FOUNDATION NORTH
Pūtea Hāpai Oranga
Funding to Enhance Lives

Statement of Investment Policies and Objectives

Foundation North

November 2024

Contents

> Kākahua te whakaaro ki te tika me te pono, ki a tupu ki a puawai te oranga mo te katoa.
> Allow your intent to be cloaked with that which is right and true, to allow prosperity to grow and flourish for all.

We have chosen this whakatauki to convey the essence of our investment mahi. It grounds us in our commitment to Te Tiriti o Waitangi and our intent to create value. It serves as a reminder of our responsibility to take deliberate action that is right and true to ensure Foundation North can honour our vision of Pūtea Hāpai Oranga – Funding to Enhance Lives, now and into the future.

1. Introduction

This Statement of Investment Policy and Objectives (the "**SIPO**") prepared by the Trustees (the "**Trustees**") of Foundation North (the "**Foundation**") sets out the objectives, policies and beliefs governing investment decisions in relation to the Foundation's assets.

This SIPO takes into account the requirements of the following:

— The Trust Deed (as amended) constituting the Foundation;

— The Trusts Act 2019; and

— The Community Trusts Act 1999.

This SIPO is based on a set of investment principles the Board of the Foundation regards as fundamental and constant. The Trustee's intent is to manage the Foundation's portfolio in accordance with these principles, regardless of cyclical ebbs and flows in the capital markets.

Roles and responsibilities of the Trustees, as well as delegated authorities in relation to investment, are set out in the Foundation's Governance Manual.

Under its charter, the Investment Committee is required to review the Foundation's SIPO annually. While it is not anticipated that the SIPO will be changed frequently, the Committee should review the policy periodically to ensure that the Foundation is capitalising on available market opportunities.

2. Nature of the Foundation

The Foundation, formerly ASB Community Trust, is an "in perpetuity" Community Trust operating under the Community Trusts Act 1999 and is a corporate body registered under the Charitable Trusts Act 1957. It seeks to enhance the lives of the people of Tāmaki Makaurau Auckland and Te Tai Tokerau Northland by wisely allocating, equitably sharing, and responsibly managing the resources that are held in trust for present and future generations in this region.

The Foundation was formed on 30 May 1988 through the creation of a trust deed and settled with 100% of the issued capital (shares) of Auckland Savings Bank (now ASB). The shares were subsequently sold to Commonwealth Bank of Australia (now CommBank) with the proceeds forming the endowment of the Foundation that is managed in line with this SIPO.

The Foundation is a Public Benefit Entity that makes grants to qualifying organisations in its region (Tāmaki Makaurau Auckland and Te Tai Tokerau Northland). The Foundation's registered office is Allendale House, 50 Ponsonby Road, Grey Lynn, Auckland, New Zealand.

The Foundation's Portfolio investment time horizon should be very long-term since the Foundation is expected to exist in perpetuity. However, the purpose of the Trust Fund is to provide a steady and sustainable distribution of funds to the community. The investment objectives and target policy portfolio of the Foundation seek the appropriate balance between these priorities.

3. Our Investment Beliefs

The Foundation's approach to investing is framed by a set of clearly defined overarching beliefs that drive investment decisions. The Foundation's investment beliefs are:

- Strong governance and well-defined decision-making structures enable sound investment decision-making. The Board delegates to the Investment Committee the responsibility for managing the portfolio in line with the SIPO.
- The investment horizon of the Foundation is long-term and setting an Asset Allocation that is appropriate to its investment horizon, objectives, and risk tolerance, is the most important decision to be made as it is the primary driver of long-term success.
- A broadly diversified portfolio, across and within asset classes, improves the "risk to return" ratio over time.
- Costs matter, and in some asset classes, low-cost passive strategies can be blended with higher-cost active strategies to minimise the overall cost of investing. The primary goal is to maximise "net of fees" returns at an acceptable level of risk.
- Some markets can be inefficient, and active management can add value over benchmarks. For other markets and asset classes, manager structures that include a passive approach may be more appropriate to complement active strategies.
- The Foundation seeks to sustainably manage the resources that are held in trust for present and future generations in Tāmaki Makaurau Auckland and Te Tai Tokerau Northland. It believes that integrating Environmental, Social and Governance (ESG) factors into its investment decision-making and ownership practices will improve the long-term performance (through opportunities for wealth creation and better risk management) of its investment portfolio and is fundamental to exercising its fiduciary duty. The Foundation's Sustainable Investment Policy is outlined in Section 7 below.
- We believe our role as kaitiaki (guardian) of the pūtea is expressed in our approach to growing and protecting the portfolio as well as through our sustainable investing policy.

4. Te Tiriti o Waitangi

The Foundation has made a commitment to consider Te Tiriti and its principles in its activities including its investing activities. This means that we:

- must, as a priority, ensure that we protect our ability to grant to Māori and non-Māori over time
- will promote and undertake impact investing aligned with Te Ao Māori values
- will directly engage with NZ fund managers to understand their alignment and commitment with Te Tiriti and support them on their journey
- encourage our asset consultant to be cognisant of our commitment to Indigenous values when undertaking due diligence on fund managers internationally
- commit to working with Māori in ways that strengthen Māori investment capacity and capability.

The Foundation will review, on a two-yearly basis, its commitment to Te Tiriti o Waitangi in the Trust Deed and against the SIPO

5. Our Investment Strategy

5.1 Our Investment Goals

The Foundation's long-term investment goals as kaitiaki of the pūtea are to:

— Maintain the real value of capital of the Foundation in perpetuity

— Ensure a stable level of spending over time

— Give effect to Te Tiriti, environmentally sustainable, socially equitable, and socially inclusive values.

5.2 Target Return Objective

To achieve the desired level of spending, while preserving the Fund's purchasing power over time, the Foundation's portfolio net return objective is to achieve inflation (as measured by NZ CPI) plus 4.5% over rolling five-year periods.

The spending amount is determined by the spending policy shown in Section 9 and includes both granting and operational expenses. The Board recognises that the 4.5% target above NZ CPI is a long-term target and may not be achieved in every measured financial year.

The base currency of the portfolio is New Zealand dollars, and all performance measures are to be calculated therein. The Investment Committee shall assess the reasonability of the above investment objectives against the Target Policy investment portfolio on an annual basis, based on both medium-term and long-term capital market assumptions, and modelled over ten years.

The investment goals above should be read and reviewed in conjunction with the Foundation's Spending Policy (SIPO Section 8) and Reserving Policy (Board policy).

5.3 Target Policy Portfolio

The Target Policy Portfolio for the Foundation is shown by asset class in Exhibit 1 on the following page. The Foundation has a target policy for defensive style assets of 22.25%, while maintaining a mimimum of 10%.

5.4 Medium-Term Asset Allocation (MTAA)

There may be times when the Investment Committee agrees to vary weights from the long-term target or initiates exposure to other asset classes based on relative valuations and current investment opportunities. This is referred to as Medium Term Asset Allocation (MTAA). Any such exposures or deviations from long-term targets will be made within the approved target policy portfolio ranges for the asset class concerned.

The Investment Committee will be responsible for approving decisions to move an asset class away from Target to a MTAA. Recommendations will be made on a quarterly basis to the committee and all MTAA will be reviewed against target on an annual basis. Once the allocation to any asset class exceeds the Policy Range, it should be rebalanced to its Target Policy or MTAA (if one has been established by the committee) on a timely basis.

Exhibit 1: Target Policy Portfolio Asset Allocation including Policy Ranges

Asset Class	Style	Target	Policy Ranges
Global Equity	Growth	31%	**21 - 41%**
Emerging Market Equity	Growth	6%	**2 - 10%**
Global Private Equity	Growth	17%	**10 - 24%**
Alternatives	75% Growth 25% Defensive	13%	**6 - 20%**
Infrastructure	50% Growth 50% Defensive	8%	**2 - 14%**
Property	50% Growth 50% Defensive	4%	**0 - 8%**
Sub-Investment Grade Credit	75% Growth 25% Defensive	4%	**0 - 8%**
Private Credit	75% Growth 25% Defensive	4%	**0 - 8%**
Global Fixed Interest	Defensive	3%	**0 - 8%**
NZ Fixed Interest	Defensive	3%	**0 - 8%**
Cash	Defensive	5%	**3 - 10%**
NZ Impact Investments	Growth	2%	**0 - 10%**
Total		100%	
Defensive Style Assets		**22.25%**	**10% or greater**

The Foundation has a target policy for defensive style assets of 22.25%, while maintaining a mimimum of 10%.

5.5 Rebalancing

Rebalancing keeps the Portfolio's asset allocation at or near target policy weights to obtain the benefits of diversification and maintain an asset allocation that has been designed to help achieve the Foundation's investment objectives without incurring additional unintended risks.

The Target Policy Portfolio (Exhibit 1 above) sets the long-term target asset allocations.

Rebalancing transactions within SIPO guidelines has been delegated by the Investment Committee to the Foundation's Chief Executive Officer (with authority to sub-delegate to the Head of Investments and Finance and investment staff). These transactions include manager rebalancing redemptions and additions, transactions to meet operating cash needs and capital calls or distributions for private investments.

Whilst rebalancing of private investments is not possible due to illiquidity, the policy ranges serve as a guide for the commitment-pacing of private managers.

To avoid incurring unnecessary transaction costs, rebalancing actions should be timed to coincide with cash flow requirements as far as practicable.

5.6 Liquidity Policy

Liquid assets are defined as those assets that can be readily converted into cash within 30 business days and where conversion within that period is not expected to have a significant adverse effect on their realisable value.

The minimum level of liquid assets in the portfolio should be 50% of total investment funds, allocated through the Target Policy Portfolio.

If this minimum level of liquid assets is not achieved due to significant falls in liquid assets, thus decreasing the proportion of liquid assets of total investment funds, then the Foundation should work with its asset consultant to determine a plan to bring the liquid assets back to the minimum level within 12 months.

Sufficient short-term liquidity should be maintained to fund grants and operating costs for 12 months, currency hedges and uncalled commitments without the need to incur unacceptable losses through selling assets. There must be sufficient flexibility in liquidity to allow for changes in the Foundation's cash requirements and to take advantage of opportunities in the investment environment.

5.7 Portfolio Benchmarks

Portfolio benchmarks are established so that the Investment Committee can assess the performance of the investment portfolio over time. This is done on several levels:

a. Level 1, Primary Objective Benchmark: The long-term return (over rolling 5 and 10-year periods) of the Portfolio is to achieve New Zealand CPI plus 4.5%. The return against this benchmark will be calculated annually at the end of March.

b. Level 2, Target Policy Portfolio Benchmark: The Investment Committee assesses the performance of the portfolio against the performance of the Target policy portfolio benchmark. To evaluate this, the total realised portfolio returns are measured against the Target Portfolio return which is calculated as the weighted average of target policy asset class portfolio weights multiplied by asset class benchmark returns of each asset class. This analysis is evaluated, at least annually, over rolling 1, 3, 5 and 10-year periods.

c. Level 3, Asset Class Benchmark (Exhibit 2 below): The actual asset class returns are composed of the aggregate of the underlying manager returns, weighted by the actual weights of each manager, measured against the index return appropriate to that asset class. Asset classes should be evaluated monthly against asset class benchmarks reported over multiple time periods up to rolling 5-year periods.

d. Level 4, Investment Managers' Benchmark: Investment managers' returns are measured against their chosen benchmarks over rolling 1, 3 and 5-years and since inception, monthly (quarterly for non-marketable assets).

e. Level 5, Peer Group comparative Benchmark: on an annual basis the Foundation will be measured against an appropriate peer for unlisted assets, and at an overall portfolio level (where a peer exists).

5.8 Currency Hedging

Currency exposure introduces an additional source of variability into portfolio returns which needs to be managed to meet the Foundation's Investment Objectives. Currency hedging is the primary tool used to manage the impact of currency fluctuations on portfolio returns over time.

The portfolio targets a 33% exposure to foreign currency, with a range of 25 – 50% of the MSCI World Index adjusted for suitable proxy currency exposures.

Exhibit 2: Composition of the Target Policy Portfolio Benchmark

Asset Class	Policy Targets	Target Policy Portfolio Benchmark
Global Equity [2]	31%	MSCI World Index (net divs[1]), unhedged
Emerging Market Equity	6%	MSCI Emerging Markets Index (net divs[1]), unhedged in NZD
Global Private Equity	17%	MSCI All Country World Index (net divs[1]) +3% unhedged
Alternatives	13%	Cash +5% unhedged
Infrastructure	8%	50% CPI+6%, 50% FTSE Developed Core Infrastructure 50/50 Index (Hedged to AUD)
Property	4%	50% MSCI/Property Council of New Zealand Property Index, 50% FTSE/NAREIT Developed Index
Sub-Investment Grade Credit	4%	4%
Private Credit	4%	50% Credit Suisse Leveraged Loan Index, 50% Bloomberg Global High Yield Index
Global Fixed Interest	3%	Cash+4%
NZ Fixed Interest	3%	Bloomberg NZ Bond Composite 0+ Index
Cash	5%	S &P/NZX Bank Bill 90-Day Index
Impact Investments	**2%**	NZ CPI

[1] net divs refers to the value of the index including the dividends paid by constituent companies net of withholding taxes and expenses associated with the dividend payments.

[2] We will also measure the Global Equity asset class against the MSCI All Country World Paris Aligned Index on an annual basis.

6. Investment Manager Selection and Monitoring

The Investment Committee seeks to identify external investment managers to implement management of the portfolio. In line with the Foundation's Investment Beliefs this is done cognisant of the fact that the costs of investment management matter and that in some asset classes low-cost passive strategies can be blended with higher-cost active strategies to minimise the overall cost of investing. The primary goal is to maximise overall portfolio "net of fees" returns at an acceptable level of risk.

6.1 Investment Management Monitoring

The Investment Committee, working with the Foundation's asset consultant, will be responsible for evaluating and monitoring each manager in the portfolio. Investment manager monitoring involves maintaining a view on the relative attractiveness of each manager informed by the manager's past performance as well as an assessment of their ability to continue to perform based on their governance, capability, culture, and operational rigour.

The Investment Committee will also maintain a view of the manager's environmental and social impact and performance based on relevant metrics as well as qualitative insights.

6.2 Selection of New Investment Managers

Investment managers are contracted to fulfil specific roles in the portfolio. The Investment Committee recognises that managers should not be selected on the basis of recent performance, but on their longer-term record and on the basis of other criteria, such as personnel, research capabilities, back-office systems, fees, alignment with the Foundation's Sustainable Investment Policy and the Foundation's organisation values. Prior to the appointment of an investment manager, extensive due diligence will be undertaken by the Foundation's asset consultant and investment staff.

A key part of the evaluation process includes ensuring the fees charged by each investment manager are appropriate given the investment being considered.

6.3 Termination of Investment Managers

Investment managers should not be terminated for poor performance over a short time horizon. Terminations within a short time horizon would normally be predicated on something other than performance; for example, fundamental changes in the manager's personnel or organisation; a failure to fulfil the mandate for which the manager was hired; evidence of illegal or unethical behaviour; or a decision by the Foundation to cease investing in the manager's asset class.

Over the longer-term termination decisions may be based on reduced conviction that a manager will be able to successfully deliver satisfactory results to the Foundation as well as other factors less directly related to investment performance, including changes within the investment manager as well changes to the structure of the Foundation's portfolio.

7. Manager Concentration Limits

To provide reasonable assurance that no single manager could have a disproportionately negative impact on the Foundation's aggregate results, exposure to any single actively managed fund should be limited to:

— 10% of the Foundation's portfolio for all funds in asset classes other than Fixed Interest and Cash. These funds typically exhibit higher volatility, which results in the potential to have a bigger impact on portfolio returns.

— 20% of the Foundation's portfolio for funds in Fixed Interest and Cash asset classes. These funds characteristically have lower risk and/or are more diversified which enables larger positions to be taken.

In addition, investments should not constitute more than 10% of a third-party pooled fund's assets under management. The limit applies at the fund level, not the individual share class. Assessment is done on an annual basis.

The Investment Committee may, at its discretion, make exceptions to these limits, for example, for the purposes of averaging in, testing a new asset class or manager, or building a relationship.

8. Sustainable Investment Policy

As the kaitiaki of the pūtea for the people of Tāmaki Makaurau Auckland and Te Tai Tokerau Northland, the Foundation is committed to integrating sustainable investment considerations into its investment decision-making process.

Sustainable investment is understood internationally to include integrating environmental, social and governance (ESG) considerations, including climate change, into investment management.

Climate Change—The Foundation believes that climate change is an urgent global issue and supports actions to help deliver the goals of the Paris Agreement. As such, the Foundation targets the transition of its investments to achieve net zero portfolio greenhouse gas emissions by 2050 or sooner (referred to below as "Net Zero 2050").

The Foundation expects all our managers (appointed after January 2024) to have an ESG policy and to report on how they are incorporating ESG factors into investment analysis and decision-making processes. Our expectation is this includes investment managers evaluating how their portfolio companies are managing issues like climate change, human rights practices and corporate governance.

The Foundation requires all new investment due diligence undertaken by the asset consultant to include a thorough understanding of the Manager and Investment strategy's commitment to Net Zero 2050 and alignment with our values.

8.1 Common ESG criteria

Common ESG criteria we expect to be incorporated by the Foundation investment managers include:

Environment – biodiversity loss, climate change, reduced carbon emissions, renewable energy, waste management, air and water pollution, deforestation and natural resource depletion.

Social –Diversity Equity and Inclusion programmes, workplace health and safety, data protection and privacy policies, native title, Indigenous peoples, cultural heritage, community relations and support for human rights and labour standards.

Governance – company leadership and management, Board composition including diversity and structure, executive compensation policies, financial transparency and business integrity, regulatory compliance and risk management initiatives, ethical business practices, rules on corruption, bribery, conflicts of interest, political donations and lobbying, whistleblower programmes.

Geopolitical Risks – The Foundation cannot foresee and avoid the impacts of geopolitical situations. We expect our managers to follow international trading rules and exclude assets from portfolios when companies or countries are subject to sanctions.

Active Ownership - we expect all our investment managers to engage with companies on ESG issues and exercise their voting rights to influence corporate behaviour.

Public equity investment managers are expected to be signatories of their local Stewardship Code and provide regular reporting to the Foundation on their stewardship activities.

Exclusion Criteria: We avoid investments in industries or funds that do not align with our values. The Foundation specifically excludes:

— controversial and nuclear weapons [1],

— the manufacture of tobacco products,

— fossil fuels extraction through oil sands and thermal coal extractors.

Additional exclusions may be applied by the investment managers (e.g. handguns, predatory lending, palm oil).

8.2 Sustainable Themes:

The Foundation seeks investment opportunities that:

— Are consistent with our commitment to Te Tiriti o Waitangi and indigenous peoples rights.

— Advance climate change solutions through the reduction of carbon emissions in alignment with Net Zero 2050

— Advance environmental regeneration, nature conservation and sustainable use of natural resources, including air, water and land.

— Manage the risks of climate transition

— Create a more sustainable, socially inclusive world.

Transparency and Reporting: We use independent specialist agencies in conjunction with our asset consultant to monitor ESG performance and carbon exposures against industry standards and to identify poor practice. We provide simple, clear semi-annual reporting on ESG and carbon exposure performance on our listed investments. This helps us understand how our investments are adhering to our sustainability policy.

[1] *As defined by Kiwisaver legislation in relation to investment exclusions.*

Risk Management: We use our asset consultant to assess ESG-related risks (through initial due diligence and ongoing reporting) that could affect the long-term performance of investments. This includes assessing potential environmental liabilities, social controversies, and governance issues identified internally or as highlighted by our independent specialist agencies.

Continuous Improvement: The policy is reviewed annually by the Investment Committee and the policy is updated to reflect evolving best practices and emerging sustainability issues.

9. Spending Policy

The optimal spending policy ensures a balancing of priorities, where the current needs of the community and Foundation are not sacrificed in the interests of the future, nor are future needs sacrificed to those of the present. The Foundation's spending is defined as annual grants plus operational and capital expenditures.

The Foundation's Spending Policy is to annually spend 4.5% of the Trust Fund's (net assets of Foundation North) closing market value, averaged over the previous 20 quarters. The annual spending calculation uses the December valuation prior to the financial year beginning, as the final quarter.

Annual granting for the financial year following the December quarter-end calculation will only be permitted if the Trust Fund less the spending amount results in the Trust Fund remaining above the Foundation's Real Capital.

The Spending Policy is to be read in conjunction with the Foundation's Reserving Policy.

10. Version Control

Version	Approved / Updated	Change from Preceding Version
1	Approved 2002	Revised Asset Allocation Strategy.
2	Approved Dec-05	Revised Asset Allocation Strategy.
3	Approved Jun-06	Ethical inclusion to Investment Objectives.
4	Approved Oct-06	Inclusion of Derivatives Policy.
5	Approved Jun-06	Inclusion of Responsible Investment Policy. Inclusion of Absolute Return Funds Policy.
6	Updated Jul-07	Updated to reflect changes in investment managers.
7	Approved May-08	Inclusion of Performance Objective. Updated Responsible Investment Policy. Revised Asset Allocation Strategy. Inclusion of Benchmark Indices.
8	Approved Oct-10	SIPO revised following Cambridge Associates (C|A Investment Planning Review (IPR) concluded on 19-Jul-10.
9	Approved Jun-13	SIPO revised following C|A IPR concluded on 29-May-13.
10	Approved Mar-14	Benchmark for Global Fixed Interest revised.
11	Approved Oct-14	Revised wording and order of Investment Beliefs.
12	Approved Sep-15	Clause 7.4 amended to include direct investments in NZ Real Estate.
13	Approved Oct-15	Revised to reflect new name (Foundation North) including update of Nature of the Trusts section.
14	Approved Mar-16	Clause 7.4 amended to include Any allocation to direct investment in New Zealand Real Estate will be subject to the terms of the approved NZ Direct Real Estate Investment Guidelines.
15	Approved Mar-17	Target Asset Allocation and Ranges revised.

16	Approved May-17	SIPO revised (Responsible Investment Policy).
17	Approved Mar-18	SIPO revised following C|A triennial review. Changes minor in nature – simplification of benchmarks, policy targets and policy ranges.
18	Approved Aug-19	Impact Investment
19	Approved Nov-21	SIPO revised following a full review implemented on the appointment of JANA. Changes covering spending policy, target return, asset allocation, liquidity policy, benchmarks, hedging policy and responsible investment policy.
20	Approved Feb-23	Revised following formal SIPO review. Objectives, beliefs, and Responsible Investment Policy updated.
21	Approved Nov-23	Revised following annual SIPO review. Hedging Policy, Target policy portfolio, benchmarks and asset class buckets (away from factor-based approach) updated.
22	Nov 2024	Revised following annual SIPO review. Target policy portfolio, benchmarks confirmed. Modelling to consider a Spending policy rate increase. Simplified sections, removed duplication, added a contents page, and a new Sustainable Investing policy (to replace the Responsible Investing policy). A new Te Tiriti o Waitangi section also added.

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