Adopted by the Trustee on 25 March 2025

Dairy Industry Superannuation Scheme

SIPO

Statement of Investment Policy and Objectives

Contents

Introduction....3
Roles and Responsibilities....4
Investment Philosophy and Process....6
Objectives....9
Investment Strategy....10
Investment Policies....14
Investment Management....18
Investment Performance Monitoring....19
Limit Breaks....21
Appendix 1: Benchmarks....22
Appendix 2: Fund Managers and Mandates....23

1

Introduction

This Statement of Investment Policy and Objectives ("SIPO") applies to the Dairy Industry Superannuation Scheme ("Scheme").

Principal Purpose

The Scheme is a restricted workplace savings scheme. The principal purpose of the Scheme is to provide retirement benefits to and in respect of members. The Scheme offers members the choice of four investment funds and a further three choices which form a 50:50 mix of adjacent (ordered by risk) funds.

Trustee

The Trustee of the Scheme as at the date of this SIPO is Dairy Industry Superannuation Trustee Limited ('Trustee').

Investments

The Scheme utilises a sector specialist management structure. The fund managers utilised are specified in Appendix 2.

Asset Base

The total market value of the Scheme's investment assets (as at 31 December 2024) was $1,009 million.

Effective Date

This SIPO takes effect on 25 March 2025.

Review Date

The review date of this SIPO is anticipated to be no later than one year from the effective date of this SIPO, or sooner if market conditions warrant or the investment structure is altered. Changes to this SIPO are undertaken by the Trustee with assistance, as appropriate, from the Investment Consultant.

Availability

The most current version of this SIPO is available on the register entry for the Scheme on the Disclose website at www.disclose-register.companiesoffice.govt.nz.

Trust Deed

The Scheme is governed by a Trust Deed dated 28 July 2020. The Trust Deed provides the Trustee with broad authority to invest the Scheme's assets. The Trustee must manage the Scheme in a manner expected to ensure the continuing compliance with the Trusts Act 2019, the Financial Markets Conduct Act 2013 and any other relevant legislation.

2

Roles and Responsibilities

Trustee

The Trustee is responsible for the investment of the Scheme's assets in accordance with legislative requirements, the Trust Deed and this SIPO.

The **Trustee** is responsible for the following:

- Maintaining the investment governance framework, including effective investment policies
- Establishing investment beliefs and an investment process
- Setting the investment objectives and risk profiles of the four investment funds, and regularly reviewing
- Determining the investment strategies for the Scheme and reviewing it as appropriate. This includes the benchmark asset allocations, ranges, other limits and appropriate indices
- Appointing an investment adviser ("Investment Consultant") to provide advice to the Trustee in respect of its responsibilities
- Implementing the investment strategies. This includes determining the appropriate number of fund managers, and selecting and monitoring those fund managers
- Safe custody of the investment assets
- Monitoring investment performance relative to objectives and compliance with strategy limits
- Reviewing this SIPO annually
- Ensuring compliance with the SIPO
- Satisfying reporting requirements under the Financial Markets Conduct Act 2013 and related legislation and guidance notes

Investment Consultant

The **Investment Consultant** is responsible for the following:

- When requested by the Trustee, evaluating the appropriateness over time of the long-term benchmark asset allocation policies (Benchmark Portfolios) and fund manager structure
- When requested by the Trustee, assisting in the review and selection of fund managers and underlying investment funds
- Monitoring the actual asset allocations of the Scheme's investment assets and currency hedging levels, comparing this to the Benchmark Portfolios and currency hedging ranges, and reporting the results to the Trustee on a monthly basis
- Rebalancing the portfolio as per the rebalancing policy in Section 6.

- Monitoring the investment performance of the Scheme and its fund managers, comparing these to the various objectives and benchmarks, and reporting the results to the Trustee on a monthly basis
- Monitoring and reporting on compliance of fund managers with their pooled investment fund guidelines and constraints
- The provision of investment fund data to enable the Scheme to fulfil its reporting obligations in regards to the Financial Markets Conduct Act 2013
- Assisting the Trustee in the annual review of this SIPO.

Fund Manager

Each **fund manager** will be responsible for the following:

- Managing the relevant assets of the Scheme in accordance with the signed agreement between the Scheme and the fund manager, and in accordance with the governing documents of the relevant underlying investment fund(s)
- Ensuring that the investment fund governing documents include guidelines setting out eligible investments, performance measures, constraints and exposure limits, derivative limits, monitoring and reporting requirements
- Advising of changes or variations in respect of the operations of their funds or any fund guidelines or constraints
- Providing appropriate reporting to the Trustee and attend meetings with the Trustee as reasonably required.

3

Investment Philosophy and Process

Investment Beliefs

The Trustee believes that a set of well-founded investment beliefs provide a sound foundation for investment success.

- Asset allocation policy is the primary driver of long-term returns and thereby investment success. We should focus most of our attention on what matters the most.
- Risk and return are related. We should expect that if the expected return on an asset exceeds that on a second asset, there is likely to be additional risk associated with holding the former.
- Combining assets, whose returns are less than perfectly correlated, can improve the overall portfolio's return-to-risk ratio and reduce the volatility of returns over time (all other things being equal). However, diversification needs to be carefully constructed in order to effectively deliver reduced risk.
- Capital markets are broadly, but not perfectly, efficient. The extent of efficiency varies from market to market and can vary over time. Some sectors/strategies have characteristics which are conducive to a manager's ability to generate excess returns and some less so. It follows that active management can add value but not in all cases.
- A responsible investment approach, which considers the integration of environmental, social and governance (ESG) factors into investment decision-making can help to identify opportunities and risks, resulting in better risk-adjusted financial outcomes over time.

Investment Approach

Reflecting the investment beliefs set out above:

- Governance is important as the duty of care cannot be delegated. Any outsourcing of functions needs to be justified with respect to consideration of such factors as the degree of internal versus external competence, governance budget, efficiency of scale, expected return, diversification benefits and fees paid.
- Obtaining specialist external advice is valuable in many cases and resources need to be committed for that purpose.
- We should be open to considering new investment ideas which may be of benefit to the Scheme and members.
- Identifying successful active fund managers in advance is difficult and requires that appropriate resources and specialist skills be applied.
- The extent to which fund managers integrate ESG factors into their investment process is considered when selecting and reviewing fund managers.
- Fund manager performance should be assessed in the context of risk taken, fees charged, tax implications, and longer-term rather than short-term returns.

- Costs matter. Management, transaction and transition costs can significantly inhibit out-performance and should be appropriately weighted in the appraisal of investment decisions.
- Absorbing a degree of illiquidity risk is a means of seeking improved risk-adjusted returns (Real and Alternative Assets are examples of this). There are likely to be unique risks and challenges with illiquid assets that need to be assessed on a case-by-case basis.
- Investing in asset classes not readily accessible to the public can add value to Scheme members in the context of risk taken.
- Pooled vehicles (in particular Portfolio Investment Entities) are a means of accessing fund manager strategies which can offer tax advantages and administrative efficiency. Accordingly, in most cases they are a preferred vehicle.

The Trustee also recognises that:

- Scheme investment options should take into account the diverse characteristics of the member base. Offering a range of options, which are "true to label", is an effective means of achieving this.
- The investments entered into by the Scheme should be explainable to members without undue difficulty. Lack of transparency is likely to hinder member understanding and support.

Investment Process

The Trustee, based on advice from the Investment Consultant (Mercer), determines an appropriate investment strategy for the Scheme as a whole, which is designed to achieve their investment objectives. Setting the investment strategy is a continual process that aims, first and foremost, to ensure alignment between agreed investment objectives and the structure of the individual fund.

The methodology used by Mercer to develop the investment strategy for each fund involves, as a first step, consideration of:

- Expected risk and return relative to the fund's objectives;
- The overall composition of the fund's investments including the adequacy of diversification;
- The liquidity of selected investments having regard to expected cash flow requirements;
- Expected tax consequences; and
- Associated costs of investing and any other relevant matters.

The investment strategy is then formulated with reference to the fund's risk and return objectives (plus the further considerations listed above) and in a manner that utilises the benefits of diversification within and between asset classes. The Benchmark Portfolio asset allocations are then set and modelled on a periodic basis to assess ongoing appropriateness in the light of expected market conditions and the asset allocation's ability to deliver on the particular fund's investment objectives.

Strategic asset allocation involves setting a benchmark asset allocation for the long-term (but subject to reviews).

The investment strategy for each fund is periodically reviewed to ensure an appropriate balance between risk and return and to maximise the likelihood of achieving stated objectives. Asset allocation modelling is undertaken on potential alternative strategic asset allocations to assess the impact of desired changes on each fund. The Investment Consultant formulates capital markets forecasts and employs proprietary modelling tools to support these processes.

This analysis is used to test the appropriateness of the fund's investment strategy by estimating, among other metrics, the likelihood that the fund will achieve its performance objectives, expected return, expected volatility and the probability of a negative return.

Reviewing the Investment Strategy

The Trustee, together with the Investment Consultant, will undertake a formal strategy review at least every three years. Any recommended changes are supported by detailed analysis setting out the rationale for changes and the expected impact on Scheme characteristics.

Potential enhancements considered in formal reviews may include:

- The addition of a new asset class or a new type of investment;
- Incorporation of new Mercer research;
- Investment environmental factors including significant market events; and
- Long-term market/industry trends and the outlook for growth.

The primary aim of any adjustment to the Scheme's investment strategy is to improve the balance between risk and return and maximise the chance of achieving the stated objectives.

4

Objectives

The Scheme was established to provide retirement and other benefits for the employees of members. The retirement benefits provided by the Scheme are the accumulation of member and employer contributions (and, where a lock-in applies, government contributions) with investment earnings (net of tax and expenses).

Investment Objective

The broad investment objective underlying the investment policy for the Scheme is to maximise long-term investment returns, subject to constraints aimed at containing fluctuations in returns over shorter periods within acceptable limits.

Performance Objectives

More specifically, the Scheme's investment policy, including expected added value from the fund managers, aims to earn returns after tax and investment related fees (excluding any member insurance costs) that exceed CPI increases by amounts and over rolling periods as set out in the table below. The target returns are effective as of 19 June 2024.

Investment Option	Target Net Real Rate of Return	Investment Timeframe
Conservative	1.00% p.a.	Minimum 5 years
Balanced	2.00% p.a.	Minimum 10 years
Growth	2.75% p.a.	Minimum 15 years

The Cash option is expected to produce returns, before tax and fees, near NZ 90-Day Bank Bill rates.

Investment Risk

The future is uncertain and investment markets are unpredictable. Uncertainty creates both risks and opportunities. Because of this, the Scheme invests in a wide variety of assets. These assets are diversified by type, location and risk factors. In addition, the assets are managed by a number of specialist firms which reduces Scheme exposure to a particular fund manager.

Scheme members bear the investment risk, as fluctuations in investment performance over time directly affect members' benefits. Members are able to select from the four investment options and can elect to switch options monthly. Periodically the Trustee may offer additional opportunities.

5

Investment Strategy

The assets of the Scheme will be diversified across different asset classes to reflect the risk profile and performance objectives of each fund option.

Permitted Investments

The Scheme can be invested in the following general asset classes:

- New Zealand equities, incorporating an allocation to Australian equities
- Global equities, predominantly being large capitalisation stocks from developed markets, but also including emerging market and small capitalisation equities
- Global listed property
- Global listed infrastructure
- New Zealand fixed interest, which can be sub-categorised into sovereign and non-sovereign (credit) securities
- Global fixed interest, which can be sub-categorised into sovereign and non-sovereign (credit) securities
- Cash

The Scheme may invest in other investments that the Trustee considers fall within the parameters of permitted investments and that appropriately reflect the risk profile of the Scheme and will contribute to the performance objectives of the Scheme.

Strategic Asset Allocation

The strategic asset allocation and ranges that, in the Trustee's view, best meet fund objectives are as follows:

Cash Fund

Asset Class	Benchmark (%)	Range (%)
Trans-Tasman Equities	-	-
Global Equities (50% hedged after tax)	-	-
Global Listed Property	-	-
Global Listed Infrastructure	-	-
Total Growth Assets	**-**	**-**
New Zealand Fixed Interest	-	-
Global Aggregate Fixed Interest (hedged)	-	-
Global Unconstrained Fixed Interest (hedged)	-	-
Cash	100	100
Total Income Assets	**100**	**100**

Conservative Fund

Asset Class	Benchmark (%)	Range (%)
Trans-Tasman Equities	7	5.5 – 8.5
Global Equities (50% hedged after tax)	17	13.5 – 20.5
Global Listed Property	2	1.5 – 2.5
Global Listed Infrastructure	4	3.5 – 4.5
Total Growth Assets	**30**	**25 – 35**
New Zealand Fixed Interest	15	12 – 18
Global Aggregate Fixed Interest (hedged)	16	13 – 19
Global Unconstrained Fixed Interest (hedged)	10	7.5 – 12.5
Cash	29	22 – 36
Total Income Assets	**70**	**65 – 75**

Balanced Fund

Asset Class	Benchmark (%)	Range (%)
Trans-Tasman Equities	13	10.5 – 15.5
Global Equities (50% hedged after tax)	35	28 – 42
Global Listed Property	4	2.5 – 5.5
Global Listed Infrastructure	8	6.5 – 9.5
Total Growth Assets	**60**	**55 - 65**
New Zealand Fixed Interest	7	5.5 - 8.5
Global Aggregate Fixed Interest (hedged)	21	17 – 25
Global Unconstrained Fixed Interest (hedged)	8	6 – 10
Cash	4	3 - 5
Total Income Assets	**40**	**35 - 45**

Growth Fund

Asset Class	Benchmark (%)	Range (%)
Trans-Tasman Equities	18	14.5 – 21.5
Global Equities (50% hedged after tax)	47	37.5 – 56.5
Global Listed Property	6	4 – 8
Global Listed Infrastructure	9	7 – 11
Total Growth Assets	**80**	**75 – 85**
New Zealand Fixed Interest	2	1.5 – 2.5
Global Aggregate Fixed Interest (hedged)	11	9 - 13
Global Unconstrained Fixed Interest (hedged)	5	4 - 6
Cash	2	1.5 – 2.5
Total Income Assets	**20**	**15 - 25**

In addition, members may select a 50:50 mix of adjacent fund options, i.e. Cash/Conservative funds, Conservative/Balanced funds or Balanced/Growth funds.

The guidelines used for calculating asset class ranges are as follows:

Target weight:	Range:
0-9.9% and Cash	+/- 25% of target, rounded to 0.5%
10%+	+/- 20% of target, rounded to 0.5%

The Total Growth and Total Income ranges are +/-5% around target on an absolute basis.

Currency Hedging

Asset Class	Benchmark (%) on an after-tax basis	Range (%)
Global Equities	50	40 - 60
Global Listed Property and Global Listed Infrastructure	100	90 - 110
Global Aggregate Fixed Interest and Global Unconstrained Fixed Interest	100	90 - 110

Australian currency exposure within the Trans-Tasman Equities portfolio will be hedged at the discretion of the fund managers.

Date

The strategic asset allocations set out above are effective as of 19 June 2024.

Review

The appropriateness of the Benchmark Portfolios will be formally assessed at least once every three years and kept under constant review to reflect any fundamental changes in the investment environment and changes to the Scheme’s investment policy.

6

Investment Policies

General

In making decisions on investment strategies, the Trustee will have regard to the overall circumstances of the Scheme and will comply with all applicable legislative requirements.

Asset Allocation Policy

In the normal course of events, the Trustee will not alter the asset allocation of the Scheme's investments from the Benchmark Portfolios. However, some drift away from the Benchmark Portfolio may occur due to market fluctuations. In addition, from time to time the Trustee may intentionally deviate from the long-term asset allocation strategy in order to preserve capital in extreme market conditions. Such positions are to be taken after consideration of advice from the Investment Consultant with input, as required, from the fund managers in the appropriate investment sector.

Rebalancing Policy

The following policies apply in respect of rebalancing the Scheme's Benchmark Portfolios.

- The exposures to the various asset classes will be monitored monthly by the Investment Consultant and reported to the Trustee in a Monthly Investment Monitoring Report.
- If the overall allocation to growth (or income) assets moves outside the primary ranges of the respective multi-sector investment options, rebalancing will take the investment options back to 50% of the strategic asset allocation targets.
- If any asset class allocation exceeds the ranges set out in the investment strategy, then sufficient assets will be transferred, on the Investment Consultant's authority, to bring the weights to within benchmark ranges.
- The Investment Consultant has the discretion to allow the asset allocation to vary from the Benchmark Portfolio over the shorter term, provided the mix remains within the ranges.
- In considering rebalancing, the Investment Consultant can take into account recent volatility and the likelihood market movements may result in asset classes moving back to within the ranges, along with transactions costs likely to be incurred in any transition.
- The regular cashflow requirements of the Scheme can provide an opportunity for the Investment Consultant to assist in rebalancing the portfolio towards target weights, by directing outflows to the overweight asset class(es) and inflows to underweight asset class(es). Rebalancing can also be undertaken by selling overweight asset classes to fund underweight asset classes.

The Investment Consultant, within 5 business days of being aware of the asset allocation in an investment option being outside the relevant ranges, must reweight the Fund to be within the asset allocation ranges and notify the Trustee of that breach and action taken.

Liquidity Policy

The Scheme requires liquidity to meet payment obligations that include:

- Operational expenditure
- Rebalancing requirements

The Scheme requires a high degree of confidence that during any periods of extreme market volatility, liquidity demands can be met. The Scheme's primary source of liquidity is its Cash investment. Cash investments also play a role in the Scheme's investment strategy, providing a stable return with low volatility. The Scheme's liquidity requirements are further supported by predominantly investing in listed securities.

Taxation Policy

The Trustee's preference for investment product is New Zealand based pooled vehicles qualifying as Portfolio Investment Entities (PIEs) and taxed at a rate of 28% at source.

Investment vehicles other than 28% tax rate PIEs may be utilised at the Trustee's discretion from time to time. Should the Scheme itself elect to become a PIE then investment vehicles taxed at 0% will be utilised.

Currency Policy

Currency risk is the risk that foreign currency denominated assets will lose value (in New Zealand dollar terms) due to the effect of an adverse exchange rate movement. Unmanaged currency movements can have a material impact on investment returns over the short-term.

Currency hedging is essentially protection against changes in currency exchange rates. Those assets which are not hedged will have exposure to currency exchange rate movements, resulting in a benefit when the New Zealand dollar goes down and a decrease in value when the New Zealand dollar goes up, against the other relevant currency or currencies.

As set out in section 5, the Trustee's currency policy for global equities is to hedge those investments in order to achieve an effective after-tax 50% foreign currency hedge.

For global listed property, global listed infrastructure, global aggregate fixed interest and global unconstrained fixed interest, the Trustee has determined that an effective after-tax 100% foreign currency hedge is appropriate.

The Trustee notes that different asset classes, including foreign currency hedges, may be taxed under different taxation methods. In each asset class appropriate products are selected, and rebalanced as required, in order to achieve the target after-tax hedge positions, and maintain these positions within the ranges outlined in section 5.

Australian currency exposure within the Trans-Tasman Equities portfolio will be hedged at the discretion of the fund managers.

Derivatives Policy

Each fund manager is entitled to make use of derivative contracts for the following purposes:

- Strategies relating to yield curve and modified duration for cash and fixed interest portfolios within the given exposure ranges;

- As a hedge to manage exposure to foreign currency or other investment risks; and
- To reduce transaction costs and improve liquidity by using derivative contracts to take a position which would otherwise have been taken by buying or selling physical stock.

With the exception of any Alternative Assets, the fund manager must not use derivatives, physical securities or any combination of the two to produce financial exposures that would result in the leverage of the fund; that is, the fund's net exposure to investment markets exceeding the value of the physical assets. Derivatives should only be used to produce financial exposures which would be otherwise obtained through the use of physical securities in the absence of leverage.

With the exception of any Alternative Assets, the fund manager must not use derivatives, physical securities or any combination of the two to produce financial exposures that would be effectively net short positions. A net short position is considered to be the taking and maintenance of a position in respect of one asset whereby the value of the fund will be enhanced if the price of that asset falls without a corresponding effective long position on the same or a highly correlated asset. Where a short position is effectively taken over more than one asset, as in the case with a basket of index derivatives, the corresponding long exposure may be a basket of physical or derivative securities which could reasonably be considered as a proxy for those assets.

Related Party Policy

The Scheme is prohibited from entering into a transaction that provides for a related party benefit to be given without first satisfying all requirements of the Financial Markets Conduct Act 2013 in this respect.

Responsible Investment Policy

The Trustee is committed to consideration of ESG factors into its investment decision making process. However, the Trustee has determined that investing through commingled funds offered by professional managers is the most practicable and efficient way of delivering desired outcomes to members. Accordingly, on an operational basis the Trustee recognises it has no direct influence over the individual securities held (or excluded), or the responsible investment policies, voting decisions and engagement activities of the underlying investment managers. Rather, the Trustee's influence is primarily one of assessing or engaging with investment managers and deciding to add or remove products provided by those managers.

Reflecting this, when considering whether to initiate or retain an investment in a wholesale investment product, the Trustee takes into consideration the extent to which the investment manager of the wholesale investment product incorporates responsible investment practices and ESG considerations into its business and investment processes and invests in a manner that is in line with or contrary to the Trustee's policy and beliefs.

At a minimum, the Trustee aims to avoid, where practical, investment in companies whose activities are contrary to the intent of New Zealand legislation or various international agreements to which New Zealand are signatories. These activities currently include the manufacture of:

- Cluster munitions
- Anti-personnel mines
- Nuclear explosive devices, or

- Tobacco products

The Trustee recognises that Responsible Investment is an area that is constantly evolving. The Trustee aims to keep abreast of product and market developments through its interactions with its fund managers and will review this policy annually as part of the regular SIPO review.

Any implementation of the Responsible Investment policy shall be consistent with the Trustee's fiduciary responsibility to deliver on its investment and performance objectives.

7

Investment Management

Fund Manager Selection

The Trustee focuses on selecting fund managers who are specialists within their particular investment markets and who have demonstrated capability and conviction in portfolio construction and the execution of investment strategies.

The Trustee seeks advice from their Investment Consultant as to suitable fund managers for appointment. The aim is to achieve a level of returns meeting or exceeding the objectives set for the fund and which is consistent with the fund's risk profile.

The Trustee also seeks advice from the Investment Consultant that the fees negotiated with each fund manager are consistent with market practice and the expectation for excess returns (after fees). The Trustee's Responsible Investment policy is also taken into account when selecting and reviewing the appointment and retention of fund managers.

Where appropriate, the Trustee may select a manager-of-managers investment product, i.e. where a provider allocates to investment strategies offered by other managers (to achieve manager diversification and detailed monitoring that otherwise may not be practical).

From time to time, the Trustee, with the assistance of the Investment Consultant, will review the fund managers to ensure they remain appropriate for the Scheme.

Fund Managers

The Scheme's fund managers are detailed in Appendix 2.

Investment Guidelines

The investment guidelines and constraints of the Scheme will largely be determined by the governing documents of the sector specialist fund managers into which the Scheme invests.

The investment fund governing documents shall include guidelines setting out eligible investments, performance measures, constraints and exposure limits, derivative limits, monitoring and reporting requirements.

Any direct investment in the Fonterra Group, including the Fonterra Shareholders' Fund, will occur via the pooled vehicle of an appointed fund manager, i.e. direct control is not held by the Trustee. Any investment is required to be reported to the Trustee by the fund manager in quarterly investment reports and is subject to the related party transactions and in-house assets restrictions in sections 172 to 177 of the Financial Markets Conduct Act 2013 which apply to the Scheme as an employer-related workplace savings scheme.

8

Investment Performance Monitoring

This policy describes the principles and processes governing investment performance monitoring having regard to the investment strategies of the Scheme. The principal goals of performance monitoring are to:

- Assess the extent to which the Scheme's investment objectives are being achieved
- Compare the performance of the Scheme's appointed fund managers against market indices, out-performance targets and the performance of other relevant professional managers
- Ascertain the existence of any particular weakness in the fund managers or the products utilised
- Allow the Trustee to continually assess the ability of the fund managers to successfully meet the Scheme's objectives

Fund Performance

The Trustee will monitor performance of the Scheme each month. Performance will be assessed against:

- The Scheme's long-term investment performance objectives
- The performance of the Scheme's composite benchmarks which are made up of market indices for each asset class, in proportionate weights as per the Benchmark Portfolios
- From time to time the Trustee will also assess the Scheme's performance against peer funds

Fund Manager Performance

The fund managers will report at least quarterly in accordance with a format agreed with the Trustee.

Managers' performance will be monitored quarterly with a view to an annual evaluation of rolling three year results. Performance will be assessed against:

- Market indices as per the benchmarks detailed in Appendix 1
- Out-performance targets
- Peers

Fund managers' roles will be reviewed by the Trustee on a regular basis. Factors taken into account in these reviews will include investment style, people, organisational strength, investment performance relative to objectives, and any other factors considered relevant to the fund manager's continuing ability to meet the applicable investment objective.

Fund Manager Review & Monitoring Policy

In order to ensure that the Scheme's fund managers remain appropriate for the mandates for which they have been appointed to, the Trustee will:

- Formally review the appointed fund managers every three years. A formal review involves reviewing the following as a minimum requirement:
  - Performance against benchmarks over the 3 year period
  - Performance against peers over the 3 year period
  - Longer term performance comparisons
  - Investment philosophy and process
  - Personnel
- Meet with the fund managers at their offices or receive visits from the fund managers, and receive presentations from their senior personnel.
- Receive and scrutinise the Investment Consultant's manager research to ensure that, where applicable, the fund managers within the Scheme's structure are highly regarded by the Investment Consultant. The Trustee reserves the right to appoint fund managers which are not researched and/or highly regarded by the Investment Consultant.
- Formally review a fund manager if the Investment Consultant forms an unfavourable assessment (e.g. the fund manager's rating falls below B+ to B or C). The review shall involve scrutinising the reasons for the Investment Consultant's downgrading and a consideration of suitable alternatives.

9

Limit Breaks

The Financial Markets Conduct Act 2013 requires reporting of material breaches of the SIPO (limit breaks) to the Financial Markets Authority.

Materiality

Whether or not a breach of this SIPO is material is determined at the discretion of the Trustee. In considering whether or not a breach is material, the Trustee will give consideration to:

- The nature of the breach
- The cause of the breach, including whether or not the breach is the result of sharp short-term market movements
- The size of the breach
- any losses caused to the Scheme
- whether the breach is an isolated incident, or part of a recurring pattern of breaches
- how long the breach went on for
- how quickly the breach is rectified after the Trustee became aware of the breach.

A breach of a range resulting from market movements, which is corrected within 5 business days, will not ordinarily be deemed material for limit break reporting purposes.

Monitoring process

The Trustee will monitor the Scheme for compliance on a monthly basis, including:

- Reporting from the fund managers certifying :
  - Compliance with the investment agreement or the governing documents of the investment product
  - Whether or not the fund manager is aware of any breach of this SIPO
- Reporting from the Investment Consultant regarding the asset allocation of the Scheme's investments.

Resolution and Reporting

Where the Trustee becomes aware of a breach, the relevant fund manager, or the Investment Consultant, will be instructed to remedy the breach immediately.

Where the Trustee determines that a material breach of this SIPO has occurred and that breach is not resolved within 5 business days, the Trustee will immediately report the limit break to the Financial Markets Authority; otherwise the Trustee will report the limit break to the Financial Markets Authority each quarter.

Appendix 1: Benchmarks

Performance for each fund option (composite benchmark) will be measured against market indices as follows:

Investment Manager	Index
Trans-Tasman Equities	S&P/NZX50 Gross Index (with imputation credits)
Global Equities*	43% MSCI World Index (Unhedged in NZD), 57% MSCI World Index (100% hedged to NZD on an after-tax basis)
Emerging Market Equities*	MSCI World Emerging Markets Index (Unhedged in NZD)
Global Listed Infrastructure	FTSE Global Core Infrastructure 50/50 Index (100% hedged to NZD on an after-tax basis)
Global Listed Property	FTSE EPRA / NAREIT Developed Index (100% hedged to NZD on an after-tax basis)
New Zealand Fixed Interest	Bloomberg NZBond Composite 0+ Year Index
Global Aggregate Fixed Interest	Bloomberg Global Aggregate Index (100% hedged to NZD)
Global Unconstrained Fixed Interest	Bloomberg Global Aggregate Index (100% hedged to NZD)
Cash	S&P/NZX Bank Bills 90-Day Index

* For the overall global equities exposure, including emerging markets, the benchmark is 50% hedged on an after-tax basis.

Appendix 2: Fund Managers and Mandates

As at the date of this SIPO, the Scheme's fund managers, sector weightings, manager benchmark and out-performance targets (before regular management fees) are as follows. All targets are over rolling 3 year periods with the exception of Cash (rolling 1 year).

Harbour Asset Management Limited

Asset Class	Fund	Sector Weighting	Index	Out-performance Target (p.a.)
Trans-Tasman Equities	Harbour Australasian Equity Fund	50%	S&P/NZX50 Gross Index (with imputation credits)	+3.0%
New Zealand Fixed Interest	Harbour NZ Core Fixed Interest Fund	50%	Bloomberg NZBond Composite 0+ Year Index	+1.0%

Nikko Asset Management Limited

Asset Class	Fund	Sector Weighting	Index	Out-performance Target (p.a.)
Trans-Tasman Equities	Nikko AM Wholesale Core Equity Fund	50%	S&P/NZX50 Gross Index (with imputation credits)	+3.0%
Cash	Nikko Wholesale Cash Fund	50%	S&P/NZX Bank Bills 90-Day Index	Near benchmark

Macquarie Asset Management (New Zealand) Limited

Asset Class	Fund	Sector Weighting	Index	Out-performance Target (p.a.)
Global Listed Property	Macquarie Global Listed Real Estate Fund	100%	FTSE EPRA / NAREIT Developed Index (100% hedged to NZD on an after-tax basis)	+2.0%
New Zealand Fixed Interest	Macquarie NZ Fixed Interest Fund	50%	Bloomberg NZBond Composite 0+ Year Index	+0.5%
Cash	Macquarie NZ Cash Fund	50%	S&P/NZX Bank Bills 90-Day Index	Near benchmark

Mercer Investments

Asset Class	Fund	Sector Weighting	Index	Out-performance Target (p.a.)
Global Equities (Developed Markets)	Mercer Overseas Shares Plus Fund (Hedged)	50%	MSCI World Index (100% hedged to NZD on an after-tax basis)	+1.5%
Global Equities (Developed Markets)	Mercer Overseas Shares Plus Fund (Unhedged)	37%	MSCI World Index (Unhedged in NZD)	+1.5%
Global Equities (Emerging Markets)	Mercer Emerging Markets Fund (Unhedged)	13%	MSCI Emerging Markets Index (Unhedged in NZD)	+1.0%
Global Listed Infrastructure	Mercer Listed Infrastructure Fund	100%	FTSE Global Core Infrastructure Capped 50/50 Index (100% hedged to NZD on an after-tax basis)	+1.0%

Implemented Investment Solutions

Asset Class	Fund	Sector Weighting	Index	Out-performance Target (p.a.)
Global Aggregate Fixed Interest	Russell Investments Global Fixed Interest Fund	100%	Bloomberg Global Aggregate Index (100% hedged to NZD)	+0.7%

Salt Funds Management

Asset Class	Fund	Sector Weighting	Index	Out-performance Target (p.a.)
Global Unconstrained Fixed Interest	Salt Sustainable Fixed Income Opportunities Fund	100%	Bloomberg Global Aggregate Index (100% hedged to NZD)	+1.0%