle it to a proportional stake in the net assets of the investment.

INSURANCE-LINKED INVESTMENTS

The NZ Super Fund invests in catastrophe bonds which are issued by structured entities. Each bond is linked to an insurance event such as a natural disaster. The bonds transfer particular risks from the insurer to the bond holder.

SHAREHOLDER LOANS

The NZ Super Fund may invest in private equity investment funds or other private equity investments via shareholder loans and the borrower in the arrangement may be a structured entity. Shareholder loans are included in fixed income securities in the Statement of Financial Position.

AGENCY MORTGAGE-BACKED SECURITIES

Agency mortgage-backed securities are pass-through securities issued by the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), both US-government sponsored enterprises, and the Government National Mortgage Association (Ginnie Mae), a US-government corporation. These securities are traded in the TBA (To Be Announced) market and are mortgage-backed forward, or 'delayed delivery' securities. The securities have standardised 15-year or 30-year maturity dates, however, whilst the terms of the security are agreed up front, the specific mortgages to be delivered to fulfil the security obligation are only allocated just prior to settlement. Agency mortgage-backed securities are included in fixed income securities in the Statement of Financial Position.

ASSET-BACKED SECURITIES

The NZ Super Fund invests in a variety of asset-backed securities, the majority of which have been senior tranches of debt issued by a structured entity. The debt is usually collateralised by an underlying pool of assets. The asset-backed securities take the form of mortgage-backed securities (collateralised by both commercial and residential mortgages), asset-backed securities (collateralised by consumer loans, small business loans and auto loans), collateralised debt obligations (CDO) and collateralised loan obligations (CLO). Asset-backed securities are included in fixed income securities in the Statement of Financial Position.

EXCHANGE TRADED FUNDS

The NZ Super Fund subscribes to shares in exchange traded funds. The shares entitle the holder to a proportional stake in the net assets of the exchange traded funds' investments. Exchange traded funds are included in listed global equities or fixed income securities in the Statement of Financial Position as appropriate.

SECTION 1: GENERAL AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Key judgement - assessment of investments in structured entities

The Board and management have assessed which of the NZ Super Fund's investments are investments in structured entities. In doing so, the Board and management have considered voting rights and other similar rights afforded to investors as well as any contractual arrangements in place with these investments.

The Board and management have concluded that certain of the NZ Super Fund's investments meet the definition of a structured entity because:

- The voting rights in the investments are not the dominant factor in deciding who controls the investment; and
- The investments have narrow and well-defined objectives to provide investment opportunities to investors.

Further disclosures on structured entities are contained in Notes 3(e) and 7(b).

(i) Foreign currency

Functional and presentation currency

Items included in the financial statements of the NZ Super Fund are measured using the currency of the primary economic environment in which the NZ Super Fund operates (the functional currency). The functional currency of the NZ Super Fund is New Zealand dollars. It is also the presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are converted to New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at balance date. Where there is a movement in the exchange rate between the date of a foreign currency transaction and balance date, the resulting exchange differences are recognised in the Statement of Comprehensive Income.

(j) Goods and services tax (GST)

Income, expenditure, assets and liabilities are recognised in the financial statements exclusive of GST, with the exception of receivables and payables which are stated inclusive of GST. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expenditure. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position.

(k) Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

Operating activities include all activities other than investing or financing activities.

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and intangible assets.

Financing activities are those activities relating to capital contributions and to payments of superannuation entitlements. As the current funding by the Crown of superannuation entitlements flows directly from the Treasury to the Ministry of Social Development, it is not considered cash flow of the NZ Super Fund and accordingly, is not recorded in the Statement of Cash Flows.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the IRD, is classified as cash flows from operating activities.

(l) Changes in material accounting policies

There have been no changes in material accounting policies during the year. Material accounting policies are consistent with those applied in the previous financial year.

Certain prior year comparatives have been restated to conform with current year presentation. These classifications have no impact on the overall financial performance, financial position or cash flows of the NZ Super Fund for the comparable year.

(m) New and amended standard adopted

The following amended standard has been applied for the first time in these financial statements.

NZ FRS 44 DISCLOSURE OF FEES FOR AUDIT FIRMS' SERVICES

The amendments to NZ FRS 44 Disclosure of Fees for Audit Firms' Services require additional disclosures for fees paid to audit firms for different types of services using prescribed categories. The amended standard is effective for reporting periods beginning on or after 1 January 2024, with early adoption permitted. The Board and management have elected to early adopt the amendments to NZ FRS 44 Disclosure of Fees for Audit Firms' Services. The adoption of these amendments has resulted in the disclosure of additional information for other fees paid to the auditor of the NZ Super Fund.

(n) Standard issued but not yet effective

The following standard has been issued but is not yet effective for the year ended 30 June 2024.

NZ IFRS 18 PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS

NZ IFRS 18 Presentation and Disclosure in Financial Statements introduces new requirements for the presentation and disclosure of information in financial statements, with a focus on updates to the Statement of Financial Performance. It supersedes NZ IAS 1 Presentation of Financial Statements and is intended to improve comparability and transparency in performance reporting. The standard is effective for reporting periods beginning on or after 1 January 2027 and will also apply to comparative information. The Board and management are currently assessing the impact of this new standard on the NZ Super Fund's financial statements. It is likely there will be changes to the presentation of information in the Statement of Financial Performance and some additional disclosures will be required, but the recognition and measurement of income and expenditure will not be impacted.

SECTION 2: FAIR VALUE

(a) Fair value measurement

The NZ Super Fund's assets and liabilities that are measured at fair value through profit or loss are categorised within the fair value hierarchy as follows:

		ACTUAL					
2024	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL AT FAIR VALUE	TOTAL NOT AT FAIR VALUE*	TOTAL
		NZD'000	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
ASSETS							
Investments							
Derivative financial instrument assets:							
Forward foreign exchange contracts	4.e		1,114,595		1,114,595		1,114,595
Cross currency swaps	4.e		3,814		3,814		3,814
Asset swaps	4.e		41,870		41,870		41,870
Longevity contingent swaps	4.e				-		-
Futures contracts	4.e				-		-
Total return swaps	4.e		390,794		390,794		390,794
Credit default swaps	4.e		21,251		21,251		21,251
Interest rate swaps	4.e		94,803		94,803		94,803
Options	4.e		1,751		1,751		1,751
Warrants	4.e				-		-
		-	1,668,878	-	1,668,878	-	1,668,878
Other financial assets:							
Listed New Zealand equities	4.a	2,953,858			2,953,858		2,953,858
Listed global equities	4.a	32,933,410	6	2,059	32,935,475		32,935,475
Fixed income securities	4.a		10,391,235		10,391,235	4,214,474	14,605,709
Collective investment funds	4.a		2,441,596		2,441,596		2,441,596
Reverse repurchase agreements	4.a, 4.f				-	1,094,343	1,094,343
Securities lending agreements	4.a, 4.f	2,103,372	2,581,645		4,685,017		4,685,017
Insurance-linked investments	4.a		775,452		775,452		775,452
Private equity	4.a			6,367,229	6,367,229		6,367,229
		37,990,640	16,189,934	6,369,288	60,549,862	5,308,817	65,858,679
Investments in unconsolidated subsidiaries	4.a		209,831	6,963,797	7,173,628		7,173,628
Intangible assets		38,340			38,340		38,340
		38,028,980	**18,068,643**	**13,333,085**	**69,430,708**	**5,308,817**	**74,739,525**
LIABILITIES							
Derivative financial instrument liabilities:							
Forward foreign exchange contracts	4.e		373,401		373,401		373,401
Asset swaps	4.e				-		-
Futures contracts	4.e				-		-
Total return swaps	4.e		56,564		56,564		56,564
Credit default swaps	4.e		61,004		61,004		61,004
Interest rate swaps	4.e		46		46		46
		-	**491,015**	**-**	**491,015**	**-**	**491,015**

* Assets and liabilities not measured at fair value are carried at amortised cost but their carrying values are a reasonable approximation of fair value.

2023	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL AT FAIR VALUE	TOTAL NOT AT FAIR VALUE*	TOTAL
		ACTUAL					
		NZD'000	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
ASSETS							
Investments							
Derivative financial instrument assets:							
Forward foreign exchange contracts	4.e		1,271,333		1,271,333		1,271,333
Cross currency swaps	4.e		2,291		2,291		2,291
Asset swaps	4.e		6,788		6,788		6,788
Longevity contingent swaps	4.e			24,011	24,011		24,011
Futures contracts	4.e				-		-
Total return swaps	4.e		322,863		322,863		322,863
Credit default swaps	4.e		50,846		50,846		50,846
Interest rate swaps	4.e		179,645		179,645		179,645
Options	4.e				-		-
Warrants	4.e				-		-
		-	1,833,766	24,011	1,857,777	-	1,857,777
Other financial assets:							
Listed New Zealand equities	4.a	2,452,975			2,452,975		2,452,975
Listed global equities	4.a	24,958,771	17	1,955	24,960,743		24,960,743
Fixed income securities	4.a		11,249,847		11,249,847	2,203,692	13,453,539
Collective investment funds	4.a		2,290,802		2,290,802		2,290,802
Reverse repurchase agreements	4.a, 4.f				-	889,014	889,014
Securities lending agreements	4.a, 4.f	3,463,615	1,672,466	264	5,136,345		5,136,345
Insurance-linked investments	4.a		665,914		665,914		665,914
Private equity	4.a			6,034,982	6,034,982		6,034,982
		30,875,361	15,879,046	6,037,201	52,791,608	3,092,706	55,884,314
Investments in unconsolidated subsidiaries	4.a		1,414,046	5,902,808	7,316,854		7,316,854
Intangible assets		31,697			31,697		31,697
		30,907,058	**19,126,858**	**11,964,020**	**61,997,936**	**3,092,706**	**65,090,642**
LIABILITIES							
Derivative financial instrument liabilities:							
Forward foreign exchange contracts	4.e		1,187,807		1,187,807		1,187,807
Asset swaps	4.e		4,298		4,298		4,298
Futures contracts	4.e				-		-
Total return swaps	4.e		66,744		66,744		66,744
Credit default swaps	4.e		65,462		65,462		65,462
Interest rate swaps	4.e		2		2		2
		-	**1,324,313**	**-**	**1,324,313**	**-**	**1,324,313**

* Assets and liabilities not measured at fair value are carried at amortised cost but their carrying values are a reasonable approximation of fair value.

SECTION 2: FAIR VALUE (CONTINUED)

Accounting Policy

The majority of the net assets of the NZ Super Fund are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management uses valuation techniques for the NZ Super Fund that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities. An active market is one where prices are readily available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of Level 1 assets and liabilities requires little or no judgement.

Level 2 - Valuation techniques that use observable market data. Such techniques include the use of market standard discounting methodologies, option pricing models and other valuation techniques widely used and accepted by market participants.

Level 3 - Valuation techniques that use inputs not based on observable market data. Unobservable inputs are those not readily available in an active market due to illiquidity or complexity of the product. These inputs are generally derived and extrapolated from other relevant market data and calibrated against current market trends and historic transactions. These valuations are calculated using a high degree of management judgement.

The level within which an asset or liability is categorised in the fair value hierarchy is determined based on the highest numerical level in the fair value hierarchy that is significant to the fair value measurement as a whole.

(b) Determination of fair value

The specific valuation techniques and the observability of inputs used in valuation models for significant financial instrument categories are outlined below:

DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments are principally determined using valuation techniques with market observable inputs and are classified within Level 2 of the fair value hierarchy. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rates, futures prices, default rates, credit spreads, volatility curves and discount rates.

In some instances, the fair values of derivative financial instruments are determined using valuation techniques with non-market observable inputs. These financial instruments include longevity contingent swaps and warrants and are classified within Level 3 of the fair value hierarchy. The fair value of longevity contingent swaps is provided by the counterparty at balance date and is based on the fair value of the underlying basket of contracts. The fair value of warrants is determined using a Black Scholes Option Pricing Model.

LISTED EQUITIES

The fair value of listed equities, including equity exchange traded funds and those on loan under securities lending agreements, is determined based on the last quoted price on the relevant exchange at balance date and classified within Level 1 of the fair value hierarchy. In some instances, where the market on which the security is traded is not highly liquid (e.g. the security may be listed on an emerging market stock exchange or trading of the security may be temporarily suspended), the price can also be determined using non-binding broker quotes. These securities are classified within Level 3 of the fair value hierarchy.

FIXED INCOME SECURITIES

The fair value of fixed income securities, including fixed income exchange traded funds and those on loan under securities lending agreements, is determined based on either the last quoted bid price or the mid price (depending on the market and region of the securities) provided by a reputable pricing vendor (being a financial data provider such as ICE or Bloomberg) or broker at balance date and classified within Level 2 of the fair value hierarchy.

The fair value of fixed income securities, including fixed and floating rate debt instruments, that form part of an investment into a private equity investment, is determined by a suitably qualified independent valuer who ascribes an enterprise value to the entire private equity investment then apportions that value across the instruments held, including the debt instruments. These securities are classified within Level 3 of the fair value hierarchy.

COLLECTIVE INVESTMENT FUNDS

The fair value of collective investment funds is provided by the investment managers or administrators at balance date. The price is based on the fair value of the underlying net assets or securities of the collective investment fund. Their classification within the fair value hierarchy is determined by the highest numerical level in the fair value hierarchy of the underlying financial instruments.

INSURANCE-LINKED INVESTMENTS

Insurance-linked investments which are catastrophe bonds are valued using prices provided by reputable pricing vendors or brokers at balance date and are classified within Level 2 of the fair value hierarchy.

PRIVATE EQUITY

The fair value of private equity investment funds is provided by the investment managers or administrators at balance date. The price is based on the fair value of the underlying net assets of the private equity investment fund which is determined using a variety of methods, including independent valuations, valuation models based on the price of recent transactions, earnings multiples or discounted cash flows. These investments are classified within Level 3 of the fair value hierarchy. Private equity investments (not invested via a managed fund structure) are valued by reference to either an independent valuation, the price of recent transactions or such alternative valuation as deemed appropriate by the Board and are also classified within Level 3 of the fair value hierarchy.

UNCONSOLIDATED SUBSIDIARIES

The fair value of unconsolidated subsidiaries is based on the fair value of the underlying net assets of the specific investment which can be determined using a variety of methods, including being based on the last quoted bid price provided by a reputable pricing vendor or broker, independent valuations, valuation models based on the price of recent transactions, earnings multiples or discounted cash flows. Unconsolidated subsidiaries are classified accordingly within Levels 2 and 3 of the fair value hierarchy.

INTANGIBLE ASSETS

Allocations of New Zealand Units (NZU's) and/or other carbon credits that the NZ Super Fund owns are recognised at fair value where they have been received, or where the Board and management are reasonably certain they will be received. Where the fair value can be reliably ascertained through the existence of an observable active market, these intangible assets are classified within Level 1 of the fair value hierarchy. Where pricing is obtained from reputable brokers, these intangible assets are classified within Level 2 of the fair value hierarchy.

Key judgement - determination of fair value

Where possible, the fair value of the NZ Super Fund's assets and liabilities are measured using quoted prices in active markets. Where the fair value of assets and liabilities cannot be measured using quoted prices in active markets, fair value is determined, using valuation techniques with market observable inputs from third parties such as brokers or pricing vendors, where available. For assets that have no quoted price (which principally consist of investments in unconsolidated subsidiaries, private equity investments held directly, private equity investment funds, collective investment funds, fixed income securities and certain derivative financial instruments) the determination of fair value requires significant judgement. Fair value for these assets is determined as follows:

UNCONSOLIDATED SUBSIDIARIES AND PRIVATE EQUITY INVESTMENTS HELD DIRECTLY

The fair value of certain unconsolidated subsidiaries and private equity investments held directly, is provided by independent valuers who use models to determine the fair value of investments. The determination of fair value for these investments is subject to careful consideration and consultation with a range of reliable and independent sources. Under the Board approved Investment Valuation Policy, the Guardians has an internal Valuation Working Group (VWG) that is responsible for reviewing the valuations of these investments at balance date. The VWG reviews the valuation methodologies, practices and policies used in determining fair value and/or reviews the valuations themselves with a view to ensuring that the fair values of these investments at balance date are as accurate as possible. The VWG reports the outcomes of their reviews to the Audit Committee.

PRIVATE EQUITY INVESTMENT FUNDS AND COLLECTIVE INVESTMENT FUNDS WHERE FAIR VALUE IS PROVIDED BY INVESTMENT MANAGERS OR ADMINISTRATORS

The fair value of certain private equity investment funds and collective investment funds is provided by the investment managers or administrators at balance date who may use their own models, or they may engage independent valuers who use models to determine the fair value of investments. The Board and management may also directly appoint independent valuers to determine the fair value of certain investments where this information is unable to be provided by an investment manager or administrator.

FIXED INCOME SECURITIES WHERE FAIR VALUE IS DETERMINED BY A PRICING VENDOR

Where the market for fixed income securities is illiquid, fair value is determined by a pricing vendor who uses models to value the securities. The Board and management mitigate the risk of pricing errors by only selecting reputable pricing vendors and by periodically calibrating prices against observable market data.

SECTION 2: FAIR VALUE (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS WHERE FAIR VALUE IS DETERMINED BY A PRICING VENDOR, BROKER OR COUNTERPARTY

Pricing vendors, brokers or counterparties may use valuation models to price certain derivative financial instruments for which the inputs may include current and forward exchange rates, estimates of cash flows, interest rates, futures prices, default rates, credit spreads, volatility curves, indicative prices for similar assets and discount rates. The Board and management mitigate the risk of pricing errors by only selecting reputable pricing vendors, brokers or counterparties and by periodically calibrating prices against observable market data.

VALUATION UNCERTAINTY DUE TO EXTERNAL MACRO FACTORS

Since the fair value of assets categorised within Level 1 or Level 2 of the fair value hierarchy reflect market observable prices or inputs, their valuation is inherently less uncertain than for assets categorised within Level 3 of the fair value hierarchy. Whilst the determination of fair value for Level 3 assets is subject to careful consideration and consultation with a range of reliable and independent sources, the impact of external factors such as climate change, rising interest rates and inflationary pressures, increased geopolitical tensions and global supply issues, on the valuation of these assets remains uncertain. The Board and management continue to monitor and evaluate the appropriateness of specific valuation techniques and the judgements and estimates used when determining the fair value of these assets to assess whether material adjustments may be required to their carrying value.

(c) Transfers between levels in the fair value hierarchy

For assets and liabilities that are recognised in the Statement of Financial Position at fair value on a recurring basis, the Board and management determine whether transfers have occurred between levels in the fair value hierarchy by reassessing categorisation at the end of each reporting period.

During the year ended 30 June 2024, there were no transfers of investments between the levels in the fair value hierarchy.

In the prior year, one private equity investment ($424,124,000) and one unconsolidated subsidiary ($212,422,000) were listed. As a result of their listing, these investments were reclassified to global listed equities and as a result, transferred from Level 3 to Level 1 assets in the fair value hierarchy.

(d) Reconciliation of fair value measurement under Level 3 hierarchy

The following table provides a reconciliation of movements in the fair value of financial assets categorised within Level 3 of the fair value hierarchy:

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Opening balance	11,964,020	10,853,978
Unrealised gains/(losses) recognised in profit for the year	1,357,278	734,544
Realised gains/(losses) recognised in profit for the year	9,805	125,332
Purchases	1,899,720	2,054,428
Sales	(353,200)	(548)
Settlements	(1,544,538)	(1,167,168)
Transfers (to)/from other categories in the fair value hierarchy	-	(636,546)
Closing balance	**13,333,085**	**11,964,020**

(e) Fair value sensitivity

Although the Board and management believe the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. The following table shows the NZ Super Fund's sensitivity of fair value measurement to possible changes in non-market observable inputs (where appropriate, equivalent to one standard deviation) for financial assets categorised within Level 3 of the fair value hierarchy:

	ACTUAL			
2024	NON-MARKET OBSERVABLE INPUT	MOVEMENT	IMPACT ON FAIR VALUE MEASUREMENT	
			INCREASE	DECREASE
		%	NZD'000	NZD'000
Longevity contingent swaps	Discount rate	2	-	-
Listed global equities	Share price	23	473	(473)
Private equity	(i)	(i)	1,004,078	(1,004,078)
Unconsolidated subsidiaries	(i)	(i)	1,099,616	(1,099,616)
2023				
Longevity contingent swaps	Discount rate	2	841	(751)
Listed global equities	Share price	24	384	(384)
Private equity	(i)	(i)	926,619	(926,619)
Unconsolidated subsidiaries	(i)	(i)	833,317	(833,317)

(i) Private equity and unconsolidated subsidiaries categorised within Level 3 of the fair value hierarchy provide the NZ Super Fund with exposure to a wide variety of assets across numerous industries and are held either directly or via internally or externally managed investment vehicles. Valuations for these investments are provided by independent valuers, or by investment managers or administrators if held via a managed structure and the NZ Super Fund does not always have access to the underlying valuation models to fully disclose sensitivities to specific assumptions.

The Board and management have assessed that the reasonably possible movement in fair value for private equity and unconsolidated subsidiaries classified within Level 3 of the fair value hierarchy in a one-year period is: 20% (2023: 20%) for private equity investment funds and other private equity investments; 25% (2023: 25%) for Telecom-Spectrum investments; 16% (2023: 16%) for timber investments; 12% (2023: 12%) for private infrastructure investments; 10% (2023: 10%) for life settlements; 14% (2023: 14%) for property; 13% (2023: 13%) for rural property; and 20% (2023: 20%) for insurance run-off investments, based on internal risk modelling.

SECTION 3: RISK MANAGEMENT

(a) Risk management

Understanding and managing risk is central to the management of the NZ Super Fund. While risk is a necessary part of the NZ Super Fund's activities, it must be understood to ensure the risk profile adopted is commensurate with the return objective and time horizon of the NZ Super Fund. Effective risk management is critical to maintaining public and stakeholder confidence in the Guardians as manager of the NZ Super Fund.

The NZ Super Fund's investment activities expose it to various types of risk including investment, strategic, legal, operational and reputational risk. The Board and management of the Guardians are responsible for the management of these risks. Separate Risk and Investment Committees have been established by management to provide support for the management of these risks.

The Guardians has developed risk management policies, procedures and other internal controls for application by staff, external investment managers and other service providers to manage the NZ Super Fund's exposure to risk. The framework for managing this risk is set out in its Statement of Investment Policies, Standards and Procedures including the Risk Management Policy. The Board and management monitor compliance with relevant policies and procedures.

The Board has developed a Risk Appetite Statement outlining its expectations of the level of risk that is appropriate for the NZ Super Fund to take on. This statement can be found at Schedule 1 of the Risk Management Policy which is available on www.nzsuperfund.nz. Performance against this statement is measured and reported to the Board on a regular basis, with any major breaches being notified on an exception basis.

CONCENTRATION OF RISK BY GEOGRAPHY AND INDUSTRY

Concentration of risk exists if a single counterparty, or group of counterparties, is engaged in similar activities, operate within similar geographies, industries, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

As at 30 June 2024, the NZ Super Fund's investments were concentrated in the following geographical locations and industries. Exposures are based on the NZ Super Fund's net financial assets at balance date, at the aggregate level of each individual investment, and covers both internally and externally managed investments.

	ACTUAL	ACTUAL
	2024	2023
	%	%
By geography		
New Zealand	11	12
Australia	4	5
North America	54	53
Europe	20	17
Asia	8	9
Other	3	4
	100	**100**
By industry		
Consumer - cyclical	5	6
Consumer - non-cyclical	4	5
Financial	19	15
Government	7	10
Healthcare	8	7
Industrial	8	8
Real estate	7	5
Technology	15	12
Other	27	32
	100	**100**

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates, foreign exchange rates and credit default swap spreads.

The market risks that the NZ Super Fund is primarily exposed to are:

- Equity price risk, both globally and in New Zealand;
- Foreign currency risk, primarily due to changes in the New Zealand dollar versus the United States dollar; and
- Interest rate risk, primarily due to changes in New Zealand and United States interest rates.

The NZ Super Fund is also exposed to commodity price risk in relation to its forestry and farming investments and certain derivative financial instruments which reference certain agricultural, energy and metals prices.

EQUITY PRICE RISK

Equity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in equity prices. The NZ Super Fund is exposed to changes in the price of equities listed on both New Zealand and international stock exchanges, as well as derivative financial instruments or unlisted equities where fair value is determined with reference to an equity market index or to comparable transactions in a listed equity market.

Equity price risk is managed through diversification between asset classes and by imposing investment constraints at a total fund level and within individual investment mandates. Limits imposed on external investment managers are detailed within individual investment management agreements. Compliance with investment constraints is reported to the Board and management on a regular basis.

The following table shows the NZ Super Fund's sensitivity to a change in equity prices with all other variables held constant. The percentages used represent the Board and management's assessment of a reasonably possible change in equity prices, equivalent to one standard deviation, based on internal risk modelling. The increase/(decrease) in profit is calculated after taking into account income tax.

		ACTUAL	
2024	ONE STANDARD DEVIATION	IMPACT ON PROFIT/(LOSS) AND EQUITY	
		INCREASE	DECREASE
	%	NZD'000	NZD'000
New Zealand equities	18	535,183	(535,183)
Global equities*	16	8,084,447	(8,084,447)
Emerging markets equities	26	1,056,204	(1,056,204)
Unlisted private equities	20	1,611,275	(1,611,275)
2023			
New Zealand equities	18	444,450	(444,450)
Global equities*	16	6,436,440	(6,436,440)
Emerging markets equities	26	1,017,611	(1,017,611)
Unlisted private equities	20	1,196,054	(1,196,054)

* Although the fair value of global equities is obtained from quoted market prices, the likelihood of a change in those prices and the size of the change can vary, depending on the type of equity. Therefore, these figures represent a weighted average of the reasonably possible change in equity prices. The Board and management have assessed that the reasonably possible movement in fair value for different categories of global equities in a one-year period is: 16% (2023: 16%) for global large cap equities; 20% (2023: 20%) for global small cap equities; 15% (2023: 15%) for developed markets multi factor equities; and 12% (2023: 12%) for global infrastructure equities, based on internal risk modelling.

SECTION 3: RISK MANAGEMENT (CONTINUED)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The NZ Super Fund is exposed to foreign currency risk through its investments in offshore assets.

Foreign currency risk is managed by establishing a target hedge ratio for all foreign currency exposures at a total fund level and by specifying bounds within which external investment managers may take on foreign currency exposures within individual investment management agreements. The financial instruments that external investment managers may use, and the creditworthiness of the counterparties, are detailed within those investment management agreements.

Foreign currency exposures are hedged with forward foreign exchange contracts and cross currency swaps with counterparties that have an appropriate minimum credit rating as determined by an international credit rating agency. Appropriate contractual arrangements must be in place between the NZ Super Fund and the counterparty.

For investment strategies where the NZ Super Fund takes an active position on foreign currency exposure, maximum exposure limits are set and monitored by the Board.

The following table shows effective foreign currency exposure after forward foreign exchange contracts and cross currency swaps have been taken into account.

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Australian Dollars	(1,087,984)	24,722
British Pounds	712,972	1,024,265
Canadian Dollars	(1,571,088)	(1,158,412)
Chinese Yuan	(699,785)	(351,556)
European Union Euros	(227,969)	825,934
Japanese Yen	3,356,597	2,085,674
Swiss Francs	(3,040,241)	(3,062,955)
United States of America Dollars	5,221,556	(180,048)
Other	(1,735,286)	1,551,897
	928,772	**759,521**

The following table shows the NZ Super Fund's sensitivity to a change in the New Zealand dollar against the major foreign currencies with all other variables remaining constant. The analysis has been performed only on the effective foreign currency exposure after allowing for the impact of forward foreign exchange contracts and cross currency swaps. The percentages used represent the Board's and management's assessment of a reasonably possible change in the value of the New Zealand dollar, relative to other currencies. The increase/(decrease) in profit is calculated after taking into account income tax.

		ACTUAL	
2024	REASONABLY POSSIBLE CHANGE IN RATE	IMPACT ON PROFIT/(LOSS) AND EQUITY	
		INCREASE	DECREASE
	%	NZD'000	NZD'000
AUD	10	78,335	(78,335)
USD	10	(375,952)	375,952
EUR	10	16,414	(16,414)
GBP	10	(51,334)	51,334
JPY	10	(241,675)	241,675
CAD	10	113,118	(113,118)
CHF	10	218,897	(218,897)
CNH	10	86,508	(86,508)
Others	10	88,817	(88,817)
2023			
AUD	10	(1,780)	1,780
USD	10	12,963	(12,963)
EUR	10	(59,467)	59,467
GBP	10	(73,747)	73,747
JPY	10	(150,169)	150,169
CAD	10	83,406	(83,406)
CHF	10	220,533	(220,533)
CNH	10	57,587	(57,587)
Others	10	(144,012)	144,012

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The NZ Super Fund is primarily exposed to changes in New Zealand and United States short-term interest rates in relation to its investments in fixed income securities, certain derivative financial instruments and cash and cash equivalents.

Interest rate risk is managed by diversification between asset classes and by imposing investment constraints on external investment managers. Interest rate swaps are used to manage exposure to movements in interest rates.

The following table shows the NZ Super Fund's sensitivity to a change in interest rates with all other variables remaining constant. The basis point movement used represents the Board's and management's assessment of a reasonably possible change in interest rates, equivalent to one standard deviation. The increase/(decrease) in profit is calculated after taking into account income tax.

		ACTUAL	
2024	ONE STANDARD DEVIATION	IMPACT ON PROFIT/(LOSS) AND EQUITY	
		INCREASE	DECREASE
	BASIS POINTS	NZD'000	NZD'000
Fixed income securities	50	(271,711)	271,711
2023			
Fixed income securities	50	(195,441)	195,441

SECTION 3: RISK MANAGEMENT (CONTINUED)

COMMODITY PRICE RISK

The NZ Super Fund is exposed to financial risk in respect of its forestry activities due to the global volatility of log prices, exchange rates and transportation costs. These exposures are managed through adjustments to harvest levels and marketing efforts in order to minimise the risk of financial loss.

The NZ Super Fund is also exposed to financial risk in respect of its farming activities due to the global volatility of milk prices, cattle prices and the price of key inputs (e.g. feed and fertiliser). Dairy and cattle prices relative to key inputs are continually monitored so that operations can adapt as required. There are procedures, systems and infrastructure in place to minimise and manage the risks to which the land and livestock assets are exposed that could lead to financial loss.

The NZ Super Fund is exposed to financial risk in respect of certain derivative financial instruments which reference certain agricultural, energy and metals prices. The risk of financial loss is managed by strategically adjusting the NZ Super Fund's exposure in exchange traded futures and by managing margins.

(c) Credit risk

Credit risk is the risk that a third party will default on its obligation to the NZ Super Fund, causing the NZ Super Fund to incur a loss. The NZ Super Fund is exposed to credit risk arising from its cash and cash equivalents, receivables and investments. The maximum amount of credit risk for each class of financial asset is the carrying amount included in the Statement of Financial Position.

Cash and cash equivalents and capital allocated to internally managed investments are governed by the Investment Risk Allocation Policy, the Portfolio Completion and Internally Managed Securities Policy and relevant Internal Investment Mandates. The Board and management mitigate the NZ Super Fund's exposure to credit risk associated with cash and cash equivalents and internally managed investments by applying specific prudential limits to any unhedged exposure to any single investment manager or asset. Investment strategy-specific constraints are also imposed to limit the NZ Super Fund's net unhedged exposure to individual counterparties and clearing houses; and collective unhedged exposure to counterparties with credit ratings of 'BBB' or less.

The use of, and capital allocated to, external investment managers is governed by the Investment Risk Allocation Policy and Direct and Externally Managed Investments Policy. Each external investment manager relationship is governed by an investment management agreement which outlines the key terms and conditions of the appointment. The Board and management mitigate the NZ Super Fund's exposure to credit risk associated with externally managed investments by including specific prudential limits in these investment management agreements which restrict the credit risk the NZ Super Fund is exposed to. External investment managers are monitored individually on an on-going basis as well as being considered in the NZ Super Fund’s overall financial risk management activities.

COUNTERPARTY CREDIT RISK

The Board and management mitigate the NZ Super Fund's exposure to counterparty credit risk by entering into financial instruments with reputable counterparties and by continuously monitoring the creditworthiness of these counterparties by reviewing credit ratings, credit default swap spreads, equity pricing, news flows and other indicators on a regular basis.

At balance date, the NZ Super Fund has counterparty exposure in respect of its forward foreign exchange contracts, cross currency swaps, total return swaps, credit default swaps, interest rate swaps and other over-the-counter swaps. The table below sets out the net exposures, excluding collateral, by individual counterparty where instruments have a net positive fair value:

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
ANZ Bank New Zealand Limited	186,142	184,726
Bank of America	288,060	189,038
Bank of New Zealand	11,319	30,010
Barclays Bank PLC	31,790	-
BNP Paribas	57,627	37,790
Chicago Mercantile Exchange	1,751	-
Citibank N.A.	150,120	140,814
Commonwealth Bank of Australia	25,576	183,997
Credit Suisse Securities (Europe) Limited	-	23,821
Deutsche Bank AG	27,187	6,752
Goldman Sachs International	21,278	28,886
Goldman Sachs Financial Markets Pty Limited	24,539	7,326
JP Morgan Chase Bank N.A.	143,095	196,820
MIR SPE Limited	634	631
Morgan Stanley & Co. International PLC	265,747	465,507
Morgan Stanley Capital Services LLC	61,218	11,446
NatWest Markets PLC	-	11,184
The Northern Trust Company	52	-
Toronto-Dominion Bank	-	38
UBS AG	137,214	74,529
Westpac Banking Corporation	235,529	264,462
	1,668,878	**1,857,777**

The Board and management mitigate the NZ Super Fund's exposure to loss from derivative financial instruments through requiring collateral and by entering into master-netting arrangements with major counterparties with whom a significant volume of transactions are undertaken. These arrangements provide for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master-netting arrangements do not result in the offset of assets and liabilities in the Statement of Financial Position unless certain conditions for offsetting under NZ IAS 32 Financial Instruments: Presentation apply. Refer to Note 4(g) for further disclosures on the offsetting of financial assets and liabilities.

CREDIT QUALITY OF CASH AND CASH EQUIVALENTS AND FIXED INCOME SECURITIES

Cash and cash equivalents are held with bank and financial institution counterparties, which have credit ratings of A to AA as at 30 June 2024 (2023: A to AA).

SECTION 3: RISK MANAGEMENT (CONTINUED)

A percentage breakdown of the NZ Super Fund's fixed income securities, both internally and externally managed, by credit rating is set out below. Ratings are obtained from Standard & Poor's, Moody's and Fitch depending on the availability of data.

	ACTUAL	ACTUAL
	2024	2023
	%	%
AAA/Aaa	18	28
AA/aa	29	25
A/A	16	19
BBB/Baa	10	10
Not rated	27	18
	100	**100**

(d) Liquidity risk

Liquidity risk is the risk that the NZ Super Fund will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due. The NZ Super Fund's liquidity framework is designed to ensure that the NZ Super Fund has the ability to generate sufficient cash in a timely manner to meet its financial commitments.

The Board and management mitigate the NZ Super Fund's exposure to liquidity risk by:

- Forecasting liquidity requirements;
- Maintaining a buffer of cash and highly liquid securities to meet short-term liquidity requirements;
- Regularly reviewing the liquidity available; and
- Periodically 'stress-testing' the liquidity framework using theoretical scenarios.

MATURITY PROFILE OF FINANCIAL LIABILITIES

The following table shows the undiscounted cash flows of the NZ Super Fund's financial liabilities on the basis of their earliest contract maturity.

	ACTUAL					
2024	LESS THAN 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	5 - 10 YEARS	10+ YEARS	TOTAL
	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
Cash collateral received	1,585,902					1,585,902
Trade and other payables	793,873	1,522				795,395
Derivative financial instrument liabilities:						
Net-settled	59,162	2,826	55,579	46		117,613
Gross-settled - cash inflows	(33,069,216)	(1,852,803)				(34,922,019)
Gross-settled - cash outflows	33,430,220	1,865,201				35,295,421
	2,799,941	**16,746**	**55,579**	**46**	**-**	**2,872,312**
2023						
Cash collateral received	936,291					936,291
Trade and other payables	827,945	1,480				829,425
Derivative financial instrument liabilities:						
Net-settled	68,717	5,114	58,377		4,298	136,506
Gross-settled - cash inflows	(52,085,937)	(200,000)				(52,285,937)
Gross-settled - cash outflows	53,271,737	202,007				53,473,744
	3,018,753	**8,601**	**58,377**	**-**	**4,298**	**3,090,029**

(e) Risks associated with structured entities

The following table summarises the carrying values of the NZ Super Fund's investments in structured entities, as well as the maximum exposure to loss. The maximum exposure to loss is contingent in nature and may arise as a result of undrawn funding commitments (which are common with private equity investment funds). The maximum exposure to loss does not take into account the effects of any hedging, subordination or collateralisation designed to reduce that exposure to loss. The assets of the structured entities have been provided as an indicator of their size, relative to the size of the NZ Super Fund's investment. These values are based on the most currently available information and include the value of the NZ Super Fund's investment.

	ACTUAL			
	MAXIMUM EXPOSURE TO LOSS			
2024	CARRYING VALUE OF INVESTMENTS	UNDRAWN COMMITMENTS	TOTAL INVESTMENTS AND UNDRAWN COMMITMENTS	ASSETS OF THE STRUCTURED ENTITY
	NZD'000	NZD'000	NZD'000	NZD'000
Fixed income securities:				
Asset-backed securities	1,493,376	106,773	1,600,149	25,388,792
Agency mortgage-backed securities	1,244,307	-	1,244,307	N/A*
Shareholder loans	2,589,880	37,660	2,627,540	4,372,921
Fixed income exchange traded funds	496,741	-	496,741	4,490,111
Collective investment funds	2,441,596	-	2,441,596	276,118,110
Insurance-linked investments - catastrophe bonds	775,452	-	775,452	37,823,753
Private equity investment funds	4,928,381	2,990,016	7,918,397	42,146,707
Reverse repurchase agreements	485,895	-	485,895	730,669
Unconsolidated subsidiaries	7,173,628	2,301,399	9,475,027	9,892,903
	21,629,256	**5,435,848**	**27,065,104**	**400,963,966**
2023				
Fixed income securities:				
Asset-backed securities	2,794,233	242,534	3,036,767	31,580,665
Agency mortgage-backed securities	1,145,551	-	1,145,551	N/A*
Shareholder loans	770,035	240,418	1,010,453	2,760,708
Fixed income exchange traded funds	431,102	-	431,102	4,952,220
Collective investment funds	2,290,802	163,225	2,454,027	217,913,370
Insurance-linked investments - catastrophe bonds	665,914	-	665,914	35,249,940
Private equity investment funds	4,511,412	2,975,027	7,486,439	30,199,126
Reverse repurchase agreements	481,686	-	481,686	724,338
Unconsolidated subsidiaries	7,316,854	1,891,862	9,208,716	8,092,647
	20,407,589	**5,513,066**	**25,920,655**	**331,473,014**

* Information is not available as the securities have not yet been issued.

SECTION 4: FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments

		ACTUAL			
2024	NOTE	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
		NZD'000	NZD'000	NZD'000	NZD'000
Financial assets					
Cash and cash equivalents	4.b		2,601,543		2,601,543
Cash pledged as collateral	4.c		906,012		906,012
Trade and other receivables	4.d		704,785		704,785
Investments					
Derivative financial instrument assets	4.e	1,668,878			1,668,878
Other financial assets:					
Listed New Zealand equities		2,953,858			2,953,858
Listed global equities		32,935,475			32,935,475
Fixed income securities		10,391,235	4,214,474		14,605,709
Collective investment funds		2,441,596			2,441,596
Reverse repurchase agreements			1,094,343		1,094,343
Securities lending agreements		4,685,017			4,685,017
Insurance-linked investments		775,452			775,452
Private equity		6,367,229			6,367,229
		60,549,862	5,308,817	-	65,858,679
Investments in unconsolidated subsidiaries		7,173,628			7,173,628
		69,392,368	**9,521,157**	**-**	**78,913,525**
Financial liabilities					
Cash collateral received	4.c			1,585,902	1,585,902
Trade and other payables	4.h			795,395	795,395
Derivative financial instrument liabilities	4.e	491,015			491,015
		491,015	**-**	**2,381,297**	**2,872,312**

2023	NOTE	ACTUAL FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
		NZD'000	NZD'000	NZD'000	NZD'000
Financial assets					
Cash and cash equivalents	4.b		1,858,270		1,858,270
Cash pledged as collateral	4.c		580,326		580,326
Trade and other receivables	4.d		481,646		481,646
Investments					
Derivative financial instrument assets	4.e	1,857,777			1,857,777
Other financial assets:					
Listed New Zealand equities		2,452,975			2,452,975
Listed global equities		24,960,743			24,960,743
Fixed income securities		11,249,847	2,203,692		13,453,539
Collective investment funds		2,290,802			2,290,802
Reverse repurchase agreements			889,014		889,014
Securities lending agreements		5,136,345			5,136,345
Insurance-linked investments		665,914			665,914
Private equity		6,034,982			6,034,982
		52,791,608	3,092,706	-	55,884,314
Investments in unconsolidated subsidiaries		7,316,854			7,316,854
		61,966,239	**6,012,948**	**-**	**67,979,187**
Financial liabilities					
Cash collateral received	4.c			936,291	936,291
Trade and other payables	4.h			829,425	829,425
Derivative financial instrument liabilities	4.e	1,324,313			1,324,313
		1,324,313	**-**	**1,765,716**	**3,090,029**

Accounting Policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The NZ Super Fund is party to financial instruments as part of its normal operations. These financial instruments make up the vast majority of the NZ Super Fund's net assets and include cash and cash equivalents, receivables, investments and payables. All financial instruments are recognised in the Statement of Financial Position and all income and expenditure in relation to financial instruments are recognised in the Statement of Comprehensive Income.

INITIAL RECOGNITION

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the NZ Super Fund becomes a party to the contractual provisions of the financial instrument. They are initially recognised at fair value plus, in the case of financial assets and financial liabilities not recorded at fair value through profit or loss, transaction costs (e.g. trading commission) that are attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Purchases or sales of financial instruments that require delivery within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e. the date on which the NZ Super Fund commits to purchase or sell the financial instrument.

The classification of financial instruments at initial recognition depends on the NZ Super Fund's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. In making an assessment of the business model

SECTION 4: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

for managing a financial asset, the Board and management consider all relevant information such as the investment objectives of the NZ Super Fund and how performance is evaluated and reported to the Board and management.

SUBSEQUENT MEASUREMENT

The NZ Super Fund's financial assets and financial liabilities are subsequently classified into the following categories:

- Those to be measured at fair value through profit or loss; and
- Those to be measured at amortised cost.

The NZ Super Fund does not have any financial assets classified as financial assets at fair value through other comprehensive income. The NZ Super Fund classifies all financial assets that are either held for trading and/or managed or evaluated on a fair value basis, as financial assets at fair value through profit or loss.

The NZ Super Fund's financial assets are reclassified when, and only when, the business model for managing those financial assets changes.

Financial assets and financial liabilities at fair value through profit or loss

The following financial assets and financial liabilities are classified at fair value through profit or loss:

- Financial assets, including debt instruments, that do not qualify for measurement at amortised cost; and
- Financial assets and financial liabilities that are held for trading.

This category includes investments in derivative financial instruments, listed equities, collective investment funds, insurance-linked investments, private equity and unconsolidated subsidiaries among others. These financial assets are either held for trading or are managed and have their performance evaluated on a fair value basis.

The NZ Super Fund does not designate any derivative financial instruments as hedges in a hedging relationship.

Financial assets and financial liabilities at fair value through profit or loss are recognised in the Statement of Financial Position at fair value with changes in fair value being recognised in the Statement of Comprehensive Income in the period in which they arise.

Financial assets at amortised cost

The NZ Super Fund's financial assets are classified at amortised cost if both of the following criteria are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

This category includes cash and cash equivalents, cash pledged as collateral, trade and other receivables, reverse repurchase agreements and some unlisted fixed income securities. Unlisted fixed income securities that are classified as financial assets at amortised cost include fixed and floating rate notes.

Subsequent to initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method and are subject to impairment. When a financial asset is impaired, impairment losses are recognised in the Statement of Comprehensive Income in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities. This category includes cash collateral received and trade and other payables. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or when the NZ Super Fund has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the NZ Super Fund's obligation under the liability is discharged, cancelled or has expired.

IMPAIRMENT

The Board and management assess, at each reporting date, whether a financial asset or a group of financial assets is impaired. The amount of the impairment loss is the difference between the contractual cash flows due in relation to the financial asset or the group of financial assets and the cash flows that the NZ Super Fund expects to receive, discounted at an approximation of the original effective interest rate.

The following financial assets that are measured at amortised cost are subject to the impairment provisions (the 'expected credit loss model') of NZ IFRS 9 Financial Instruments:

- Cash and cash equivalents;
- Cash pledged as collateral;
- Trade and other receivables;
- Reverse repurchase agreements; and
- Unlisted fixed income securities carried at amortised cost.

The impairment loss for cash and cash equivalents and cash pledged as collateral is considered immaterial.

Disclosures relating to the impairment of receivables are provided in Note 4(d).

The NZ Super Fund's investments in reverse repurchase agreements and unlisted fixed income securities that meet the criteria for being classified as financial assets at amortised cost and which are therefore subject to the expected credit loss (ECL) model, are considered to have low credit risk and/or the credit risk has not increased significantly since initial recognition. As a result, the impairment loss recognised is limited to 12-month ECLs. The Board and management consider these financial assets to have low credit risk because there is a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. 12-month ECLs are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date or a shorter period if the expected life of the financial asset is less than 12 months. Refer to Note 3(c) for further disclosures on credit risk.

Impairment losses are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written-off when the Board and management have no reasonable expectations of recovering a financial asset.

(b) Cash and cash equivalents

Accounting Policy

Cash and cash equivalents includes cash on hand, cash held in bank accounts, demand deposits and short-term investments held for the purpose of meeting short-term cash commitments with original maturities of three months or less, which have an insignificant risk of change in fair value.

At 30 June 2024, cash of $388,800,000 (2023: $307,622,000) had been allocated and was held in Northern Trust's (the NZ Super Fund's global master custodian) custody awaiting investment by investment managers.

SECTION 4: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Collateral

Accounting Policy

Cash provided by the NZ Super Fund as security for financial arrangements remains a financial asset of the NZ Super Fund and is recognised as cash pledged as collateral in the Statement of Financial Position, separate from cash and cash equivalents. Cash received by the NZ Super Fund as security for financial arrangements is also recognised as an asset in the Statement of Financial Position, along with a corresponding liability (cash collateral received) to repay the cash collateral when the underlying transaction is terminated.

For non-cash collateral received by the NZ Super Fund, if the NZ Super Fund has the right to sell or re-pledge the collateral, the collateral is recognised accordingly in the Statement of Financial Position. However, if the NZ Super Fund does not have the right to sell or re-pledge the collateral, the collateral is not recognised in the Statement of Financial Position but disclosed in the notes to the financial statements instead.

The NZ Super Fund enters into various derivative financial instruments, securities lending and repurchase agreements which may require the NZ Super Fund to post or receive collateral as security with counterparties to mitigate counterparty credit risk. Where an agreement between counterparties results in one counterparty owing another, collateral may be exchanged, offsetting some or all of the amount outstanding. In the event of default, the collateral may be applied in order to settle the outstanding liability.

In line with standard industry practice, collateral is provided for derivative transactions in accordance with Credit Support Annexes (CSAs) which may vary from counterparty to counterparty. Collateral may be required by one, both or neither of the counterparties to a derivative transaction. The provision of collateral inherently lags behind real-time mark-to-market movements in the underlying derivative transactions and may only be exchanged once certain thresholds, as governed by the CSAs, are reached.

CASH PLEDGED AS COLLATERAL

Cash pledged as collateral to meet obligations under CSAs for derivative positions is $146,139,000 (2023: $207,250,000). The counterparties are permitted to sell or re-pledge the collateral. The pledged assets will be returned to the NZ Super Fund when the underlying transaction is terminated, but in the event of default the counterparty is entitled to apply the collateral in order to settle the outstanding liability.

Cash balances totalling $759,873,000 (2023: $373,076,000) are held in separate bank accounts lodged with the relevant futures exchange. These cash balances have been pledged as collateral for potential margin calls on futures that have a fair value of $nil (2023: $nil).

CASH COLLATERAL RECEIVED

Cash received as collateral to meet obligations under CSAs for derivative positions is $1,312,045,000 (2023: $528,378,000). The NZ Super Fund is permitted to sell or re-pledge the collateral. The pledged assets will be returned to the counterparties when the underlying transaction is terminated, but in the event of default the NZ Super Fund is entitled to apply the collateral in order to settle the liability.

Cash received as collateral to meet obligations under securities lending is $273,857,000 (2023: $407,913,000). The NZ Super Fund is permitted to sell or re-pledge the collateral. At 30 June 2024, cash of $271,273,000 (2023: $402,514,000) had been used to purchase securities under a reverse repurchase agreement. These pledged assets will be returned to the counterparties of the securities lending agreements once the underlying transactions are terminated, but in the event of default the NZ Super Fund is entitled to apply the collateral in order to settle the liability.

NON-CASH COLLATERAL RECEIVED

The fair value of fixed income securities received as collateral to meet obligations under securities lending agreements is $1,085,113,000 (2023: $2,602,564,000). The fair value of equity securities received as collateral to meet obligations under securities lending agreements is $3,511,732,000 (2023: $2,310,642,000). The NZ Super Fund is not permitted to sell or re-pledge the collateral. The pledged assets will be returned to the counterparties when the underlying transaction is terminated, but in the event of default the NZ Super Fund is entitled to apply the collateral in order to settle the liability.

The fair value of fixed income securities received as collateral to meet obligations under a reverse repurchase agreement is $1,288,254,000 (2023: $1,091,094,000). The fair value of equity securities received as collateral to meet obligations under a reverse repurchase agreement is $43,915,000 (2023: $43,923,000). The NZ Super Fund is not permitted to sell or re-pledge the collateral. The pledged assets will be returned to the counterparties when the underlying transaction is terminated, but in the event of default the NZ Super Fund is entitled to apply the collateral in order to settle the liability.

(d) Trade and other receivables

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Trade receivables	30,596	18,504
Accrued interest	132,182	111,808
Dividends receivable	39,215	34,508
Unsettled sales	502,055	316,577
GST receivable	737	249
	704,785	**481,646**

Accounting Policy

Trade receivables are initially recognised at their transaction price unless they contain significant financing components, in which case they are recognised at fair value. The NZ Super Fund holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less impairment losses using the effective interest method.

The NZ Super Fund only holds trade receivables that have maturities of less than 12 months and which have no financing components. As such, the Board and management have applied a simplified approach for calculating expected credit losses (ECLs) on trade receivables under NZ IFRS 9 Financial Instruments. As a result, the Board and management do not track changes in credit risk, but instead, recognise impairment losses based on lifetime ECLs at each reporting date. The NZ Super Fund's approach to ECLs reflects a probability-weighted outcome using reasonable and supportable information that is available without undue cost or effort at reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are non-interest bearing and have standard 30-day credit terms. The NZ Super Fund does not have a history of default on trade receivables and the Board and management consider the probability of default to be very low as the counterparties have a strong capacity to meet their contractual obligations in the short term. Accordingly, no allowance has been made for impairment.

The timing and amount of expected cash flows for accrued interest, dividends receivable and unsettled sales are certain as they are based on contractual terms and corporate actions.

As a result of their short-term nature, the carrying value of trade and other receivables held at amortised cost approximates fair value.

SECTION 4: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(e) Derivative financial instruments

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Derivative financial instrument assets		
Forward foreign exchange contracts	1,114,595	1,271,333
Cross currency swaps	3,814	2,291
Asset swaps	41,870	6,788
Longevity contingent swaps	-	24,011
Futures contracts	-	-
Total return swaps	390,794	322,863
Credit default swaps	21,251	50,846
Interest rate swaps	94,803	179,645
Options	1,751	-
Warrants	-	-
	1,668,878	1,857,777
Derivative financial instrument liabilities		
Forward foreign exchange contracts	373,401	1,187,807
Asset swaps	-	4,298
Futures contracts	-	-
Total return swaps	56,564	66,744
Credit default swaps	61,004	65,462
Interest rate swaps	46	2
	491,015	1,324,313
Net derivative financial instruments	**1,177,863**	**533,464**

The NZ Super Fund enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, credit risk and interest rate risk and to achieve exposure to assets and asset classes. The use of derivative financial instruments is governed by the Statement of Investment Policies, Standards and Procedures, including the Derivatives Policy. Compliance with policies and exposure limits is monitored on a continuous basis.

The NZ Super Fund has positions in the following types of derivative financial instruments:

Forwards and futures contracts

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forward contracts are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated futures exchanges and are subject to daily cash margin requirements.

The main differences in risk associated with forward and futures contracts are credit risk and liquidity risk. The NZ Super Fund has credit exposure to the counterparties of non-collateralised forward contracts. The credit risk associated with futures contracts is considered minimal because the futures exchange reduces credit risk by daily margining. Where possible, the NZ Super Fund seeks to settle all forward contracts on a net basis, but in some instances they are settled gross. Forward contracts that are settled gross are considered to have a higher liquidity risk than futures contracts which are settled on a net basis. Both types of contracts result in exposure to market risk.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts. Where swap contracts are settled net, the payment flows are usually netted against each other, with the difference being paid by one party to the other. Where possible, swaps are settled net but some cross currency swaps are settled gross. In a cross currency swap, the NZ Super Fund pays a specified amount in one currency and receives a specified amount in another currency. Swap contracts expose the NZ Super Fund to counterparty credit risk, market risk and liquidity risk.

Warrants

Warrants are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

At 30 June 2024, the NZ Super Fund holds no warrants (2023: one warrant for a listed global equities investment, valued at $nil).

The contract maturities, notional and fair values for all derivative financial instruments are set out below. Total fair values presented correspond to the net assets and liabilities for each class of derivative financial instrument.

FORWARD FOREIGN EXCHANGE CONTRACTS

	ACTUAL			
	NOTIONAL VALUE - BUY/ (SELL) FOREIGN CURRENCY	FAIR VALUE	NOTIONAL VALUE - BUY/ (SELL) FOREIGN CURRENCY	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
Less than 3 months	(32,068,421)	380,116	(44,263,819)	155,451
3 to 6 months	(19,868,260)	246,100	(16,635,673)	142,049
6 to 9 months	(12,468,652)	44,115	(11,193,689)	(188,540)
9 to 12 months	(12,466,417)	54,498	(8,697,805)	(26,700)
1 to 2 years	(3,020,469)	16,365	(600,000)	1,266
	(79,892,219)	**741,194**	**(81,390,986)**	**83,526**

Where possible, the NZ Super Fund seeks to settle all forward foreign exchange contracts on a net basis, otherwise, they are settled gross. Refer to Note 4(g) for further disclosures on the offsetting of financial assets and liabilities.

CROSS CURRENCY SWAPS

		ACTUAL			
	FOREIGN CURRENCY BUY/ SELL	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
		2024	2024	2023	2023
		NZD'000	NZD'000	NZD'000	NZD'000
2 to 5 years	NZD/USD	144,515	854	288,272	865
	NZD/JPY	179,249	1,439	-	-
	AUD/USD	-	-	645,654	1,159
	USD/JPY	179,249	1,045	-	-
5 to 10 years	AUD/USD	96,490	476	95,970	267
		599,503	**3,814**	**1,029,896**	**2,291**

Where possible, the NZ Super Fund seeks to settle all cross currency swaps on a net basis, otherwise, they are settled gross. Refer to Note 4(g) for further disclosures on the offsetting of financial assets and liabilities. Notional value is derived from the 'buy' leg of these contracts.

SECTION 4: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

ASSET SWAPS

	ACTUAL			
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
Later than 10 years	492,328	41,870	489,676	2,490
	492,328	**41,870**	**489,676**	**2,490**

All asset swaps are settled net.

LONGEVITY CONTINGENT SWAPS

	ACTUAL			
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
Later than 10 years	-	-	179,548	24,011
	-	**-**	**179,548**	**24,011**

All longevity contingent swaps are settled net.

FUTURES CONTRACTS

	ACTUAL			
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
Equity futures	11,071,142	-	4,920,056	-
Fixed interest futures	1,731,791	-	1,427,593	-
Commodities futures	-	-	82,809	-
	12,802,933	**-**	**6,430,458**	**-**

The margin on futures contracts is settled daily.

TOTAL RETURN SWAPS

	ACTUAL			
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
Equity				
Less than 1 year	19,240,317	331,770	14,973,258	256,142
	19,240,317	**331,770**	**14,973,258**	**256,142**
Bonds				
Less than 1 year	1,506,086	2,460	81,613	(23)
1 to 2 years	655,482	-	-	-
	2,161,568	**2,460**	**81,613**	**(23)**

All total return swaps are settled net.

CREDIT DEFAULT SWAPS

	ACTUAL			
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
Buy protection				
Less than 1 year	4,878,970	(48,525)	852,036	(17,536)
1 to 2 years	187,585	(2,827)	4,859,218	(66,953)
2 to 5 years	1,631,343	(57,290)	1,742,129	(61,826)
	6,697,898	**(108,642)**	**7,453,383**	**(146,315)**
Sell protection				
Less than 1 year	4,878,969	45,927	852,036	15,566
1 to 2 years	-	-	4,859,218	61,838
2 to 5 years	3,273,576	14,844	6,543,965	36,233
5 to 10 years	4,711,105	8,118	7,993,413	18,062
	12,863,650	**68,889**	**20,248,632**	**131,699**

All credit default swaps are settled net.

SECTION 4: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

INTEREST RATE SWAPS

	ACTUAL			
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
Less than 1 year	21,000	988	170,000	3,491
1 to 2 years	767,937	5,361	21,000	1,957
2 to 5 years	202,000	16,889	1,136,401	44,295
5 to 10 years	139,800	15,394	170,000	29,642
Later than 10 years	543,034	56,125	1,540,184	100,258
	1,673,771	**94,757**	**3,037,585**	**179,643**

All interest rate swaps are settled net.

OPTIONS

	ACTUAL			
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
Equity				
Less than 1 year	211,735	1,751	-	-
	211,735	**1,751**	**-**	**-**

WARRANTS

	ACTUAL			
	NOTIONAL VALUE	FAIR VALUE	NOTIONAL VALUE	FAIR VALUE
	2024	2024	2023	2023
	NZD'000	NZD'000	NZD'000	NZD'000
2 to 5 years	-	-	11,657	-
	-	**-**	**11,657**	**-**

(f) Securities lending and similar agreements

Accounting Policy

Securities lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the Statement of Financial Position if the risks and rewards of ownership are also transferred. Collateral advanced by the borrower in the form of readily marketable securities (non-cash) is held in escrow by a third party agent. Recourse of those securities is only available in the event of default of the borrower and, because of this, the non-cash collateral is not recognised in the Statement of Financial Position. Collateral advanced by the borrower in the form of cash is recognised as an asset in the Statement of Financial Position, along with a corresponding obligation to repay the cash collateral to the borrower, once the securities have been returned.

Securities purchased under reverse repurchase agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded separately in the Statement of Financial Position as an investment, reflecting the transaction's economic substance as a loan. The difference between the purchase and resale prices is recorded in interest income and is accrued over the life of the agreement using the effective interest rate.

The NZ Super Fund enters into agreements to lend global equities and fixed income securities to other market participants in return for a fee, with an obligation that the securities are returned at the termination of the agreement. The other market participants may use the loaned securities to enter into other contractual agreements, however the NZ Super Fund retains all risks and rewards of ownership throughout the period of the agreement. Cash collateral is received from the borrowers of these securities.

The NZ Super Fund enters into reverse repurchase agreements whereby the counterparty sells highly liquid fixed income securities to the NZ Super Fund in return for cash, with an obligation to repurchase the securities at a higher price at a specified future date. The counterparty retains all the risks and rewards of ownership throughout the period of the agreement.

SECTION 4: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(g) Offsetting financial assets and liabilities

At balance date the NZ Super Fund was subject to multiple master netting arrangements or similar agreements with its derivative financial instrument, securities lending and reverse repurchase counterparties. The following table shows the NZ Super Fund's financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

	ACTUAL					
		AMOUNTS OFFSET		RELATED AMOUNTS NOT OFFSET		
2024	GROSS AMOUNTS	GROSS AMOUNTS SET-OFF IN THE STATEMENT OF FINANCIAL POSITION	NET AMOUNTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	FINANCIAL INSTRUMENTS (INCLUDING NON-CASH COLLATERAL)*	CASH COLLATERAL	NET AMOUNT
	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
Financial assets						
Derivative financial instrument assets	1,775,970	107,092	1,668,878	-	1,312,045	356,833
Reverse repurchase agreements	1,094,343	-	1,094,343	1,332,169	-	(237,826)
Securities lending agreements	4,685,017	-	4,685,017	4,596,845	273,857	(185,685)
	7,555,330	**107,092**	**7,448,238**	**5,929,014**	**1,585,902**	**(66,678)**
Financial liabilities						
Derivative financial instrument liabilities	(598,107)	(107,092)	(491,015)	-	(146,139)	(344,876)
	(598,107)	**(107,092)**	**(491,015)**	**-**	**(146,139)**	**(344,876)**
2023						
Financial assets						
Derivative financial instrument assets	2,080,904	223,127	1,857,777	-	528,378	1,329,399
Reverse repurchase agreements	889,014	-	889,014	1,135,017	-	(246,003)
Securities lending agreements	5,136,345	-	5,136,345	4,913,207	407,913	(184,775)
	8,106,263	**223,127**	**7,883,136**	**6,048,224**	**936,291**	**898,621**
Financial liabilities						
Derivative financial instrument liabilities	(1,547,440)	(223,127)	(1,324,313)	-	(207,250)	(1,117,063)
	(1,547,440)	**(223,127)**	**(1,324,313)**	**-**	**(207,250)**	**(1,117,063)**

* Financial instruments held as collateral against reverse repurchase and securities lending agreements are held in escrow by a third party agent. Recourse of those securities is only available in the event of default of the borrower and, because of this, the non-cash collateral is not recognised in the Statement of Financial Position.

Accounting Policy

The NZ Super Fund offsets financial assets and financial liabilities when it has a current legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis. Each master netting arrangement or similar agreement allows for net settlement of certain open contracts where the NZ Super Fund and the respective counterparty both elect to settle on a net basis. In the absence of such an election, contracts will be settled on a gross basis. However, each party to the master netting arrangement or similar agreement will have the option to settle all open contracts on a net basis in the event of default of the other party. Under the terms of the master netting arrangement or similar agreement, collateral can only be seized by a party in the event of default of the other party.

(h) Trade and other payables

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Accrued expenses	87,190	135,996
Unsettled purchases	686,827	672,598
Amounts owed for reimbursement of the Guardians' expenses	21,378	20,831
	795,395	**829,425**
Represented by:		
Current	793,873	827,945
Non-current	1,522	1,480
	795,395	**829,425**

Accounting Policy

Short-term trade and other payables are initially recognised at fair value, then subsequently at amortised cost. As a result of their short-term nature, the carrying amount of trade and other payables held at amortised cost approximates fair value.

Trade and other payables represent amounts due to third parties in the normal course of business and to the Guardians for the reimbursement of expenses. Trade payables are non-interest bearing and are normally settled within 30-day terms. The NZ Super Fund has risk management policies in place to ensure that all payables are paid within the credit time frame.

The timing and amount of expected cash flows for unsettled purchases are certain as they are based on contractual terms and corporate actions.

Other than the non-current portion of trade and other payables, all payables are expected to settle within one year. The non-current payable will settle progressively over a four-year period.

(i) Financial assets and liabilities expected to be recovered or settled more than 12 months after balance date

The following table sets out the financial assets and financial liabilities that are expected to be recovered or settled more than 12 months after balance date:

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Financial assets		
Investments - derivative financial instrument assets	189,514	263,361
Investments - other financial assets (including unconsolidated subsidiaries)	20,079,204	16,528,321
	20,268,718	**16,791,682**
Financial liabilities		
Trade and other payables	1,522	1,480
Investments - derivative financial instrument liabilities	70,849	69,796
	72,371	**71,276**
Net financial assets	**20,196,347**	**16,720,406**

SECTION 5: NON-FINANCIAL ASSETS AND LIABILITIES

(a) Provision for performance-based fees

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Opening balance	61,050	99,573
New provision during the year	575	37,720
Unused provision released during the year	-	-
Current portion transferred to accrued expenses	(55,540)	(76,243)
Closing balance	**6,085**	**61,050**

Accounting Policy

A provision is recognised in the Statement of Financial Position when the NZ Super Fund has a present obligation arising as a result of a past event, it is probable that cash will be paid to settle the obligation and the amount can be estimated reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance date, taking into consideration the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Where some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Performance-based fees are payable to certain external investment managers based on the performance of assets under their management over and above an agreed benchmark. For some of these external investment managers, the pay-out of the current year's fee is capped, with the remainder of the fee being held by the NZ Super Fund for possible pay-out in future periods. For those managers, poor performance in the following years may lead to a reduction in the entitlement that is being held.

SECTION 6: MANAGEMENT OF FUND CAPITAL AND RESERVES

(a) Fund capital

PURPOSE

Fund capital, which comprises investments and all other assets of the NZ Super Fund less any liabilities, is the property of the Crown. The NZ Super Fund's purpose is to build a portfolio of assets to help reduce the impact of providing retirement income, in the form of New Zealand superannuation, to an ageing population.

CAPITAL CONTRIBUTIONS

The Crown is required to make capital contributions to the NZ Super Fund in accordance with Sections 42 to 44 of the Act. These capital contributions are made by the Crown for investment purposes based on a percentage of Gross Domestic Product. Under Section 44 of the Act, the Crown is entitled to contribute lesser amounts than calculated using the formula under Section 43 of the Act. Fund capital contributions are recorded in the Statement of Changes in Public Equity.

CAPITAL WITHDRAWALS

Under Section 47 of the Act, if the required annual capital contribution is less than zero, the Minister of Finance may require a capital withdrawal to be made from the NZ Super Fund up to that amount and paid into a Crown bank account. Capital withdrawals are projected to commence from 2032/33 under current Treasury modelling.

SUPERANNUATION ENTITLEMENTS

Under Section 45 of the Act, the Minister of Finance must ensure that sufficient money is transferred into the NZ Super Fund in each financial year to meet the net cost of the superannuation entitlements that are payable out of the NZ Super Fund during that year. This requirement is additional to and separate from the obligation to make annual capital contributions. The Treasury, through its New Zealand Debt Management office, has facilitated funding for these superannuation entitlements from the Minister of Finance to the Ministry of Social Development on behalf of the NZ Super Fund. The Guardians has no control over these transfers, with The Treasury acting as agent for the NZ Super Fund. Transfers for superannuation entitlements are recorded in the Statement of Changes in Public Equity.

MANAGEMENT OF FUND CAPITAL

The NZ Super Fund is a profit-oriented entity, managed by the Guardians. The Guardians' mandate is to invest the NZ Super Fund on a prudent, commercial basis and, in doing so, ensure that the NZ Super Fund is managed and administered in a manner consistent with best-practice portfolio management, maximising return without undue risk to the NZ Super Fund as a whole, and avoiding prejudice to New Zealand's reputation as a responsible member of the world community. The contributions from the Crown to the NZ Super Fund are invested in accordance with its Statement of Investment Policies, Standards and Procedures, which is available at www.nzsuperfund.nz.

(b) Reserves

ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record increases and decreases in the fair value of intangible assets.

SECTION 7: FINANCIAL PERFORMANCE

(a) Income

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Net operating income		
Interest income	831,876	556,134
Dividend income	815,099	758,560
Net changes in fair value on financial instruments at fair value through profit or loss	7,880,119	5,308,328
Net foreign exchange gains	464,441	479,354
Other income	10,801	9,906
	10,002,336	**7,112,282**
Interest income		
Interest income - financial instruments at fair value through profit or loss	472,158	394,995
Interest income - financial assets at amortised cost	359,718	161,139
	831,876	**556,134**

Accounting policy

Income is recognised when it is probable that economic benefits will flow to the NZ Super Fund and the income can be reliably measured, regardless of when payment is being made. The following specific recognition criteria must also be met before income is recognised:

INTEREST INCOME

Interest income comprises interest on financial instruments measured at fair value through profit or loss and interest on financial assets measured at amortised cost.

For financial instruments measured at fair value, interest income is recognised on an accruals basis, either daily or on a yield-to-maturity basis. For financial assets measured at amortised cost, interest income is recognised as the interest accrues using the effective interest method, which allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

DIVIDEND INCOME

Dividend income is recognised when the shareholder's rights to receive payment has been established, normally the ex-dividend date. Where the NZ Super Fund has elected to receive dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the Statement of Comprehensive Income.

(b) Income received and fair value gains and losses recognised from interests in unconsolidated structured entities

The following table summarises income received and fair value gains and losses from the NZ Super Fund's investments in unconsolidated structured entities:

	ACTUAL				
2024	INTEREST INCOME	DIVIDEND INCOME	FAIR VALUE GAINS	FAIR VALUE LOSSES	TOTAL
	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
Fixed income securities:					
Asset-backed securities	152,939	-	12,266	(3,289)	161,916
Agency mortgage-backed securities	34,168	-	20,562	(42,868)	11,862
Shareholder loans	11,503	-	-	-	11,503
Fixed income exchange traded funds	11,312	-	13,916	-	25,228
Collective investment funds	13,058	-	312,105	(90,282)	234,881
Listed global equities:					
Equity exchange traded funds	-	-	-	-	-
Insurance-linked investments - catastrophe bonds	97,489	-	36,612	(31,685)	102,416
Private equity investment funds	-	119,032	227,242	(238,120)	108,154
Reverse repurchase agreements	38,805	-	-	(222)	38,583
Unconsolidated subsidiaries	-	6,850	1,647,126	(669,046)	984,930
2023					
Fixed income securities:					
Asset-backed securities	99,417	-	8,653	(4,182)	103,888
Agency mortgage-backed securities	25,618	-	29,812	(88,719)	(33,289)
Shareholder loans	6,771	-	-	-	6,771
Fixed income exchange traded funds	9,308	-	-	(24,434)	(15,126)
Collective investment funds	11,589	-	83,619	(229,612)	(134,404)
Listed global equities:					
Equity exchange traded funds	-	1,625	36,910	-	38,535
Insurance-linked investments - catastrophe bonds	63,642	-	15,897	(35,268)	44,271
Private equity investment funds	-	78,708	408,426	(149,998)	337,136
Reverse repurchase agreements	30,576	-	-	(25,352)	5,224
Unconsolidated subsidiaries	-	11,969	1,008,224	(457,681)	562,512

SECTION 7: FINANCIAL PERFORMANCE (CONTINUED)

(c) Operating expenditure

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Reimbursement of Guardians' expenses	97,822	86,760
Managers' fees - base	51,321	52,446
Managers' fees - performance	30,373	45,667
Custody fees	6,559	6,854
Depreciation	582	533
Impairment loss on assets carried at amortised cost	45,107	32,468
Fees for audit firms' services	719	679
Professional advisors	6,515	8,567
Trade expenses	10,413	11,145
Other expenses	12,426	10,288
	261,837	**255,407**

(d) Fees for audit firms' services

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Audit of the NZ Super Fund's financial statements	696	658
Other assurance services - Ernst & Young:		
Review of NZ Super Fund performance	6	5
Review of the Guardians' adherence to Generally Accepted Principles and Practices for Sovereign Wealth Funds (Santiago Principles)	17	16
	23	21
	719	**679**

The auditor of the NZ Super Fund is Emma Winsloe of Ernst & Young, on behalf of the Auditor-General.

(e) Income tax

The income tax expense included in the Statement of Comprehensive Income is analysed as follows:

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Components of income tax expense		
Current tax expense:		
Current period	1,297,726	150,702
Prior period adjustments	(7,877)	-
	1,289,849	150,702
Deferred tax expense/(income):		
Current period	(70,027)	785,715
Prior period adjustments	(1,466)	(10,374)
	(71,493)	775,341
	1,218,356	**926,043**
Reconciliation of income tax expense and accounting profit for the year		
Profit for the year before income tax expense	9,740,499	6,856,875
Income tax expense calculated at 28%	2,727,340	1,919,925
Fair Dividend Rate*	(1,247,784)	(772,623)
Dividend imputation credits	(17,078)	(18,206)
Portfolio Investment Entities Regime	(99,014)	(75,155)
Controlled Foreign Companies Regime	(149,676)	(126,419)
Prior period adjustments	(9,343)	(10,374)
Other items	13,911	8,895
	1,218,356	**926,043**

* The NZ Super Fund applies the 'Fair Dividend Rate' (FDR) to all equity investments excluding New Zealand equities and certain Australian equities listed on the Australian Stock Exchange (ASX). The investments subject to FDR are taxed on 5% of their market value. Gains, losses and dividends on these investments are not subject to any further tax.

The Guardians has a Co-operative Compliance Agreement with the Inland Revenue Department (IRD). Under this agreement, tax positions undertaken on NZ Super Fund activities, including the tax treatment of new investments, are disclosed to the IRD before the tax return is filed.

SECTION 7: FINANCIAL PERFORMANCE (CONTINUED)

The table below sets out the deferred tax asset/(liability) recognised in the Statement of Financial Position, together with movements during the year:

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Opening balance	(49,566)	749,766
Losses available for offsetting against future taxable income	-	(786,112)
Controlled Foreign Companies Regime	59,583	1,340
Tax credits receivable	(1,465)	(273)
Impairment loss on assets carried at amortised cost	12,630	9,091
Other items	745	613
Deferred tax credited/(charged) to income tax expense	71,493	(775,341)
Other items not credited/(charged) to income tax expense*	-	(23,991)
Closing balance	**21,927**	**(49,566)**

* At 30 June 2024 there were no other items not credited/(charged) to income tax expense/(income) (2023: tax losses of $23,991,000 that arose in the year ended 30 June 2022 were made available by NZ Super Fund to offset the New Zealand tax payable of its subsidiaries for that year).

Accounting policy

In accordance with Section HR 4B of the Income Tax Act 2007, income derived by the NZ Super Fund is subject to New Zealand tax determined using the rules applying to companies. The income tax expense recognised in the Statement of Comprehensive Income comprises current and deferred tax and is based on accounting profit, adjusted for permanent differences between accounting and tax rules. Income tax relating to items of other comprehensive income is recognised in other comprehensive income.

Current tax is the expected tax payable to or receivable from the taxation authorities based on the taxable income or loss for the year and any adjustment in respect of prior years. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities at balance date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss other than in a business combination; and
- Temporary differences relating to investments in subsidiaries, associates and interests in joint ventures where it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses only to the extent that it is probable that sufficient taxable profit will be available to utilise the deductible temporary differences, the carry forward of unused tax credits and unused tax losses. The carrying amount of deferred tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset when a legally enforceable right to set-off exists, the deferred tax balances relate to income taxes levied by the same taxation authority and the NZ Super Fund intends to settle on a net basis.

(f) Reconciliation of profit for the year to net cash flows from operating activities

The following is a reconciliation of profit for the year to cash provided by operating activities as per the Statement of Cash Flows.

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Profit for the year after income tax expense	8,522,143	5,930,832
Add/(Deduct) non-cash items:		
Depreciation	582	533
Impairment loss on assets carried at amortised cost	45,107	32,468
Net changes in fair value on financial instruments at fair value through profit or loss	(7,880,119)	(5,308,328)
Net foreign exchange gains	(464,441)	(479,354)
Increase/(Decrease) in deferred tax liability/asset	(71,493)	799,332
Other non-cash items	47,988	(14,126)
Add items classified as investing activities:		
Loss on disposal of property, plant and equipment	-	-
Changes in working capital:		
(Increase)/Decrease in assets:		
Trade and other receivables	(223,139)	2,661,219
Increase/(Decrease) in liabilities:		
Trade and other payables	(34,030)	(4,148,258)
Provisions	(54,965)	(38,523)
Income tax payable	1,142,951	411,375
Add/(Deduct) changes in net assets and liabilities related to operating cash flows not included in net profit:		
Unsettled sales	185,478	(2,705,474)
Unsettled purchases	(14,229)	4,239,933
Deduct net operating cash flows not included in net profit*	(2,087,018)	(4,472,462)
Net cash used in operating activities	**(885,185)**	**(3,090,833)**

* Net operating cash flows not included in net profit is primarily comprised of the cash flows arising from the sale and purchase of investments and the net movement in cash collateral.

SECTION 8: UNRECOGNISED ITEMS

(a) Commitments and contingencies

LEASE COMMITMENTS

The NZ Super Fund has no commitments for lease contracts that have not yet commenced at 30 June 2024 (2023: $nil).

CAPITAL COMMITMENTS

At 30 June 2024, the NZ Super Fund had outstanding commitments to private equity investment funds and collective investment funds (excluding those classified as unconsolidated subsidiaries) totalling $2,385,262,000 (2023: $2,458,061,000), of which $49,085,000 has been called but not yet paid (2023: $20,531,000). Additionally, private equity investment funds that have reached the end of their contracted investment periods can call for 'follow on capital' under restricted conditions to support existing investments. The NZ Super Fund has an additional commitment of $643,230,000 for follow on capital (2023: $720,390,000). These commitments are denominated in the foreign currency of the respective private equity investment funds and collective investment funds and have been translated at the exchange rate prevailing at balance date.

At 30 June 2024, the NZ Super Fund had outstanding commitments under loan agreements (excluding those to unconsolidated subsidiaries) totalling $391,065,000 (2023: $535,707,000). Under the loan agreements, the borrower can call for cash by giving the NZ Super Fund up to two business days notice.

CONTINGENCIES

The NZ Super Fund has no contingent liabilities at balance date (2023: $nil).

(b) Events after the reporting date

There were no reportable events subsequent to balance date.

SECTION 9: OTHER INFORMATION

(a) Related party transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The definition includes subsidiaries, associates and joint ventures. All related party transactions with other government-related entities have been entered into on an arm's length basis.

PARENT ENTITY

The NZ Super Fund is managed and administered by the Guardians which is a wholly owned entity of the Crown. Both the Guardians and the Crown prepare financial statements that are available to the public.

The Guardians pays expenses relating to the NZ Super Fund, as it is required to do under the Act. A portion of these expenses is reimbursed by the NZ Super Fund as is entitled under the Act. These expenses are included in the financial statements of the Guardians. The amount of reimbursement to the Guardians for the year ended 30 June 2024 was $97,822,000 (2023: $86,760,000). The related party payable to the Guardians as at 30 June 2024 is $21,378,000 (2023: $20,831,000).

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Subsidiaries

The NZ Super Fund's interests in unconsolidated subsidiaries are set out in Note 1(e). Transactions entered into with these unconsolidated subsidiaries during the year are as follows:

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Interest income	11,503	6,771
Dividend income	6,850	11,969
Other income	187	285
Drawdown of loans	1,268,981	35,868
Repayment of loans	84,592	76,342

SECTION 9: OTHER INFORMATION (CONTINUED)

The NZ Super Fund has made the following loans to unconsolidated subsidiaries which are classified as fixed income securities in the Statement of Financial Position:

	MATURITY	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Interest bearing loans			
NZSF Australian Rural Holdings Trust	(i)	81,546	97,476
Palgrove Holdings Pty Limited	(ii)	27,724	22,734
Palgrove Land Holdings Trust	30 Jun 2026	-	5,883
NZSF Euro Limited	(iii)	1,166,975	-
NZSF Horticulture Investments Limited	30 Sep 2024	5,000	5,000
KA Feilding Limited Partnership	14 Nov 2026	19,350	-
KA Matamata Limited Partnership	24 Sep 2026	8,474	-
KA Waimanawa Limited Partnership	29 Oct 2024	7,688	5,633
KA Woolshed Limited Partnership	7 Nov 2026	7,382	-
Interest free loans, repayable on demand			
NZSF Canterbury Farms Limited		119,221	96,062
NZSF Rural Land Limited		102,311	65,713
NZSF Southland Farms Limited		53,015	60,535
NZSF Waikato Farms Limited		12,052	15,534
NZSF Timber Investments Limited		979,142	-
NZSF Timber Investments (No 4) Limited		-	380,005
		2,589,880	**754,575**

(i) $80,861,000 is repayable by 14 August 2027 and $685,000 is repayable by 31 March 2025.

(ii) $14,214,000 is repayable by 14 August 2027 and $13,510,000 is repayable by 31 March 2025.

(iii) $343,262,000 is repayable by 16 August 2033, $337,786,000 is repayable by 1 September 2033 and $485,927,000 is repayable by 10 June 2034.

The NZ Super Fund has made the following financial commitments to unconsolidated subsidiaries:

	NOTE	COMMITMENT EXPIRY DATE	ACTUAL TOTAL COMMITMENT	OUTSTANDING COMMITMENT	TOTAL COMMITMENT	OUTSTANDING COMMITMENT
			2024	2024	2023	2023
			NZD'000	NZD'000	NZD'000	NZD'000
APG Infrastructure Asset Owner Fund 1, C.V.		22 Jul 2037	439,711	439,484	445,196	445,196
Ara Fund Co-Investment G, SCSp		No expiry date	98,465	69,769	-	-
Bain Capital Credit Managed Account (NZSF), Limited Partnership	(i)	30 Jun 2020	272,621	176,024	276,022	167,465
BTF II-C Co-Invest, Limited Partnership		18 May 2027	164,109	92,809	163,225	140,380
Canyon NZ-DOF Investing Limited Partnership	(i)	1 Nov 2023	410,273	146,878	408,063	110,177
Fifth Wall Ventures III SPV XXVIII, Limited Partnership		No expiry date	64,530	71	57,129	57,129
KKR NZSF Energy Investor Limited Partnership	(ii)	12 Feb 2019	410,273	235,294	408,063	234,990
N-Data Center Portfolio Co-Investor, LLC		No expiry date	136,887	82	136,150	499
N-Novva Co-Investor, LLC		No expiry date	570,151	-	232,142	-
NZSF Beachlands Limited		No expiry date	-	-	5,696	1,046
NZSF Horticulture Investments Limited		30 Sep 2024	5,000	-	5,000	-
NZSF Land Holdings Limited		No expiry date	11,745	129	11,745	129
NZSF Hobsonville Investments Limited		No expiry date	49,169	9,491	49,169	9,491
NZSF Land Development Limited	(i)	5 Oct 2023	240,000	203,644	240,000	222,060
KA Waimanawa Limited Partnership		29 Oct 2024	22,895	17,358	22,895	18,358
KA Matamata Limited Partnership		24 Sep 2026	9,800	2,283	-	-
KA Woolshed Limited Partnership		7 Nov 2026	23,463	16,793	-	-
KA Feilding Limited Partnership		14 Nov 2026	18,774	1,224	-	-
NZSF Renewables NZ Limited		31 Dec 2024	7,058	3,370	4,446	4,446
NZSF Side Car (Movac) Limited Partnership	(i)	25 Nov 2021	25,000	2,256	25,000	2,282
NZSF Side Car (Pioneer) Limited Partnership	(i)	7 Mar 2022	60,000	2,603	60,000	3,358
NZSF US Renewables, Inc.		No expiry date	520,779	110,292	438,249	24,484
NZSF Variable Co-Investment (Direct Capital) Limited Partnership	(i)	14 Dec 2022	50,000	4,891	50,000	5,412
StepStone NZ Infrastructure Opportunities Fund, Limited Partnership		31 Aug 2026	410,273	256,688	408,063	381,269
StepStone Opportunities VC NZ, Limited Partnership		No expiry date	164,109	122,749	244,838	230,714
StepStone Opportunities VC NZ, Limited		27 Sep 2028	82,055	82,055	-	-
Stonepeak Fern Investment Partners, Limited Partnership		6 Jan 2034	246,164	123,291	244,838	130,524
Sutherland Timber Parent, Limited Partnership		No expiry date	246,164	219,531	-	-
			4,759,468	**2,339,059**	**3,935,929**	**2,189,409**

(i) Although the contracted investment period has expired, the unconsolidated subsidiary can call for 'follow on capital' under restricted conditions to support the administration of the unconsolidated subsidiary and for existing investments.

(ii) Although the contracted investment period has expired, the unconsolidated subsidiary can call for 'follow on capital' under restricted conditions to support the administration of the unconsolidated subsidiary and for existing investments. These restrictions limit the contractually available outstanding commitment stated above to $59,902,000 (2023: $60,544,000).

In addition, NZSF US Renewables, Inc. has made a commitment to provide financial support to its joint venture, Longroad Energy Holdings, LLC in respect of a letter of credit taken on by that company. In the event that Longroad Energy Holdings, LLC is unable to

SECTION 9: OTHER INFORMATION (CONTINUED)

pay any outstanding amount arising from the letter of credit as it falls due, NZSF US Renewables, Inc. may require additional funding from the NZ Super Fund to enable it to provide the required support. At balance date, the letter of credit totalled $240,113,000 (equivalent to USD 146,313,000) (2023: $278,221,000) of which NZSF US Renewables, Inc.'s share is $120,057,000 (equivalent to USD 73,157,000) (2023: $139,110,000).

Associates

The NZ Super Fund's interests in associates are set out in Note 1(f). Transactions entered into with these associates during the year are as follows:

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Dividend income	17,862	-
Interest income	443	102
Other income	441	428
Drawdown of loans	8,311	8,995

At 30 June 2024, the NZ Super Fund had one loan to an associate, Galileo Green Energy GmbH, totalling $28,645,000 (2023 $20,365,000). The loan is interest bearing, repayable by 4 February 2040.

At 30 June 2024, the NZ Super Fund had two outstanding commitments to associates, Sustainable Communities Infrastructure Trust, totalling $917,000 (2023 $909,000), and Galileo Green Energy GMBH, totalling $49,248,000 (2023 $11,426,000). The two commitments have no expiry date.

Joint ventures

The NZ Super Fund's interests in joint ventures are set out in Note 1(g). Transactions entered into with joint ventures during the year are as follows:

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Dividend income	4,864	7,257
Other income	396	345

At 30 June 2024, the NZ Super Fund had no loans or commitments to joint ventures (2023: nil).

OTHER GOVERNMENT-RELATED ENTITIES

At balance date, the NZ Super Fund held fixed income securities issued by the New Zealand Government valued at $71,414,000 (2023: $71,753,000). Interest income earned from these investments during the year was $2,214,000 (2023: $1,378,000).

At balance date, the NZ Super Fund held inflation-indexed securities issued by the New Zealand Government valued at $176,230,000 (2023: $170,442,000). Income earned from these investments during the year was $4,116,000 (2023: $3,633,000).

At balance date, the NZ Super Fund held fixed income securities issued by Housing New Zealand Limited valued at $18,043,000 (2023: $17,673,000). Interest income earned from these investments during the year was $618,000 (2023: $3,313,000).

At balance date, the NZ Super Fund held 30,234,000 (2023: 25,302,000) shares in Meridian Energy Limited, valued at $190,173,000 (2023: $141,690,000). Dividend income earned during the year from holdings in this entity amounted to $4,941,000 (2023: $4,696,000).

At balance date, the NZ Super Fund held no shares (2023: 40,000) shares in Air New Zealand Limited, valued at $nil (2023: $31,000). Dividend income earned during the year from holdings in this entity amounted to $5,000 (2023: $nil).

At balance date, the NZ Super Fund held 9,530,000 (2023: 9,373,000) shares in Mercury NZ Limited, valued at $62,563,000 (2023: $60,923,000). Dividend income earned during the year from holdings in this entity amounted to $2,174,000 (2023: $2,033,000).

During the year ended 30 June 2023, the 227,789,000 ordinary shares and 61,750,000 redeemable preference shares in Kiwi Group Holdings Limited, held by the NZ Super Fund's wholly owned subsidiary NZSF Tui Investments Limited, were acquired by Kiwi Group Capital Limited, a new company established by the Crown. The Crown's accepted offer for NZSF Tui Investments Limited's

25% shareholding in Kiwi Group Holdings Limited totalled $527,000,000. Dividend income earned during the year the year ended 30 June 2023 from holdings in this entity amounted to $6,316,000.

(b) Comparison to budget (unaudited)

During the year ended 30 June 2024 the specific asset mix of the NZ Super Fund varied from the budgeted figures and market returns were higher than the long-term return expectations on which the budget is based. Given the weight of growth assets in the NZ Super Fund, the Board and management expect significant year to year variations in the NZ Super Fund's returns. It is not possible to accurately predict these variations and incorporate them into the budget.

Building a better working world

Independent Auditor's Report

TO THE READERS OF NEW ZEALAND SUPERANNUATION FUND'S FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of New Zealand Superannuation Fund (the Fund). The Auditor-General has appointed me, Emma Winsloe, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Fund on his behalf.

OPINION

We have audited the financial statements of the Fund on pages 147 to 201, that comprise the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in public equity and statement of cash flows for the year ended on that date and the notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion the financial statements of the Fund:

- present fairly, in all material respects:
  - its financial position as at 30 June 2024; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Our audit was completed on 26 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of the Guardians of New Zealand Superannuation (the Board) and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS

The Board is responsible on behalf of the Fund for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible on behalf of the Fund for assessing the Fund's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or terminate the activities of the Fund, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the New Zealand Superannuation and Retirement Income Act 2001.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the Fund's Statement of Performance Expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements.

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As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 146 and 204 to 239, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon other than in relation to Guardians of New Zealand Superannuation's financial statements and performance information on pages 122 to 142 and 24 to 33 and Elevate NZ Venture Fund's financial statements on pages 205 to 227.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Fund in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit of the Fund we have carried out other assurance engagements, which are compatible with those independence requirements. We also provide audit and other services to entities in which the Fund invests. Other than the audit and these engagements, we have no relationship with or interests in the Fund.

Emma Winsloe

Emma Winsloe
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand

STATEMENT OF RESPONSIBILITY

For the year ended 30 June 2024

The Board and management of the Guardians of New Zealand Superannuation accept responsibility for the preparation of the annual financial statements of the Elevate NZ Venture Fund and Group and the judgements used in them.

The Board and management of the Guardians of New Zealand Superannuation accept responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting of the Elevate NZ Venture Fund and Group.

In the opinion of the Board and management of the Guardians of New Zealand Superannuation, the annual financial statements for the year ended 30 June 2024 fairly reflect the financial position, operations and cash flows of the Elevate NZ Venture Fund and Group.

JOHN WILLIAMSON

CHAIR
26 September 2024

JO TOWNSEND

CHIEF EXECUTIVE OFFICER
26 September 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024	NOTE	ACTUAL	ACTUAL
		2024	2023
		NZD'000	NZD'000
ASSETS			
Current assets			
Cash and cash equivalents	4.a, 4.b	15,449	3,416
Receivables and prepayments	4.a, 4.c	23	8,365
Total current assets		**15,472**	**11,781**
Non-current assets			
Investments	2.a, 4.a, 4.d	147,859	118,881
Total non-current assets		**147,859**	**118,881**
Total assets		**163,331**	**130,662**
LIABILITIES			
Current liabilities			
Trade and other payables	4.a, 4.e	1,351	1,836
Total current liabilities		**1,351**	**1,836**
Total liabilities		**1,351**	**1,836**
Net assets		**161,980**	**128,826**
PUBLIC EQUITY			
Accumulated comprehensive revenue and expense		528	7,074
Contributed capital	5.a	161,452	121,752
Total public equity		**161,980**	**128,826**

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year end 30 June 2024	NOTE	ACTUAL	ACTUAL
		2024	2023
		NZD'000	NZD'000
Net operating revenue/(loss)	6.a	(3,356)	22,065
Expenses	6.c	3,190	3,080
Surplus/(Deficit) for the year before income tax expense		**(6,546)**	**18,985**
Income tax expense	6.e	-	-
Surplus/(Deficit) for the year after income tax expense		**(6,546)**	**18,985**
Other comprehensive revenue and expense		-	-
Total comprehensive revenue and expense for the year		**(6,546)**	**18,985**

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN PUBLIC EQUITY

For the year ended 30 June 2024		ACTUAL		
	NOTE	CONTRIBUTED CAPITAL NZD'000	ACCUMULATED COMPREHENSIVE REVENUE AND EXPENSE NZD'000	TOTAL NZD'000
Balance at 1 July 2022		**80,552**	**(11,911)**	**68,641**
Total comprehensive revenue and expense for the year			18,985	18,985
Capital contributions from the Crown	5.a	41,200		41,200
Balance at 30 June 2023		**121,752**	**7,074**	**128,826**
Total comprehensive revenue and expense for the year			(6,546)	(6,546)
Capital contributions from the Crown	5.a	39,700		39,700
Balance at 30 June 2024		**161,452**	**528**	**161,980**

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2024	NOTE	ACTUAL	ACTUAL
		2024	2023
		NZD'000	NZD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Interest received		537	511
Other income		61	-
Total cash inflow from operating activities		**598**	**511**
Cash was applied to:			
Purchases of investments		(25,265)	(48,369)
Managers' fees		(2,500)	(2,526)
Reimbursement of Guardians' expenses		(500)	(500)
Payments to suppliers		-	(123)
Total cash outflow from operating activities		**(28,265)**	**(51,518)**
Net cash flows used in operating activities		**(27,667)**	**(51,007)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Capital contributions from the Crown		39,700	41,200
Net cash flows provided by financing activities		**39,700**	**41,200**
Net increase/(decrease) in cash and cash equivalents		**12,033**	**(9,807)**
Cash and cash equivalents at the beginning of the year		3,416	13,223
Cash and cash equivalents at the end of the year	4.a, 4.b	**15,449**	**3,416**

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

For the year ended 30 June 2024	NOTE	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
RECONCILIATION OF SURPLUS/(DEFICIT) FOR THE YEAR TO NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES			
Surplus/(Deficit) for the year		(6,546)	18,985
Add/(Deduct) non-cash items:			
Net changes in fair value on financial instruments at fair value through surplus or deficit	2.c	3,927	(21,545)
Changes in working capital:			
(Increase)/Decrease in assets:			
Receivables excluding investment prepayments		92	(104)
Increase/(Decrease) in liabilities:			
Trade and other payables excluding unpaid investment called		125	26
Add/(Deduct) net operating cash flows not included in net deficit*		(25,265)	(48,369)
Net cash used in operating activities		**(27,667)**	**(51,007)**

* Net operating cash flows not included in net deficit comprises the cash flows arising from the purchase of investments.

The attached notes form part of, and should be read in conjunction with, these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

SECTION 1: GENERAL INFORMATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

(a) General information

These are the consolidated financial statements of the Elevate NZ Venture Fund (Elevate Fund) and its subsidiary (Group). The Elevate Fund is a venture capital fund established under Section 8 of the Venture Capital Fund Act 2019 (Act) on 13 December 2019.

The purpose of the Elevate Fund is to contribute to a sustainable and productive economy by increasing the venture capital available to New Zealand entities and by developing New Zealand's venture capital markets to function more effectively.

The Elevate Fund is managed and administered by the Guardians of New Zealand Superannuation (Guardians). The Guardians was established as a Crown entity by Section 48 of the New Zealand Superannuation and Retirement Income Act 2001 and became operative from 30 August 2002. The Guardians is expected to invest the Elevate Fund in New Zealand's venture capital markets using best-practice investment management that is appropriate for institutional investment in those markets and in doing so, the Guardians must manage and administer the Elevate Fund in a manner consistent with avoiding prejudice to New Zealand's reputation as a responsible member of the world community.

The Elevate Fund invests via its wholly owned subsidiary, the Elevate NZ Venture Fund Limited Partnership. The General Partner of the limited partnership is Elevate NZ Venture Fund GP Limited (General Partner), a wholly owned subsidiary of New Zealand Growth Capital Partners Limited (NZGCP). The General Partner is responsible for the management, operation and administration of the limited partnership.

The Elevate Fund is domiciled in New Zealand and the address of its principal place of business is set out in the Corporate Directory on page 239.

The consolidated financial statements of the Group for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the Board of the Guardians of New Zealand Superannuation on 26 September 2024.

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Venture Capital Fund Act 2019.

The Elevate Fund is a public benefit entity for financial reporting purposes. The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Benefit Entity Standards (PBE Standards), as appropriate for Tier 1 public benefit entities.

(c) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except where modified by the measurement of financial assets at fair value.

The consolidated financial statements are presented in New Zealand dollars. All values are rounded to the nearest thousand dollars (NZD'000) unless stated otherwise.

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported. Accounting policies relating to specific financial statement items are set out in the relevant notes to the financial statements. Accounting policies that materially affect the financial statements as a whole are set out below.

(d) Significant judgements and estimates

The preparation of the Group's financial statements requires the Board and management to make judgements and use estimates that affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying disclosures. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities in future periods. The judgements and estimates used in respect of the Group are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The judgements and estimates that the Board and management have assessed to have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Assessment of control (Note 1(f));
- Assessment of investments in structured entities (Note 1(g)); and
- Determination of fair value (Note 2(b)).

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Elevate Fund and its subsidiary as at 30 June 2024.

The financial statements of the subsidiary are prepared for the same reporting period as the Group using consistent accounting policies. In preparing consolidated financial statements, all inter-entity transactions, balances, unrealised gains and losses are eliminated.

(f) Subsidiaries

Subsidiaries are those entities that are controlled by the Elevate Fund under the provisions of PBE IPSAS 35 Consolidated Financial Statements. The Elevate Fund controls an entity when it is exposed to, or has rights to, variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the entity. The Elevate Fund's investments are assessed for the existence of control if facts and circumstances indicate that there are changes to one or more of the elements of control.

Under Section 25 of the Act, all or any of the investments of the Elevate Fund may be held in a Venture Capital Fund Investment Vehicle (VIV) that is formed or controlled by the Guardians for the purposes of holding, facilitating, or managing investments of the Elevate Fund. A VIV that is controlled by the Guardians is a subsidiary of the Elevate Fund for accounting purposes.

The Elevate Fund has an interest in the following subsidiary:

				OWNERSHIP INTEREST	
			COUNTRY OF	2024	2023
NAME	NOTE	BALANCE DATE	INCORPORATION	%	%
Elevate NZ Venture Fund Limited Partnership	(i)	30 June	New Zealand	100.0	100.0

(i) Elevate NZ Venture Fund Limited Partnership is a Venture Capital Fund Investment Vehicle (VIV) established for the purpose of holding, facilitating and managing investments of the Elevate Fund.

Key judgement - assessment of control
The Elevate Fund's investment in its subsidiary has been assessed in light of the control model established under PBE IPSAS 35 Consolidated Financial Statements to ensure the correct classification and disclosure of its investment in the subsidiary.

(g) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

- Restricted activities;
- A narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;
- Insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Group is principally involved with structured entities through its investments in venture capital investment funds. The Group invests in structured entities to assist with the implementation of its overall investment strategy. The Group does not sponsor any structured entities.

VENTURE CAPITAL INVESTMENT FUNDS

Venture capital investment funds provide a mechanism to share exposure with other investors and may take various legal forms (e.g. limited liability companies, limited partnerships). The Group makes commitments to, and investments in, these legal structures and in return is issued with rights to a proportional stake in their net assets. They have a broad range of investment objectives and are managed by unrelated asset managers who apply various investment strategies to achieve their respective investment objectives.

SECTION 1: GENERAL INFORMATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key judgement - assessment of investments in structured entities

The Board and management have assessed which of the Group's investments are investments in structured entities. In doing so, the Board and management have considered voting rights and other similar rights afforded to investors as well as any contractual arrangements in place with these investments.

The Board and management have concluded that certain of the Group's investments meet the definition of a structured entity because:

- The voting rights in the investments are not the dominant factor in deciding who controls the investment; and
- The investments have narrow and well-defined objectives to provide investment opportunities to investors.

Further disclosures on structured entities are contained in Notes 3(e) and 6(b).

(h) Foreign currency

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The functional currency of the Group is New Zealand dollars. It is also the presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are converted to New Zealand dollars using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at balance date. Where there is a movement in the exchange rate between the date of a foreign currency transaction and balance date, the resulting exchange differences are recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

(i) Goods and services tax (GST)

The Elevate NZ Venture Fund Limited Partnership is registered for GST. Revenue, expenses, assets and liabilities of the Group are recognised in the consolidated financial statements inclusive of GST. The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Consolidated Statement of Financial Position.

(j) Statement of Cash Flows

The following are the definitions of the terms used in the Consolidated Statement of Cash Flows:

Operating activities include all activities other than financing activities.

Financing activities are those activities relating to changes in public equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity capital.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis.

(k) Changes in accounting policies

There have been no changes in accounting policies during the year. All accounting policies are consistent with those applied in the previous financial year.

Certain prior year comparatives have been restated to conform with current year presentation. These classifications have no impact on the overall performance, financial position or cash flows of the Group for the comparable year.

(l) New and amended standard adopted

The following amended standard has been applied for the first time in these consolidated financial statements.

PBE IPSAS 1 DISCLOSURE OF FEES FOR AUDIT FIRMS' SERVICES

The amendments to PBE IPSAS 1 Disclosure of Fees for Audit Firms' Services require additional disclosures for fees paid to audit firms for different types of services using prescribed categories. The amended standard is effective for reporting periods beginning on or after 1 January 2024, with early adoption permitted. The Board and management have elected to early adopt the amendments to PBE IPSAS 1 Disclosure of Fees for Audit Firms' Services. The adoption of these amendments has not resulted in any changes for the Elevate Fund's consolidated financial statements as the only fees paid to the auditor during the year were for audit fees.

SECTION 2: FAIR VALUE

(a) Fair value measurement

The Group's assets and liabilities that are measured at fair value through profit or loss are categorised within the fair value hierarchy as follows:

		ACTUAL					
2024	NOTE	(LEVEL 1)	(LEVEL 2)	(LEVEL 3)	TOTAL AT FAIR VALUE	TOTAL NOT AT FAIR VALUE	TOTAL
		NZD'000	NZD'000	NZD'000	NZD'000	NZD'000	NZD'000
ASSETS							
Investments							
Venture capital investment funds	4.a, 4.d			147,859	147,859		147,859
		-	-	**147,859**	**147,859**	-	**147,859**
2023							
ASSETS							
Investments							
Venture capital investment funds	4.a, 4.d			118,881	118,881		118,881
		-	-	**118,881**	**118,881**	-	**118,881**

Accounting Policy

All of the Group's investments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Management uses valuation techniques for the Group that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities. An active market is one where prices are readily available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of Level 1 assets and liabilities requires little or no judgement.

Level 2 - Valuation techniques that use observable market data. Such techniques include the use of market standard discounting methodologies, option pricing models and other valuation techniques widely used and accepted by market participants.

Level 3 - Valuation techniques that use inputs not based on observable market data. Unobservable inputs are those not readily available in an active market due to illiquidity or complexity of the product. These inputs are generally derived and extrapolated from other relevant market data and calibrated against current market trends and historic transactions. These valuations are calculated using a high degree of management judgement.

The level within which an asset or liability is categorised in the fair value hierarchy is determined based on the highest numerical level in the fair value hierarchy that is significant to the fair value measurement as a whole.

SECTION 2: FAIR VALUE (CONTINUED)

(b) Determination of fair value

The specific valuation techniques and the observability of inputs used in valuation models are outlined below:

VENTURE CAPITAL INVESTMENT FUNDS

The valuation of investments in venture capital investment funds are undertaken using the International Private Equity and Venture Capital Valuation (IPEV) Guidelines, which have been accepted as the industry standard valuation guidelines for these types of investments. The IPEV Guidelines are based on the principle of fair value and are reviewed following any relevant changes in accounting standards or market practices. They provide a framework for venture capital investors to determine fair value for their investments.

In accordance with the IPEV Guidelines, the fair value of venture capital investment funds is generally provided by the investment managers or administrators at balance date. The price is based on the fair value of the underlying net assets of the venture capital investment fund which is determined using a variety of methods, including independent valuations, valuation models based on the price of recent transactions, earnings multiples or discounted cash flows. These investments are classified within Level 3 of the fair value hierarchy.

The General Partner has access to the valuation processes and methodologies adopted by the investment managers through positions on Limited Partnership Advisory Panels (LPACs) with each venture capital investment fund and through regular reporting from, and ongoing conviction reviews of those managers. Valuations provided are also considered alongside any other available evidence before being adopted. In some cases, the General Partner may adjust the valuations provided by the investment managers where additional or more relevant evidence is obtained.

Key judgement - determination of fair value

Where the fair value of assets and liabilities cannot be measured using quoted prices in active markets, fair value is determined using valuation techniques with market observable inputs from third parties such as brokers or pricing vendors, where available. For assets that have no quoted price (which consist of investments in venture capital investment funds) the determination of fair value requires significant judgement. Fair value for these assets is determined as follows:

VENTURE CAPITAL INVESTMENT FUNDS

The fair value of venture capital investment funds is generally provided by the investment managers or administrators at balance date. Depending on the nature of the underlying instruments, investment managers and administrators may use observable market prices, their own models or they may engage independent valuers who use models to obtain the fair value of investments. The Board and management may also directly appoint independent valuers to obtain the fair value of certain investments where this information is unable to be provided by an investment manager or administrator.

In some cases, the fair value of venture capital investment funds is determined by the General Partner. The valuation technique most frequently applied in these instances takes into consideration the original transaction price of an underlying investment and adjusts for relevant developments subsequent to acquisition, such as rights associated with the investment terms of potential realisation, the price of recent transactions for similar assets, and credible indicative offers from potential buyers. Other valuation techniques include the use of earnings multiples or discounted cash flows. The General Partner may also adjust for factors such as non-sustainable earnings, the growth phase of the investment and cash-related constraints, as necessary.

Whilst the General Partner reviews the valuation processes and methodologies for determining fair value, and considers all available evidence, the valuation techniques used to determine fair value for venture capital investment funds have inherent limitations and require significant judgement. As a result, the fair value may not reflect the price that would ultimately be received in an exchange transaction between market participants.

VALUATION UNCERTAINTY DUE TO EXTERNAL FACTORS

All of the Group's investments are categorised within Level 3 of the fair value hierarchy and these investments, by their nature, are inherently more subjective and therefore more exposed to valuation uncertainty. Whilst the determination of fair value for these investments is subject to careful consideration and consultation with a range of reliable and independent sources, the impact of external factors such as climate change, rising interest rates and inflationary pressures, increased geopolitical tensions and global supply issues, on the valuation of these investments remain uncertain. The Board and management continue to monitor and evaluate the appropriateness of specific valuation techniques and the judgements and estimates used when determining the fair value of these assets to assess whether material adjustments may be required to their carrying value.

(c) Reconciliation of fair value measurement under Level 3 hierarchy

The following table provides a reconciliation of movements in the fair value of financial assets categorised within Level 3 of the fair value hierarchy:

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Opening balance	118,881	56,070
Unrealised gains/(losses) recognised in surplus/(deficit) for the year	(3,927)	21,545
Purchases	24,118	48,369
Transfer from/(to) investment prepayments	8,250	(8,250)
Unpaid investment called	537	1,147
Closing balance	**147,859**	**118,881**

(d) Fair value sensitivity

Although the Board and management believe the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. The following table shows the Group's sensitivity of fair value measurement to possible changes in non-market observable inputs (where appropriate, to one standard deviation) for financial assets categorised within Level 3 of the fair value hierarchy:

	ACTUAL			
2024	NON-MARKET OBSERVABLE INPUT	MOVEMENT	IMPACT ON FAIR VALUE MEASUREMENT	
			INCREASE	DECREASE
		%	NZD'000	NZD'000
Venture capital investment funds	(i)	30	44,358	(44,358)
2023				
Venture capital investment funds	(i)	30	35,664	(35,664)

(i) Venture capital investment funds provide the Group with exposure to a variety of assets across numerous industries and are held via externally managed investment vehicles. Valuations for these investments are generally provided directly by investment managers or administrators and the Group does not always have access to the underlying valuation models to fully disclose sensitivities to specific assumptions. All investments are into unlisted early-stage growth companies which inherently imposes significant risks and returns and are most likely illiquid assets.

The Board and management have assessed that the reasonably possible movement in fair value for venture capital investment funds in a one-year period is 25%-35% (2023: 25%-35%) based on internal risk modelling.

SECTION 3: RISK MANAGEMENT

(a) Risk management

Understanding and managing risk is central to the management of the Group. While risk is a necessary part of the Group's activities, it must be understood to ensure the risk profile adopted is commensurate with the objective of the Elevate Fund. Effective risk management is critical to maintaining public and stakeholder confidence in the Guardians as manager of the Elevate Fund.

The Group's investment activities expose it to various types of risk including market risk, credit risk and liquidity risk. The Board and management of the Guardians are responsible for the management of these risks. A separate Risk Committee has been established to provide support for the management of these risks.

The Guardians has developed risk management policies, procedures and other internal controls for application by staff, external investment managers and other service providers to manage the Group's exposure to risk. The framework for managing this risk is set out in its Statement of Investment Policies, Standards and Procedures.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates and foreign exchange rates. The market risks that the Elevate Fund is primarily exposed to are equity price risk, foreign currency risk and interest rate risk.

EQUITY PRICE RISK

Equity price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in equity prices. The Group invests through venture capital investment funds into unlisted early-stage growth companies that are generally not publicly traded. As there may be no open market to establish an independent value for certain unlisted investments, there can be no assurance that the fair value for an unlisted investment will be obtainable in the market, or that there will be a market for the unlisted investment. Refer to Note 2(b) for further disclosures on the determination of fair value.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is exposed to foreign currency risk through its investment in offshore assets made via venture capital investment funds, which are managed by investment managers. These investments are denominated in United States dollars.

Foreign currency risk is not currently actively managed by the Group given the limited foreign currency exposure at balance date.

As at 30 June 2024, if there were a 10% movement in the New Zealand dollar against the United States dollar, with all other variables remaining constant, the Group's surplus/(deficit) for the year would have been $452,000 (2023: $386,000 based on a sensitivity of 10%) higher/lower. A 10% movement represents the Board's and management's assessment of a reasonably possible change in the value of the New Zealand dollar relative to the United States dollar at balance date.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Group's exposure to interest rate risk is limited to movements in short-term interest rates in relation to cash and cash equivalents which are held in short-term floating interest rate accounts. Requests for capital contributions from the Crown are made as and when required to minimise cash holdings in the Group. The Board and management ensure the Group receives a fair market return on its cash position but do not actively monitor exposure to interest rates or interest rate returns and considers the risk immaterial.

(c) Credit risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. The Group is exposed to credit risk arising from its cash and cash equivalents, receivables and investments. The maximum amount of credit risk for each class of financial asset is the carrying amount included in the Consolidated Statement of Financial Position.

The Board and management mitigate the Group's exposure to credit risk by investing cash and cash equivalents with reputable financial institutions with a high credit rating.

The Board and management mitigate the Group's exposure to credit risk associated with its investments by applying specific prudential limits to any exposure to any single investment manager. The use of, and capital allocated to, external investment managers is governed by the Group's investment policies. Each external investment manager relationship is governed by an investment management agreement which outlines the key terms and conditions of the appointment. External investment managers are monitored individually on an on-going basis.

CONCENTRATIONS OF CREDIT RISK

Concentration of credit risk exists if a single counterparty, or group of counterparties, is engaged in similar activities, operate within similar geographies, industries, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic conditions.

Cash and cash equivalents is primarily held with ASB Bank Limited which has a credit rating of AA-, obtained from Standard & Poor's as at 30 June 2024 (2023: AA-).

The following tables analyse the Group's concentration of credit risk by geographical and industrial distribution.

	ACTUAL	ACTUAL
	2024	2023
	%	%
By geography		
New Zealand	100	100
	100	**100**
By industry		
Venture capital investment funds	100	100
	100	**100**

In accordance with the requirements of the Act and the associated Policy Statement, the Elevate Fund must be invested wholly or substantially in funds with a New Zealand connection, and those funds must invest wholly or substantially in New Zealand entities. As at 30 June 2024, the Elevate Fund was in compliance with this requirement.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities as they fall due. The Group's liquidity framework is designed to ensure that the Group has the ability to access sufficient cash in a timely manner to meet its financial commitments.

In addition, the Guardians has entered into an Uncalled Capital Contribution Agreement with the Crown under which the Crown makes available capital in accordance with Section 13 of the Act. The Guardians may request a capital contribution under the terms of this agreement and apply this capital to make payments for any purpose as permitted under Section 12 of the Act, which includes payment for any obligation directly related to the operation of the Elevate Fund.

SECTION 3: RISK MANAGEMENT (CONTINUED)

(e) Risks associated with structured entities

The following table summarises the carrying values of the Group's investments in structured entities, as well as the maximum exposure to loss. The maximum exposure to loss is contingent in nature and may arise as a result of undrawn commitments (which are common with venture capital investment funds). The net assets of the structured entities have been provided as an indicator of size, relative to the Group's investment. This value is based on the most currently available information and includes the Group's investment.

	ACTUAL			
	MAXIMUM EXPOSURE TO LOSS			
2024	CARRYING VALUE OF INVESTMENTS	UNDRAWN COMMITMENTS (INCLUDING PREPAYMENTS)	TOTAL INVESTMENTS AND UNDRAWN COMMITMENTS	ASSETS OF THE STRUCTURED ENTITY
	NZD'000	NZD'000	NZD'000	NZD'000
Venture capital investment funds	147,859	84,824	232,683	583,287
	147,859	**84,824**	**232,683**	**583,287**
2023				
Venture capital investment funds	118,881	112,142	231,023	467,724
	118,881	**112,142**	**231,023**	**467,724**

SECTION 4: FINANCIAL ASSETS AND LIABILITIES

(a) Financial instruments

		ACTUAL			
2024	NOTE	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH SURPLUS OR DEFICIT	FINANCIAL ASSETS AT AMORTISED COST	FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
		NZD'000	NZD'000	NZD'000	NZD'000
Financial assets					
Cash and cash equivalents	4.b		15,449		15,449
Receivables and prepayments	4.c		23		23
Investments					
Venture capital investment funds	4.d	147,859			147,859
Total financial assets		**147,859**	**15,472**	**-**	**163,331**
Financial liabilities					
Trade and other payables	4.e			1,351	1,351
Total financial liabilities		**-**	**-**	**1,351**	**1,351**
2023					
Financial assets					
Cash and cash equivalents	4.b		3,416		3,416
Receivables and prepayments	4.c		8,365		8,365
Investments					
Venture capital investment funds	4.d	118,881			118,881
Total financial assets		**118,881**	**11,781**	**-**	**130,662**
Financial liabilities					
Trade and other payables	4.e			1,836	1,836
Total financial liabilities		**-**	**-**	**1,836**	**1,836**

Accounting Policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, receivables, investments and payables. All financial instruments are recognised in the Consolidated Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Consolidated Statement of Comprehensive Revenue and Expense.

INITIAL RECOGNITION

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the financial instrument. They are initially recognised at fair value plus, in the case of financial assets and financial liabilities not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset or financial liability. Transaction costs of financial assets carried at fair value through surplus or deficit are expensed in the Consolidated Statement of Comprehensive Revenue and Expense.

Purchases or sales of financial instruments are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the financial instrument.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. In making an assessment of the business model for managing a financial asset, the Board and management consider all relevant information such as the investment objectives of the Group and how performance is evaluated and reported to the Board and management.

SECTION 4: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

SUBSEQUENT MEASUREMENT

The Group's financial assets and financial liabilities are subsequently classified into the following categories:

- Those to be measured at fair value through surplus or deficit; and
- Those to be measured at amortised cost.

The Group's financial assets are reclassified when, and only when, the business model for managing those financial assets changes.

Financial assets at fair value through surplus or deficit

The following financial assets are classified at fair value through surplus or deficit:

- Financial assets that do not qualify for measurement at amortised cost.

This category includes investments. These financial assets are managed and have their performance evaluated on a fair value basis.

Financial assets at fair value through surplus or deficit are recognised in the Consolidated Statement of Financial Position at fair value with changes in fair value being recognised in the Consolidated Statement of Comprehensive Revenue and Expense in the period in which they arise.

Financial assets at amortised cost

The Group's financial assets are classified at amortised cost if both of the following criteria are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

This category includes cash and cash equivalents and receivables. Subsequent to initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method and are subject to impairment. When a financial asset is impaired, impairment losses are recognised in the Consolidated Statement of Comprehensive Revenue and Expense in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities. This category includes trade and other payables. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or when the Group has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when the Group's obligation under the liability is discharged, cancelled or has expired.

IMPAIRMENT

The Board and management assess, at each reporting date, whether a financial asset or a group of financial assets is impaired. The amount of the impairment loss is the difference between the contractual cash flows due in relation to the financial asset or group of financial assets and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Financial assets that are measured at amortised cost and therefore subject to the impairment provisions (the 'expected credit loss model') of PBE IPSAS 41 Financial Instruments comprise cash and cash equivalents and receivables.

The risk of impairment loss for cash and cash equivalents is considered immaterial. Disclosures relating to the impairment of receivables are provided in Note 4(c).

OFFSETTING

The Group offsets financial assets and financial liabilities when it has a current legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis.

(b) Cash and cash equivalents

Accounting Policy

Cash and cash equivalents includes cash on hand, cash held in bank accounts, demand deposits and other highly liquid investments with original maturities of three months or less, which have an insignificant risk of change in fair value.

(c) Receivables and prepayments

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Receivables from exchange transactions		
Investment prepayments	-	8,250
Other	23	115
	23	**8,365**

Accounting Policy

Receivables are initially recognised at fair value which is equal to the amount of consideration that is unconditional. The Group holds receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less impairment losses using the effective interest method.

The Board and management have applied a simplified approach for calculating expected credit losses (ECLs) on receivables under PBE IPSAS 41 Financial Instruments. As a result, the Board and management do not track changes in credit risk, but instead, recognise impairment losses based on lifetime ECLs at each reporting date. The Group's approach to ECLs reflects a probability-weighted outcome using reasonable and supportable information that is available without undue cost or effort at reporting date about past events, current conditions and forecast of future economic conditions.

Investment prepayments in the prior year relate to capital calls that were paid for two of the Group's venture capital fund investments prior to the due date.

SECTION 4: FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) Investments

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Blackbird New Zealand 2019 Limited Partnership	25,508	26,196
Blackbird New Zealand 2022 Limited Partnership	17,103	5,405
Finistere Aotearoa Fund Limited Partnership	4,521	3,860
GD1 Fund 3 Limited Partnership	36,646	23,712
Hillfarrance Limited Partnership	9,104	15,883
Movac Emerge Fund 4 Limited Partnership	2,384	-
Movac Fund 5 Limited Partnership	30,204	24,033
Nuance Connected Capital 1 Limited Partnership	6,581	5,750
Pacific Channel Fund II Limited Partnership	15,808	14,042
	147,859	**118,881**

The Group invests in unlisted early-stage growth companies via holdings in externally managed venture capital investment funds. The fair value of these funds is provided by the investment managers or administrators at balance date. The price is based on the fair value of the underlying net assets of the venture capital investment fund.

Further disclosures on the valuation of venture capital investment funds are contained in Note 2(b).

(e) Payables

	ACTUAL 2024 NZD'000	ACTUAL 2023 NZD'000
Payables under exchange transactions		
Unpaid investment called	537	1,147
Trade payables	761	641
Accrued expenses	53	48
	1,351	**1,836**

Accounting Policy

Short-term trade and other payables are initially recognised at fair value, then subsequently at amortised cost. As a result of their short-term nature, the carrying amount of trade and other payables held at amortised cost approximates fair value.

The unpaid investment called relates to two capital call notices (2023: one capital call notice) received before 30 June but not paid until after balance date.

Trade and other payables represent amounts due to third parties in the normal course of business and to the Guardians for the reimbursement of expenses. Trade payables are non-interest bearing and are normally settled within 30-day credit terms. The Group has risk management policies in place to ensure that all payables are paid within the credit time frame.

SECTION 5: MANAGEMENT OF FUND CAPITAL AND RESERVES

(a) Fund capital

PURPOSE

Fund capital, which comprises investments and all other assets of the Elevate Fund less any liabilities, is the property of the Crown. The Elevate Fund's purpose is to contribute to a sustainable and productive economy by increasing the venture capital available to New Zealand entities and by developing New Zealand's venture capital markets to function more effectively so that over time:

- More venture capital becomes available to New Zealand entities from sources other than the Elevate Fund;
- New Zealand entities that receive venture capital become more likely to grow into successful and sustainable businesses; and
- Those markets become self-sustaining (including through more investment from New Zealand investors).

CAPITAL CONTRIBUTIONS

The Crown may pay any money into the Elevate Fund in accordance with Section 13 of the Venture Capital Fund Act 2019 (Act). These contributions are made by the Crown for investment purposes and for other payments specifically permitted under Section 12 of the Act. The Guardians is responsible for investing capital contributions in New Zealand's venture capital markets.

The Guardians has entered into an Uncalled Capital Contribution Agreement with the Crown under which these capital contributions are made available. Under this agreement, the Guardians may request a capital contribution, with at least 10 business days notice, to apply towards the capital commitments of the Elevate NZ Venture Fund Limited Partnership or to payments permitted under Section 12 of the Act. These payments include amounts due for managers' fees and other obligations directly related to the operation of the Elevate Fund. As at 30 June 2024, the Crown's commitment under this agreement amounted to $300,000,000 (2023: $259,500,000).

The amount of capital contributions requested and received into the Elevate Fund for the year ending 30 June 2024 was $39,700,000 (2023: $41,200,000). Capital contributions are recorded in the Consolidated Statement of Changes in Public Equity.

MANAGEMENT OF FUND CAPITAL

The Elevate Fund is a public benefit entity, managed by the Guardians. The Guardians must invest the Elevate Fund in New Zealand's venture capital markets using best-practice investment management that is appropriate for institutional investment in those markets. The Guardians must manage and administer the Elevate Fund in a manner consistent with the Policy Statement set out on www.beehive.govt.nz and avoiding prejudice to New Zealand's reputation as a responsible member of the world community. The contributions from the Crown to the Elevate Fund are invested in accordance with its Statement of Investment Policies, Standards and Procedures, which is available at www.nzsuperfund.nz. The Elevate Fund invests via its wholly owned subsidiary, the Elevate NZ Venture Fund Limited Partnership. The General Partner of the limited partnership is Elevate NZ Venture Fund GP Limited, a wholly owned subsidiary of New Zealand Growth Capital Partners (NZGCP). The General Partner is responsible for the management, operation and administration of the limited partnership.

SECTION 6: FINANCIAL PERFORMANCE

(a) Revenue

	NOTE	ACTUAL	ACTUAL
		2024	2023
		NZD'000	NZD'000
Net operating revenue/(loss) from exchange transactions			
Interest income		537	511
Net changes in fair value on financial instruments at fair value through surplus or deficit	6.b	(3,927)	21,545
Other income		34	9
		(3,356)	**22,065**
Interest income			
Interest income - financial assets at amortised cost		537	511
		537	**511**

Accounting Policy

Revenue is recognised when it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

REVENUE FROM EXCHANGE TRANSACTIONS

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Interest income

Interest income comprises interest on financial instruments measured at amortised cost.

For financial assets at amortised cost, interest income is recognised as the interest accrues, using the effective interest method, which allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

(b) Income received and fair value gains and losses recognised from interests in structured entities

The following table summarises fair value gains and losses from the Group's investments in structured entities:

	ACTUAL		
2024	FAIR VALUE GAINS	FAIR VALUE LOSSES	TOTAL
	NZD'000	NZD'000	NZD'000
Venture capital investment funds	12,745	(16,672)	(3,927)
2023			
Venture capital investment funds	32,620	(11,075)	21,545

(c) Expenses

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Managers' fees	2,620	2,522
Reimbursement of Guardians' expenses	500	500
Fees for audit firms' services	70	58
	3,190	**3,080**

(d) Fees for audit firms' services

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Audit of the Group's financial statements	70	58
	70	**58**

The auditor of the Group is Graeme Bennett of Ernst & Young, on behalf of the Auditor-General.

(e) Income tax

The income tax expense included in the Consolidated Statement of Comprehensive Revenue and Expense is analysed as follows:

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Reconciliation of income tax expense and accounting surplus/(deficit) for the year		
Surplus/(Deficit) for the year before income tax expense	(6,546)	18,985
Income tax expense/(income) calculated at 28%	(1,833)	5,316
Non assessable income/(expenses) for tax purposes	1,973	(5,176)
Tax losses not recognised in deferred tax	(140)	(140)
	-	-

Accounting Policy

In accordance with Section HR 4B of the Income Tax Act 2007, income derived and expenditure incurred by the Crown in activities relating to the Group are determined as if the amounts were being derived or incurred by a company and are therefore subject to New Zealand tax. The income tax expense recognised in the Consolidated Statement of Comprehensive Revenue and Expense comprises current and deferred tax and is based on accounting surplus/(deficit), adjusted for permanent differences between accounting and tax rules.

Current tax is the expected tax payable to or receivable from the taxation authorities based on the taxable income or loss for the year and any adjustment in respect of prior years. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at balance date.

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the tax bases of assets and liabilities at balance date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses only to the extent that it is probable that sufficient taxable surplus will be available to utilise the deductible temporary differences, the carry forward of unused tax credits and unused tax losses.

As at 30 June 2024, the Group has $29,456,000 (2023: $15,666,000) of tax losses carried forward. The Elevate Fund benefits from a tax exemption on gains from New Zealand shares and therefore, taxable income is not anticipated. As a result, the Group has not recognised a deferred tax asset in relation to the tax losses carried forward.

SECTION 7: UNRECOGNISED ITEMS

(a) Commitments and contingencies

CAPITAL COMMITMENTS

At 30 June 2024, the Group had outstanding commitments to venture capital investment funds (excluding investment prepayments), totalling $85,361,000 (2023: $105,039,000), of which $537,000 has been called but not yet paid (2023: $1,147,000).

CONTINGENCIES

The Group has no contingent liabilities at 30 June 2024 (2023: $nil).

(b) Events after the reporting date

There were no reportable events subsequent to balance date.

SECTION 8: OTHER INFORMATION

(a) Related party transactions

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. The definition includes subsidiaries.

Outstanding amounts with related parties at balance date are unsecured and subordinate to other liabilities. Interest is not charged on outstanding balances. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2024, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2023: $nil).

PARENT ENTITY

The Elevate Fund is managed and administered by the Guardians which is a wholly owned entity of the Crown. Both the Guardians and the Crown prepare financial statements that are available to the public.

The Guardians pays expenses relating to the Elevate Fund, as it is entitled to do under the Act. These expenses are reimbursed by the Elevate Fund. The amount of reimbursement to the Guardians for the year ended 30 June 2024 was $500,000 (2023: $500,000). The related party payable to the Guardians as at 30 June 2024 is $nil (2023: $nil).

SUBSIDIARY

Details of the Elevate Fund's interest in its subsidiary are disclosed in Note 1(f). There were no transactions entered into with its subsidiary during the year.

OTHER GOVERNMENT-RELATED ENTITIES

The General Partner of the Elevate NZ Venture Fund Limited Partnership is Elevate NZ Venture Fund GP Limited, which is a wholly owned subsidiary of NZGCP, a Crown entity. Transactions entered into with Elevate NZ Venture Fund GP Limited during the period are as follows:

	ACTUAL	ACTUAL
	2024	2023
	NZD'000	NZD'000
Managers' fees	2,620	2,522
Payables	761	641

In conducting its activities, the Group is required to pay various taxes and levies (such as GST) to the Crown and entities related to the Crown. With the exception of income tax, the payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers.

Independent Auditor's Report

TO THE READERS OF ELEVATE NZ VENTURE FUND GROUP'S FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of Elevate NZ Venture Fund and its subsidiary (the Group). The Auditor-General has appointed me, Graeme Bennett, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Group on his behalf.

OPINION

We have audited the financial statements of the Group on pages 205 to 227, that comprise the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in public equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 30 June 2024; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Our audit was completed on 26 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of the Guardians of New Zealand Superannuation (the Board) and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF THE GUARDIANS FOR THE FINANCIAL STATEMENTS

The Board is responsible on behalf of the Group for preparing financial statements that are fairly presented and comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

The Board is responsible for such internal control as they determine are necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Group, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Venture Capital Fund Act 2019.

2-5

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 204 and 230 to 239, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon other than in relation to New Zealand Superannuation Fund's financial statements on pages 146 to 201 and Guardians of New Zealand Superannuation's financial statements and performance information on pages 121 to 142 and 24 to 33.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board.

We also provide audit services to entities in which the Group invests. The provision of these services does not impact our independence from the Group. Other than the audit and these engagements, we have no relationship with, or interests in, the Group.

Graeme Bennett
Ernst & Young
On behalf of the Auditor-General
Auckland, New Zealand

—

HUIA FEATHER

—

The huia feather is a revered and highly-valued taonga (treasure) for Māori. Given as a token of friendship and respect, it also symbolises leadership and mana.

—

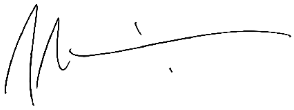
Image credit: Huia feather. Te Papa (ME024131).

Appendix
He Āpitihanga

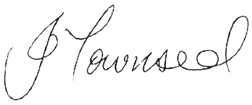
COMPLIANCE STATEMENTS

SIPSP COMPLIANCE

The Guardians' Statement of Investment Policies, Standards and Procedures (SIPSP) for both the NZ Super Fund and the Elevate NZ Venture Fund are published on our website www.nzsuperfund.nz. On behalf of the Board and management of the Guardians of New Zealand Superannuation, we hereby certify that, to the best of our knowledge, the SIPSPs have been complied with during the 2023/24 financial year.



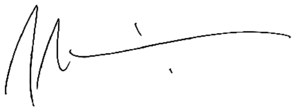
JOHN WILLIAMSON, CHAIR



JO TOWNSEND, CEO

PRESENTATION OF THE ANNUAL REPORT

We are pleased to provide this Annual Report of the Guardians of New Zealand Superannuation for the year ended 30 June 2024.



JOHN WILLIAMSON, CHAIR

DOUG PEARCE, CHAIR - AUDIT COMMITTEE

GLOSSARY

Access point	The actual investment the Guardians makes to gain exposure to a desired risk (e.g. buying a listed equity). Access points are our way of exploiting opportunities, themes, stress-test outcomes and manager skill. The access point can be passive, active, synthetic or funded, directly (internally) or externally managed.
Active return	Any return differential between the Actual Portfolio and the Reference Portfolio. In the context of an investment, the positive return we hope to earn for taking on active risk. Same as 'Value-add'.
Active risk	Any deviation in risk in the Actual Portfolio relative to the Reference Portfolio. Active risk is a relative risk concept. The active risk in the portfolio is dominated by activities in our value-adding strategies. Note that the Actual Portfolio can have the same total or absolute risk as the Reference Portfolio but still have active risk. Technically active risk is expressed as the expected standard deviation of the active returns.
Active strategies	Value-add strategies.
Actual Portfolio	The Fund's portfolio at any point in time reflecting all the positions arising from our value-adding strategies as well as drift. Conceptually, the Actual Portfolio equals the Reference Portfolio (cash plus risk premiums) plus drift plus active risk.
Arbitrage	The simultaneous purchase and sale of an asset in order to profit from a difference in the price.
Asset class	A group of securities or assets that share common risk and return characteristics.
Basis point	One-hundredth of a percentage point.
Belief	Our stated view on some aspect of financial markets and investing, based on judgement and evidence.
Benchmark	A standard against which the performance of a security, index or investor can be measured.
Beta	The sensitivity of a security or asset class to the market or Reference Portfolio.
Capability	Management's ability to execute a value-add strategy. Incorporates depth and breadth of experience, risk management abilities, etc.
Capital	A corpus of funds that can be invested to generate economic value.
Cash	Generally taken to mean a very short-term investment earning interest from a highly-rated bank or an equivalent bank bill.
CEM	CEM Global Benchmarking - a provider of benchmarking services and peer comparisons.
Collateralisation	The primary means of managing credit exposure among our counterparties. It represents monies or securities that are posted between us and counterparties to mirror unrealised profit and loss on our open derivatives positions.
Commodities	Tangible products, such as metals, crude oil or grain.
Compensation	Return for taking on risk. Often, the compensation is the risk premium, or excess return over cash, that the investment offers.
Control effectiveness assessment	An assessment that supports the identification of reliable evidence that our key controls are operating effectively, and that either individually or in conjunction with other measures, the controls in place adequately manage the causes and impacts identified for each of our top risks.
Conviction	A measure of the degree of confidence we have in an active manager's investment skill. The Guardians' approach to rating an active manager. Applicable to both public and private market managers. The conviction rating is a quantitative overall score based on the scores of a number of individual, largely qualitative, factors.
Cost-asset ratio	Operating expenses ÷ average assets over the period.
Counterparty	A counterparty describes a legal entity that presents an exposure to financial risk. The Guardians' counterparties are typically banks.
Crown entity	An organisation that forms part of New Zealand's public sector, as established under the Crown Entities Act 2004. Crown entities are legal entities in their own right. A decision to assign a government activity or function to a Crown entity indicates that the function should

	be carried out at 'arm's-length' from the Government. The Crown entity's Board directs the entity's day-to-day operations.
Currency management	The Reference Portfolio's foreign currency exposures are 100% hedged to the New Zealand dollar. This means that we receive the actual return of the assets we are invested in without the currency fluctuations adding or detracting from performance. Occasionally we 'step away' from 100% hedging in order to, for example, take advantage of temporary price dislocations and add value to the Fund.
Cyber security	Technologies, processes and practices that are designed to protect networks, computers, programs and data from attack, damage or unauthorised access.
Derivative	A financial instrument that derives its value from the value of underlying entities such as an asset, index or interest rate - it has no intrinsic value in itself. The derivative itself is merely a contract between two or more parties, the value of which at any one time is determined by fluctuations in the value of the underlying asset. Derivatives can be used to manage risk, reduce cost and enhance returns.
Direct	A financial market transaction undertaken by the Guardians' management.
Diversification	The potential improvement in a portfolio's Sharpe ratio that arises from introducing assets into the portfolio that behave differently from the assets in the Reference Portfolio. Introducing any new asset or asset class into the portfolio will have a diversification benefit. The more diversified a portfolio, the more difficult it is to achieve further diversification gains.
DM	Developed Markets.
Double arm's-length	The Guardians is an autonomous Crown entity, meaning it is legally separate from the Crown and operates at 'double arm's-length'. The first arm of independence is that the Government does not decide the pool of candidates for the Board of the Guardians (candidates are identified by an independent Nominating Committee). The second arm of independence is that investment decisions are made by the Board and management of the Guardians.
EM	Emerging Markets.
Employee Value Proposition	The offering that is received by employees in return for their performance at the workplace.
Endowment	A characteristic of the Fund that provides the Guardians with a natural advantage or edge over the typical investor.
Equilibrium	The long-term or steady state. Generally expressed in the context of long-term average expected risks and returns.
Equities	More commonly known as shares or stocks. Securities that signify ownership in a corporation and represent a claim on part of the corporation's assets and earnings.
ESG	Environmental, social and governance.
Exposures	The amount of money that an investor has invested in a particular asset.
Externally managed	An investment managed by an appointed external manager.
Factors	Factor investing is an investment strategy that takes passive market capitalisation-weighted indices and constructs an alternative index that is weighted towards companies possessing certain characteristics. It is expected that these characteristics or 'factors' will deliver superior risk-adjusted returns for investors, above those of a purely passive index, over the long term.
Fair value	The amount paid in a transaction between participants if an asset is sold in the open market.
Fixed income	Assets providing income to investors via a fixed periodic payment. In the context of the Reference Portfolio, fixed income is a very well-diversified set of exposures, including sovereign bonds, investment-grade credit, agency debt, high-yield bonds and emerging market debt. Inflation-linked securities are also included, though an element of their income is variable because it is linked to future inflation out-turns.
Foreign exchange	The Fund's exposure to non-NZ$ cash rates. In our Reference Portfolio, there is no foreign exchange exposure as all non-NZ$-denominated assets (i.e. foreign-funded assets) are hedged back to NZ$. Hedging back to NZ$ essentially replaces foreign cash returns with NZ$ cash returns. Foreign exchange in the Fund's context refers to a basket of the major foreign currencies.

GLOSSARY (CONTINUED)

Fund-of-funds model	A pooled investment fund that invests in other types of funds.
Fund Investment Vehicle (FIV)	An entity formed or controlled by the Guardians for the purpose of holding, facilitating or managing investments in the Fund.
Futures	A financial contract obligating the buyer to purchase an asset (or the seller to sell an asset), such as a physical commodity or a financial instrument, at a predetermined future date and price.
Global Macro	A market-neutral strategy that produces return by skilfully exploiting inefficiencies within and across a broad range of liquid markets. The key source of return within this opportunity is manager skill.
Global Reporting Initiative (GRI)	An international independent organisation that helps businesses, governments and other organisations to understand and communicate the impact of business on critical sustainability issues.
Growth assets	In the Reference Portfolio, growth assets comprise equities. Some private market assets are also growth assets, e.g. private equity. Over the long-term and on average, the largest share of returns accruing to investments in growth assets derive from underlying exposures to real economic growth.
Hurdle	The minimum expected return required from a proposed investment to compensate the Fund for the inherent risks, fees and other costs (such as taxes) of that investment.
Illiquid	The inability to buy or sell an investment in a timely manner with minimal transaction costs.
Institutional Investor	An organisation that invests money on behalf of other people. Institutional investors include banks, credit unions, insurance companies, sovereign wealth funds, hedge funds, REITs (see definition), investment advisors, endowments, and mutual funds.
Internalisation	To bring management in-house.
Internal Investment Mandate (IIM)	The policy governing the management of an internal mandate falling under an active strategy.
Investment	An allocation of risk capital to a specific manager or activity. Could include an individual investment undertaken by our internal management under an Internal Investment Mandate (IIM).
Iwi	Meaning 'peoples'. Iwi is often translated as a tribe. Iwi form the largest social unit within Māori culture.
Liquidity	The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price.
Long	A long or long position is an investment strategy where an entity buys a security, currency or derivative with the expectation that it will rise in value.
Mandate	An official order or commission to do something.
Mark-to-market	A measure of the fair value of financial instruments that can change over time, such as assets and liabilities. Mark-to-market aims to provide a realistic appraisal of an institution's or company's current financial situation. The accounting act of recording the price or value of a security, portfolio or financial instrument to reflect its current market value rather than its book value.
Market index	An aggregate value produced by combining several stocks or other investment vehicles together and expressing their total values against a base value from a specific date. Market indices are intended to represent an entire stock market and therefore track the market's changes over time.
Market mispricing	Market mispricing causes a divergence between the market price of a security and the fundamental value of that security.
Market neutral strategy	Generally refers to hedge fund investments where the hedge fund has no systematic loading onto market risk, i.e. returns are independent of general market movements.
Market risk	The non-diversifiable risk associated with exposure to a broad mix of asset classes. The risk in the market portfolio. In the context of the Fund, this also refers to the risk in an investment

	that is correlated with the Reference Portfolio or some investable public market benchmark or asset class.
Merger arbitrage	Involves simultaneously purchasing and selling the stocks of two merging companies to take advantage of the difference in price of those stocks pre-merger.
NAV	Net Asset Value.
Net return	Returns over and above the Treasury Bill return – the Government’s cost of debt.
Net zero economy	Net zero emissions refers to an overall balance between greenhouse gas emissions produced and greenhouse gas emissions taken out of the atmosphere. The New Zealand Government has set a target of becoming a net zero emissions economy by 2050.
Opportunity	A feature of the investment environment that is conducive to generating positive risk-adjusted active returns.
Passive management	Passive management, or ‘index-tracking’, is a style of investment management through which a fund’s portfolio mirrors a selected market index. Stocks move in and out of the portfolio according to index inclusion rather than through an active investment decision.
Physical	An investment that is funded with cash to the full notional amount of the investment.
Portfolio	Can be thought of as a pie that is divided into pieces of varying sizes, representing a variety of asset classes and/or types of investments to achieve an appropriate risk-return portfolio allocation.
Portfolio completion	A value-adding strategy that seeks to access and manage the Fund's portfolio exposure to equities and bonds. It does this by rebalancing (see 'Rebalancing' below) the Fund to our desired Reference Portfolio weightings and managing the currency overlay and liquidity risk in the most effective manner possible.
Portfolio construction	The allocation of risk in a portfolio. Generally applied to active management, portfolio construction embraces the broad allocation of risk capital to various value-add strategies, as well as the specific allocations of risk capital to individual investments.
Private equity	Private placement of capital with defined ownership rights (i.e. claims to the profits generated by the business).
Private markets	Investments not traded on a public exchange or market.
Public markets	Investments comprising: 1. Exchange listed securities; or 2. Over-the-counter financial contracts linked to listed securities and/or widely-followed indices or benchmarks. Public market investments are generally (but not always) liquid and generally (but not always) have regular and transparent pricing.
Rebalancing	The process of realigning the weightings of one’s portfolio of assets. The Fund's passive exposures change as markets move over time. Periodically, therefore, we consider whether to rebalance (buy and sell listed equities and fixed income assets) the Fund's actual passive exposures back in line with the weightings in the Reference Portfolio. Minimising the costs of rebalancing this activity is an important objective.
Recession	A period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters.
Reference Portfolio	A simple low-cost, passively managed and well-diversified portfolio of listed asset classes that is consistent with the Fund achieving its return objectives without undue risk, i.e. fit for purpose.
Risk	The standard deviation of expected returns. The Fund’s risk model uses equilibrium risk (and return) assumptions.
Risk appetite	The amount of loss an organisation is willing or able to tolerate should a downside risk materialise.
Risk budget	Articulates the average amount of active risk that is expected to be allocated to an opportunity. Risk budgets aggregate to the total active risk budget. Risk budgeting is a stage of the risk allocation process.
Risk premium	The return in excess of cash earned by investors as compensation for taking passive exposure to the market or an asset class. Risk premium and excess return can be used interchangeably.

GLOSSARY (CONTINUED)

Risk profile	An evaluation of an investor's willingness and ability to take risks. A risk profile is important for determining the investment asset allocation for a portfolio.
Santiago Principles	A set of principles and practices generally accepted by the member institutions of the International Forum of Sovereign Wealth Funds (IFSWF) as amounting to a basic code of good practice for sovereign wealth funds.
Securities lending	Loaning a stock, derivative or other security to an investor or a firm.
Sharpe ratio	A characterisation of how well the return of an investment compensates the investor for the risk taken.
Short	A short or short position is an investment strategy where an entity sells a security, currency or derivative with the view of buying back the same amount of the relevant instrument at a lower price.
SIPSP	Statement of Investment Policies, Statements and Procedures.
Skill	Active investment expertise. The ability to generate active returns.
Sovereign bond	A debt security issued by a national government.
Sovereign wealth fund	Pools of money derived from a country's reserves, which are set aside for investment purposes that will benefit the country's economy and citizens.
Strategic Tilting	A value-adding strategy where the mix of the Fund's market or currency exposures relative to the Reference Portfolio is changed to increase exposure to undervalued asset classes.
Swap	A derivative in which two parties agree to exchange one stream of cash flows against another.
Synthetic	Obtaining exposures using derivatives. Generally does not require funding.
Tail risk	The risk of outsize losses due to rare events.
Theme	Long-term influences on the economy and capital markets that are expected to be relatively immune to business cycle and other short-term influences. An enduring characteristic or feature of the global economic or financial environment.
Total risk	Generally referring to the Fund's absolute risk.
Treasury Bill	Debt instruments issued by the Government that mature in less than one year; the yield on these measures the cost of running a budget deficit.
Value-add	See 'Active returns'. In performance reporting, the difference between the actual return and the Reference Portfolio return, net of the costs of obtaining passive exposures.
Value-adding strategies	Board-approved strategies that define the objectives and parameters for taking on active risk. Also referred to as active strategies or just strategies.
Venture capital	Money provided to fund early-stage businesses with perceived long-term growth potential.
Volatility	The amount of uncertainty or risk about the size of changes in a security's value.

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GOOD EMPLOYER REPORTING

GOOD EMPLOYER

The Guardians is committed to being a good employer. All staff are employed on individual contracts and our People & Culture Policy details the commitment to being a good employer and ensuring all people in our organisation are treated with respect and fairness. Staff have the opportunity to provide input into our People & Culture Policy and approach. We believe being a good employer will help us achieve our strategic goals. To us, being a good employer means our people enjoy their jobs and feel valued, included, and safe in the workplace; they trust the processes and procedures around their development, recognition, promotion and exit; and they are enthused by and professionally satisfied in their roles.

Element	Guardians' activity
Leadership, accountability and culture	• Alignment between Strategic Plan objectives, individual objectives and performance measures • Following up on the results of our most recent biennial Culture Survey • Following up on the results of our monthly Engagement Surveys
Employee development, promotion and exit	• Programme in place to identify and develop talent • Vacancies advertised internally • Internal secondment opportunities • Exit interview process
Recruitment, selection and induction	• Robust recruitment and selection processes • On-boarding and induction for all staff • Summer internship and graduate programmes
Remuneration, recognition and conditions	• Transparent, equitable and gender-neutral job evaluation practices • Remuneration benchmarked against third-party New Zealand data • Current incentive programme into its 12th year, with increased participation and refinements to simplify the programme in 2022
Flexibility and work design	• IT systems facilitate remote working from anywhere • Flexible working arrangements supported • 6/6 primary carers returned from parental leave
Harassment and bullying prevention	• Employee Code of Conduct and relevant policies available • Performance management process rewards positive and constructive behaviour
Safe and healthy environment	• Strong focus on employee health, safety and well-being through the provision of support services (see page 37)

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