Adopted by the Trustees

Approved:	**12 December 2023**
Takes effect:	**1 April 2024**

Victoria University of Wellington Foundation

SIPO

Statement of Investment Policy and Objectives

Contents

1

Introduction

This Statement of Investment Policy and Objectives ("SIPO") applies to the Victoria University of Wellington Foundation ("Foundation").

Capital Funds

The Foundation was established for the benefit of Victoria University of Wellington ("VUW" or "University") for the purposes of the advancement of knowledge and the dissemination and maintenance thereof by teaching and research.

The Foundation has two sources of Capital it is responsible for, which are

- **Non-Endowed Capital Funds**
  Contributions from donors where the expectation is that the gift will be spent in full on the purpose specified by the donor - – or where no purpose is specified, on a purpose determined by the Foundation in consultation with the University.

- **Endowed Capital Funds**
  Contributions from donors where the expectation is that the contribution will be invested for the long term with investment earnings spent on the purpose specified by the donor – or where no purpose is specified, on a purpose determined by the Foundation in consultation with the University.

Investment Objectives

The primary investment objective underlying the investment policy for each Fund is:

Non-Endowed Capital: to protect the Capital so that it can be used for the purpose specified.

Endowed Capital: to maintain the real (inflation-adjusted) value of the Capital and provide a sustainable and stable annual distribution.

Roles and Responsibilities

The Trustees are responsible for this SIPO and ensuring compliance. Certain responsibilities have been delegated to the Finance, Risk and Investment Committee. An Investment Consultant and Investment Managers have been engaged to assist with certain functions.

Effective Date

This SIPO takes effect on 1 April 2024 and is reviewed in accordance with Section 10 of this SIPO.

2

Roles and Responsibilities

VUW Foundation Board of Trustees

The VUW Foundation Board of Trustees is responsible for the investment of the Fund's assets in accordance with legislative requirements and the Trust Deed. It has adopted this SIPO for guidance.

The **VUW Foundation Board of Trustees** responsibilities include:

- Maintaining the investment governance framework, including effective investment policies and delegations
- Establishing investment beliefs and an investment process
- Setting, and regularly reviewing, the investment objectives and risk profile
- Determining the investment strategy for the Fund and reviewing it as appropriate. This includes the Benchmark Asset Allocation, ranges, other limits and appropriate indices
- Appointing an Investment Consultant to provide advice to the Trustees in respect of their responsibilities
- Implementing the investment strategy. This includes determining the appropriate number of managers, and appointing and monitoring those managers
- Ensuring safe custody of the investment assets
- Reviewing this SIPO
- Ensuring compliance with the SIPO

The Finance Risk & Investment Committee

The Finance Risk & Investment Committee (”FRIC”) is a committee of the VUW Foundation Board of Trustees, established and appointed by the Board. The objective of the FRIC is to give the Board timely assistance in discharging its responsibilities for assuring the quality and integrity of the financial management of the Foundation. The FRIC has been delegated certain responsibilities under Terms of Reference found in Appendix 2.

Investment Consultant

The **Investment Consultant's** responsibilities include:

- Evaluating the appropriateness over time of the long-term asset allocation policy (Benchmarks and Ranges) and implementation approach
- Advising on the review and selection of Investment Managers

- Monitoring the actual asset allocations of the Fund's investment assets, comparing this to the Benchmarks and Ranges, reporting the results to the Trustees or the FRIC on a quarterly basis, and assisting the FRIC in rebalancing the Foundation's investments as required
- Monitoring and reporting on the Managers' compliance with the guidelines and constraints applying to their underlying investment funds in order to ensure that these fund specific guidelines and constraints are consistent with this SIPO
- Monitoring the investment performance of the Fund and its Managers, comparing these to the various objectives and benchmarks, and reporting the results to the Trustees or the FRIC on a quarterly basis
- Attending meetings with the Trustees and the FRIC as required
- Keeping the Trustees or the FRIC up to date with any investment developments or areas of concern
- Advising the Trustees on the review of this SIPO.

Investment Managers

Each **Manager** will be responsible for the following:

- Managing the relevant assets of the Fund in accordance with the signed agreement between the Fund and the 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 and these guidelines are complied with
- Advising of changes or variations in the operation of their underlying investment funds or any fund guidelines or constraints.

Providing appropriate reporting (including as to compliance with investment guidelines) to the Trustees and attending meetings with the Trustees as reasonably required.

3

Investment Philosophy and Process

The Trustees' investment philosophy is based around the idea that a set of well-founded investment beliefs provides a sound foundation for investment success.

Investment Beliefs

The Trustees believe that:

- Effective governance and efficient management can reduce costs and risks, and lead to better investment outcomes
- Risk and return are related. Over the long-term investors are rewarded for taking on additional risk
- Broad diversification among asset classes is the cornerstone of modern portfolio management. The differing characteristics of the varying asset classes provide risk-reducing benefits from diversification when they are aggregated into a total portfolio
- Asset allocation has a greater impact on investment returns than decisions concerning which specific securities to invest in
- A return premium may be earned by committing capital to less liquid investments
- Taking a sustainable investment view is more likely to create and preserve long-term investment capital
- Responsible investors who consider environmental, social and governance (ESG) factors improve long-term returns
- Climate related risks can be financially material and that the consideration of climate risk falls within the fiduciary duty of Trustees
- Markets are highly competitive but not always perfectly efficient. Therefore, the identification and subsequent selection of active managers with genuine skill, while challenging, can add value. Opportunities to add value through active management are not uniformly distributed across asset classes or through time
- External investment specialists are able to offer greater resources and flexibility in relation to investment strategy design and implementation.

Investment Approach

Reflecting the investment beliefs set out above:

- The Trustees will aim for an investment strategy that includes a diverse set of investment assets (with different risk and return factors)
- The investment structure should not be so complex as to introduce unnecessary costs
- An Investment Consultant will be used to assist in the formation and implementation of the Foundation's investment strategy
- The Foundation will seek to appoint specialist Investment Managers
- Manager-of-manager strategies are considered a useful means of implementation (accessing specialist management without additional complexity or cost) and increasing diversification
- Active management is favoured, but if considered appropriate, passive management may be used in some cases
- In selecting investment managers, the Foundation will consider the degree to which sustainability is incorporated into the management of the strategy, as well as the quality of data available for monitoring
- Through its investment manager selection and engagement activities, Trustees will seek to understand the nature and effectiveness of each Manager's Responsible Investment policies and approach to managing climate related risks
- As a long-term investor, emphasis will be given to monitoring the Foundation's investment strategy and Investment Managers over the medium-to-long term, although short-term monitoring also has a role to play
- The Foundation is committed to integrating consideration of ESG issues into its investment decision making process and developing guidelines to integrate ESG considerations into its investment portfolio
- The Foundation will aim to adopt and promote the Principles for Responsible Investment (PRI).

4

Objectives

The Foundation was established for the benefit of Victoria University of Wellington for the purposes of the advancement of knowledge and the dissemination and maintenance thereof by teaching and research.

The Foundation has two sources of Capital it is responsible for, which are:

- **Non-Endowed Capital Funds**
  Contributions from donors where the expectation is that the gift will be spent in full on the purpose specified by the donor– or where no purpose is specified, on a purpose determined by the Foundation in consultation with the University.

- **Endowed Capital Funds**
  Contributions from donors where the expectation is that the contribution will be invested for the long term with investment earnings spent on the purpose specified by the donor – or where no purpose is specified, on a purpose determined by the Foundation in consultation with the University.

Investment Objectives

The primary investment objective underlying the investment policy for each Fund is:

Non-Endowed Capital

- To protect the Capital so that it can be used for the purpose specified.

Endowed Capital

- To maintain the real (inflation-adjusted) value of the Capital and provide a sustainable and stable annual distribution.

Both Funds will hold sufficient liquid assets to meet distribution needs as they arise.

Risk Profiles

The Trustees acknowledge that the pursuit of investment returns entails taking investment risk, that risk is multi-dimensional, and that investment risks must be managed.

Each Capital Fund has a different risk profile as follows:

Non-Endowed Capital

- The primary risk is that the capital is not made available in full to fulfil the purpose intended by the donor.
- The time frame for this Fund is shorter than the Endowed Capital (approximately 18-24 months).
- There is little tolerance for risk.

Endowed Capital

- The primary risk is that this Fund does not earn sufficient income to support the objectives of the University.
- The time frame for this Fund is long-term (at least 10-years).
- There is a high tolerance for risk.

Risk objectives – Endowed Capital

The Trustees, on the basis of advice received from the Investment Consultant, have determined the following long-term risk metrics:

- A long-term target allocation to growth assets of 75%
- A two-thirds probability of the investment strategy achieving the investment objective (after the impact of active management, which is expected to improve the probability of success)
- An expected annual volatility of 10.6%
- The likelihood of a negative return once every 5 years
- A potential loss of 24% based on the average of the worst 5% of possible outcomes.

Performance Objectives

The specific performance objective for each Fund is to:

Non-Endowed Capital

- Provide returns in line with the 90-day bank bill index over rolling one year periods

Endowed Capital

- Achieve a return of CPI +4.0% over rolling 10 year periods

For both Capital Funds, outperformance will be sought relative to the return of the Benchmark Portfolio over periods of one year and longer. Whilst the performance objective of the Endowed Capital is expressed in a 10 year timeframe for the purposes of monitoring the performance of Investment Managers the investment returns will be measured on a rolling three year basis, as described in Section 8.

5

Investment Strategy

The assets of the Foundation will be diversified across different asset classes to reflect the risk profile and performance objectives of the Foundation.

Permitted Investments

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

- Australasian equities, being predominantly investment in New Zealand equities but incorporating an allocation to Australian equities (recognising the close economic relationship with Australia)
- Global equities, focusing on large capitalisation stocks from developed markets, but possibly also including emerging market and small capitalisation equities
- Real assets, which can be sub-categorised into listed and unlisted property, listed and unlisted infrastructure, and natural resources
- Private markets, which may typically include less liquid assets such as private debt and private equity
- New Zealand fixed interest, which can be sub-categorised into sovereign and non-sovereign
- Global fixed interest, which can be sub-categorised into sovereign and non-sovereign
- New Zealand Cash.

Strategic Asset Allocation

Non-Endowed Capital

After seeking advice from its Investment Consultant, the Foundation has determined a **Strategic Asset Allocation** ("SAA") or **Benchmark Portfolio** that, in its view, best meets its objectives as follows:

Asset Class	***Weight (%)***	***Range (%)***
Cash	75	65 - 100
New Zealand Bonds	25	0 - 35

The goal is to achieve an effective duration of the portfolio of around 18-24 months, consistent with the estimated average timeframe for the investment of donations in the Non-Endowed Fund.

Endowed Capital

After seeking advice from its Investment Consultant, the Foundation has determined a **Strategic Asset Allocation** ("SAA") or **Benchmark Portfolio** that, in its view, best meets its objectives as follows (effective1 April 2024):

Asset Class	***Weight (%)***	***Range (%)***
Australasian Equities	11	7 – 15
Global Equities (50% hedged)	50	44 – 56
Unlisted Property	7	0 – 10
Unlisted Infrastructure	7	0 – 10
Growth Allocation	**75**	**65 – 85**
NZ Fixed Interest	5	2 – 8
Global Fixed Interest (100% hedged)	10	6 – 14
Private Debt (100% hedged)	8	0-12
Cash	2	0 – 10
Income Allocation	**25**	**15 – 35**

The selection of assets within an asset class is typically delegated to external investment managers. This is subject to investment guidelines that control risk, and otherwise determine the nature of potential investments for each mandate.

Currency Exposure

After seeking advice from its Investment Consultant, the Foundation has determined that the following benchmark foreign exchange hedging positions are appropriate:

Asset Class	***Currency Hedging (%)***	***Range (%)***
Australasian Equities	At the discretion of the Investment Manager (where the manager has the discretion to invest in Australian equities)	0-100
Global Equities	50	25 – 75
Real Assets	100	95 - 105
Global Fixed Interest	100	95 - 105
Private Debt	100	95 - 105

Reviewing the Investment Strategy

The Trustees, together with the Investment Consultant, will undertake a formal strategy review at least every three years. Any recommended changes will be supported by detailed analysis setting out the rationale for changes and the expected impact on Fund 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 research;
- Investment environmental factors including significant market events; and
- Long-term market/industry trends and the outlook for global economic growth.

6

Investment Policies

General

In taking decisions on investment strategies, the Trustees will have regard to the overall circumstances of the Fund, and will comply with all applicable legislative requirements.

Asset Allocation Policy

In the normal course of events, the Trustees will not alter the asset allocation of the Fund's investments from the Benchmarks and Ranges. However, some drift away from the Benchmarks may occur due to market fluctuations.

Rebalancing Policy

The following policies apply in respect of rebalancing the Foundation's Benchmark Portfolio.

- The exposures to the various asset classes will be monitored quarterly by the Investment Consultant and reported to the Trustees or the FRIC in a Quarterly Investment Monitoring Report.
- The Trustees recognise that an asset allocation that is materially different to the Benchmark position represents a risk that the Fund will not perform as expected.
- However, the Trustees have the discretion to allow the asset allocation to vary from the Benchmark position, provided the mix remains within the Ranges.
- If the allocation to any asset class is outside the relevant SAA Range, then action will be taken to bring the weights to within the SAA Ranges.
- The Funds may also be rebalanced, even if the Range has not been breached.
- In considering when and how to rebalance asset classes towards target weights, the Trustees will take into account advice from the Investment Consultant which may consider recent volatility and the likelihood of market movements, along with transactions costs likely to be incurred in any transition.
- The regular cashflow requirements of the Fund provide an opportunity to assist in rebalancing the Fund towards target weights, by directing the outflows to the overweight asset class(es) and any inflows to underweight asset class(es). Rebalancing can also be undertaken by selling overweight asset classes to fund the acquisition of underweight asset classes.

Liquidity Policy

The Fund requires liquidity to meet payment obligations that include:

- Distribution requirements
- Rebalancing requirements
- Fee or expenses

The Fund requires a high degree of confidence that, even during any periods of extreme market volatility, liquidity demands can be met.

The Endowed Capital and Non-Endowed Capital Funds have different liquidity profiles.

Non-Endowed Capital

The Non-Endowed Capital Fund has a high requirement for liquidity, as it is expected that the full value of the donation and any earnings will be distributed in the near term (often less than 12 months).

For this reason, the Fund will be invested predominantly in short-term liquid securities.

Endowed Capital

The Endowed Capital Fund has less need for liquidity as it is expected that it will only need to fund annual distributions at the Target Distribution Rate (see Section 9).

The Fund's primary source of liquidity is its Cash investments. Cash investments also play a role in the Fund's investment strategy, providing a stable return with low volatility. The Fund's investment strategy also supports its liquidity requirements by predominantly investing in listed securities. However, less liquid investments, being investments that may take up to a year or more to divest, typically offer a return premium over more liquid, publicly traded securities. Long-term investors like the Foundation can take advantage of this return premium by allocating to less liquid investments. The Foundation’s current strategic asset allocation has a weighting of 22% to such investments, with allocations to unlisted property, unlisted infrastructure and private debt.

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, particularly 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, relative to other currencies.

Currency hedging can add to returns where a positive ‘carry’ impact is expected (where the interest rate applicable to the foreign currency is less than the NZ interest rate). However, some foreign currency exposure can reduce the volatility of expected returns, particularly for global equities. In particular, in a 'risk off' environment, a falling NZ dollar may offset falls in equity prices.

The currency policy is to hedge total Global Equity investments at 50%. This does not apply to Australian currency exposure within the Australasian Equities portfolio, which will be hedged at the discretion of the relevant Manager(s). The policy is for the Real Assets, Global Fixed Interest and Private Debt sectors to be fully hedged (as hedged returns provide more consistent risk/return outcomes for these assets).

Derivatives Policy

The use of futures, options and other synthetic investments (derivatives) is permitted wherever their use is consistent with the objectives of the Fund and the investment constraints and guiding documents.

Responsible Investments Policy

The Trustees seek to balance optimal investment returns with the goal of investing responsibly . The Trustees have an objective to avoid investing in industries or organisations whose purpose does not meet generally accepted environmental, social and governance (ESG) standards, or that do not align with the values and objectives of the University.

Implementation of this policy shall be consistent with the Trustees' fiduciary responsibilities to deliver the best possible risk-adjusted returns over the long term.

As the Foundation invests solely through third-party investment managers, the Trustees acknowledge that it relies on the efforts of those investment managers to achieve these goals.

The Trustees seek to achieve its responsible investment objectives in the following ways:

A. **Manager Selection:** The Trustees recognise that investment in pooled funds is the most efficient way to implement their investment strategy. The Trustees acknowledge they will not therefore be able to directly control the investment in specific companies. The Trustees expect that its Investment Managers will engage with companies to promote high ESG standards and report regularly on their stewardship activities.

   The Trustees will address this by:

   - investigating the record and policies of firms before Investment Managers are selected and appointed, and
   - taking advice from our Investment Consultant, and reviewing and monitoring the ESG ratings of the appointed Investment Managers. engage with companies to promote high standards of conduct in accordance with this Policy, and report to the Foundation regularly on their stewardship activities.

B. **Engagement:** Regular engagement with the appointed Investment Managers to:

- Communicate the Foundation's objectives and intentions
- Monitor the underlying investments the Foundation is invested in
- Understand the engagement each Manager has with the companies invested in.

C. **Investment Exclusions:** In principle, the Foundation expects that its Investment Managers will seek to exclude or reduce investments in companies that undertake activities that are illegal, cause harm or do not meet generally accepted ESG standards. Through its manager selection and engagement activities, the Trustees will seek to understand the nature and effectiveness of each manager's responsible investment policies to assess consistency with the objectives of the Foundation.

D. **Monitoring:** To assist with the assessment and evolution of this policy the Foundation will monitor the following on a regular (at least annual) basis:
   1. Statements of compliance from appointed Investment Managers.
   2. The ESG ratings of the Foundation's managers as assessed by our Investment Consultant
   3. The weighted average carbon intensity (WACI) of the Foundation's equity investments relative to the Foundation's benchmarks (the S&P/NZX 50 Index for Australasian Equities and the MSCI World All Countries Index for Global Equities).

   This analysis will help guide the Foundation's engagement with its investment managers over time as well as inform future reviews of this policy.

E. **Reporting and Review:** The Trustees will report regularly on adherence to this Responsible Investment Policy, including the profile of investments held, performance of relevant metrics and stewardship activity undertaken by our Investment Managers.

   The Trustees will regularly review this policy to ensure it remains consistent with the objectives of the Foundation and the University. This review will (at least) form part of the annual review of this SIPO.

United Nations Principles for Responsible Investment

In support of this policy the Foundation became a signatory to the United Nations backed Principles for Responsible Investment (PRI) in 2018. The PRI embodies an internationally accepted framework for investors to manage ESG issues in a manner consistent with improving long-term investment returns. As a signatory, the Foundation will, over time, aim to apply the following principles:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into its ownership policies and practices.
3. Seek appropriate disclosure on ESG issues by the entities in which it is invested.

4. Promote acceptance and implementation of the Principles within the investment industry.
5. Work together with other signatories to enhance its effectiveness in implementing the Principles.
6. Report on its activities and progress towards implementing the Principles.

7

Investment Management

Manager Selection

The Trustees focus on selecting Managers who are specialists within their particular investment markets and who the Trustees consider have demonstrated capability and conviction in portfolio construction and the execution of investment strategies, and have positive sustainability credentials, as evidenced by the integration of ESG considerations in the investment decision-making process.

The Trustees seek advice from the Investment Consultant as to suitable Managers for appointment. The aim is to achieve a level of returns meeting or exceeding the objectives set, from time to time, for the Fund and which is consistent with the Fund's risk profile.

The Trustees also seek advice from the Investment Consultant that the fees negotiated with each Manager are consistent with market practice and the expectation for excess returns (after fees).

Where appropriate, the Trustees may select a manager-of-managers (i.e. a manager who invests in managed funds managed by other managers) to achieve manager diversification that would otherwise not be practical given the relatively small scale of the Foundation's investment portfolio.

When reviewing a manager appointment or selecting a new strategy for investment, the Trustees will also consider their comfort with the Foundation's overall exposure to that manager, to ensure manager concentration risk is sufficiently diversified, or noted where applicable. The Trustees will also consider the extent to which a look-through assessment is appropriate (in the case of manager-of-managers products) compared to the overall exposure to the product provider.

Manager Reviews

From time to time, the Trustees, with the assistance of the Investment Consultant, will review the Managers to ensure they remain appropriate for the Fund.

Factors taken into account in these reviews will include investment style, people, organisational strength, investment performance relative to objectives, sustainability credentials, fees and any other factors considered relevant to the Manager's continuing ability to meet the applicable investment objective.

The Trustees reserve the right to appoint Managers which are not highly regarded by the Investment Consultant.

Investment Guidelines

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

The governing documents for these funds will typically include guidelines setting out eligible investments, performance measures, constraints and exposure limits, derivative limits, monitoring and reporting requirements.

To the extent possible, the Trustees seek to invest in funds that have guidelines and constraints that are consistent with the policies of the Foundation, as outlined in this SIPO, in particular the Responsible Investments Policy.

8

Investment Performance Monitoring

This policy describes the principles and processes governing investment performance monitoring, having regard to the investment strategies of the Fund.

The principal goals of performance monitoring are to:

- Assess the extent to which the investment objectives of the Endowed and Non-Endowed Funds (“the Funds”)– both performance and risk - are being achieved
- Compare the performance of the Funds’ appointed Managers against market indices, out-performance targets, and the performance of other relevant professional managers
- Ascertain the existence of any particular weakness in the Managers or the Managers’ products utilised
- Allow the Trustees to continually assess the ability of the Managers to successfully meet the Funds’ objectives.

Fund Performance

The Trustees will monitor performance of the Funds each quarter. Performance will be assessed against:

- The Funds’ long-term investment performance and risk objectives
- The performance of the Funds’ composite benchmark (assessed by reviewing the performance of specific market indices for each asset class, in proportionate weights as per the Benchmarks and Ranges).
- From time to time the Trustees will also assess the Funds’ performance against peer funds.

Investment Manager Performance

The Managers will report at least quarterly in accordance with a format agreed with the Trustees.

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 Appendix 1
- Out-performance targets as per Appendix 1
- A suitable universe of peers (where available).

9

Distributions and Reserves Policy

The Distribution and Reserves Policy provides the basis under which the Foundation's investment earnings are allocated and distributed. The priority for the Endowed Capital Fund is to maintain the real (inflation-adjusted) value of the capital and provide a stable annual distribution.

Definitions

CPI – annual rate of inflation as determined by Statistics New Zealand

Base Endowed Capital – the value of the initial endowed capital donation

Real Endowed Capital – the value of the initial endowed capital donation adjusted for inflation over time

Target Distribution Rate – the amount the Trustees expect to distribute to the Project Accounts from the Endowed Capital Fund expressed as a percentage of Real Endowed Capital (or base Endowed Capital for donations received in the last year). The current Target Distribution Rate is 4% p.a.

Distribution Reserve (DR) – a reserve account where investment earnings in excess of inflation plus the Target Distribution Rate are stored for use in years when investment earnings are insufficient

Project Accounts – funds made available to the University for use as specified by donors, the Trustees, or at the discretion of the University

Distribution Policy

The distribution policies are distinct for the two Funds and are set out below:

1. Non-Endowed Distribution Policy

The Trustees can apply any investment earnings on Non-Endowed Capital firstly to specific Non-Endowed Project Accounts where obligations have been incurred under the **Acceptance of Donations Policy** and secondly at their discretion.

2. Endowed Distribution Policy

Investment earnings on Endowed Capital will be applied as follows:

A. Where annual earnings are above the target rate

If annual investment earnings are above the target rate, the earnings will be allocated:

- Firstly to increase Endowed capital balances by the annual CPI rate,
- Secondly to the Project Accounts at the approved annual Declaration of income rate, having regard to the Target Distribution rate, and
- Lastly, the excess of earnings will be transferred to the DR up to the point where the DR reaches its upper limit of the DR range.

Where the DR is near to or above its upper limit, the Trustees, at their discretion, may grant Project Account funding above the target distribution rate.

B. Where annual earnings are below the Target rate, or annual losses are incurred

Where annual investment earnings are below the Target rate, Trustees will have regard to the aggregate of the actual annual earnings plus the balance held in the DR and carried over from the previous year before determining the annual allocation of earnings.

If the investment earnings are below the target rate, at the Trustees' discretion the earnings will be topped up from the DR, so long as the DR is maintained at or above the DR lower limit.

If sufficient earnings are available after accessing the DR balance within the approved DR range limits, the earnings will be allocated:

- Firstly to increase Endowed capital balances by the annual CPI rate,
- Secondly to the Project Accounts at the approved annual Declaration of income rate, having regard to the Target Distribution rate.

C. General Considerations

Where the donation was received during the year, the target distribution rate will be applied to the Base Endowed Capital value on a pro-rata basis.

Where the donation was received during a prior year, the target distribution rate will be applied to the Real Endowed Capital value as at the start of the year.

It is feasible that no Project Account funding will occur in a year when investment earnings are insufficient and the DR is at or below its lower limit.

D. Inflation adjustment

Endowed Capital balances will be adjusted by CPI, if there is sufficient funds after the distribution has been applied

Where the donation was received during the year, the Base Endowed Capital value will be adjusted pro rata for the relevant part of the year.

Where the donation was received during a prior year, the Real Endowed Capital value as at the start of the year will be adjusted by inflation for the full year.

Where the investment earnings for the year are negative, or insufficient, there will be no inflation adjustment for the year.

Where CPI is negative, it will not be applied to the Real Endowed Capital value, but the CPI adjustment in the year when CPI returns positive, will be cumulative of the prior year(s).

E. Project Expenditure Budgeting

Trustees and staff will be expected to budget and manage Capital Endowed Project funding expectations to a level no higher than the target distribution rate.

F. Reserves Policy

Distribution Reserve

The Trustees will maintain a DR with the purpose of providing a buffer from which the project funding can be topped up in years when the investment return is below CPI plus the target distribution rate. The DR pool will be replenished in years when the investment returns exceed CPI plus the target.

The DR range will be -5% to +30% of Real Endowed Capital.

Investment of Distribution Reserve

The DR will be invested in Cash up to 10% of Real Endowed Capital. Any balance of the DR over 10% of the Real Endowed Capital will be invested in the Endowed Capital Fund (in accordance with the strategy outlined in Section 5 of this SIPO). Transfers in and out of the DR will be managed so as to maintain this split as closely as possible over time.

10

Review

Effective Date

This SIPO takes effect from1 April 2024.

Review Date

The next formal review of this SIPO is anticipated to be no later than 1 April 2027 or sooner if market conditions warrant or the investment structure is altered.

Review Process

The Trustees are responsible for the review of this SIPO, with advice, as appropriate, from the Investment Consultant.

The SIPO will be subject to a formal review at least every three years, with an annual health check performed at least every 12 months in between formal reviews.

Appendix 1

Benchmarks

As at the date of this SIPO, the, asset class strategies, benchmark indices and out-performance targets are as follows:

Non-Endowed Capital Fund:

Asset Class	Benchmark Index	Out-performance target (p.a.) – over rolling 12 month periods
New Zealand Cash	S&P/NZX Bank Bills 90 Day Index	+0.25%
New Zealand Fixed Interest	50% S&P/NZX NZ Government Stock Index / 50% S&P/NZX NZ Investment Grade Corporate Index	+0.5%

Endowed Capital Fund:

Asset Class	Benchmark Index	Out-performance target (p.a.) over rolling 3 year periods
Australasian Equities	S&P/NZX 50 Gross Index	+2.0%
Global Equities	MSCI All Countries World Index (with net dividends reinvested - 50% hedged to NZD)	+2.0%
Unlisted Property	Composite: 70% MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index (100% hedged to NZD), & 30% MSCI/Property Council of New Zealand Annual Property Index published Quarterly	+0.75%
Unlisted Infrastructure	MSCI Australia Quarterly Private Infrastructure Fund Index (100% hedged to NZD)	+0.75%

New Zealand Fixed Interest	50% S&P/NZX NZ Government Stock Index / 50% S&P/NZX NZ Investment Grade Corporate Index	+0.5%
Global Fixed Interest	Bloomberg Global Aggregate Index (100% hedged to NZD)	+0.5%
Private Debt	S&P/NZX NZ Bank Bills 90-day Index plus 3% p.a.	Nil
New Zealand Cash	S&P/NZX Bank Bills 90-Day Index	+0.25%

Appendix 2

Finance Risk & Investment Committee – Terms of Reference - approved by Foundation Board on 5 July 2022

The Finance Risk & Investment Committee (the 'Committee') shall be a committee of the VUW Foundation Board of Trustees (the 'Board'), established and appointed by the Board.

1. Terms of Reference

1.1. The objective of the Committee is to give the Board timely assistance in discharging its responsibilities for assuring the quality and integrity of the financial and investment management of the Foundation, in particular with regards to:

- monitoring financial performance and recommending for approval the annual financial statements; and
- monitoring the investment performance and the performance of the Investment Managers; and
- monitoring the financial and investment risk profile of the Foundation.

2. Financial Responsibilities

2.1. Monitoring the financial performance of the Foundation.

2.2. Assisting the Board in producing accurate financial statements in compliance with all applicable legal requirements and accounting standards.

2.3. Engaging with the external auditor to plan the annual audit, and discuss the findings, advice and outcomes of the annual audit.

2.4. Recommending to the Board whether the annual Financial Statements should be approved.

2.5. Recommending to the Board the annual declared income levels, arising from the allocation of investment earnings.

3. Investment Responsibilities

3.1. Monitoring the Foundation's investment performance through receiving relevant reports and meeting regularly with the Investment Consultant and the Investment Manager(s).

3.2. Monitoring (in conjunction with the Investment Consultant) compliance with its Statement of Investment Policies & Objectives (the 'SIPO'), and promptly reporting any breaches of the SIPO to the Board.

3.3. Monitoring (in conjunction with Investment Consultant) the performance of the investment manager (or managers in the case of a multi-manager model), including their performance against the targets and benchmarks as laid out in the Foundation's SIPO.

3.4. The Committee shall consider and (if appropriate) approve recommendations from the Investment Consultant's to vary the tactical asset allocation provided it is within the SIPO strategic range.

4. Risk Responsibilities

4.1. Reviewing all aspects of the Foundation's activities to ascertain the exposure to financial and investment risks including regularly reviewing the Foundation's Risk Register.

4.2. The Risk Register will be maintained by Management and will include details of the material risks and the mitigation and/or remediation plans for oversight by the Committee.

4.3. The Committee will engage regularly with the Executive Director, the Chief Financial Officer, Victoria University of Wellington and the Investment Consultant in undertaking its risk responsibilities.

5. Reporting

5.1. The Committee will receive regular reports from Management and the Investment Consultant on:

- The financial performance of the Foundation, including:
  - projections of the financial performance of the Foundation; and
  - financial performance of the Foundation against its targets; and
  - annual financial reporting.
- The investment performance of the Foundation.
- The Risk Register.

5.2. The Committee shall maintain direct lines of communication with the Executive Director of the Foundation and the Chief Financial Officer (or delegate).

5.3. The Executive Director, and the Chief Financial Officer (or Delegate), shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial strategy, investment strategy and risk profile of the Foundation.

5.4. After each Committee meeting the Chair (or delegate) shall report the Committee's conclusions and recommendations to the Board.

5.5. Specifically, the Committee will report to the Board concerning:

- **Overall responsibilities**
  - Findings and recommendations (if any) following the Committee's three yearly review of its responsibilities and activities
- **Investment matters**
  - Any breaches of the SIPO terms and covenants.
  - Any (deliberate) amendments to the tactical asset allocation position(s) of the Foundation's investments.
  - Activity of the Committee in relation to the Responsible Investing provisions of the SIPO, including updates on the UNPRI reporting obligations.
- **Risk matters**
  - An annual review of disbursements made from the Foundation, including obtaining appropriate representations from management

that all such payments have been made in accordance with donors' wishes.

6. Recommendations

6.1. The Committee will make recommendations to the Board concerning:

- **Investment matters**
  - Approval of, and amendments to, the SIPO in accordance with the agreed review timetable.
  - The appointment and performance of the Investment Manager(s).
  - The appointment and management of the Investment Consultant.
  - Changes to Asset Allocation benchmarks and ranges.
- **Financial matters**
  - Approval of the annual financial statements and associated documents.
  - Approval of, and changes to, the Foundation's Distribution policy.
  - Approval of the annual declared income level arising from the allocation of investment earnings, in accordance the Distribution Policy.
- **Risk matters**
  - Any matters requiring escalation to the Board.

7. Constitution

7.1. The number of members of the Committee shall be not less than four, at least three of whom shall be members of the Board, including the Chair of the Board.

7.2. The Chair and all members of FRIC shall be appointed by the Board.

7.3. Members terms shall be three years with a right of renewal and a maximum of nine years (unless an exception is expressly approved by the Board)

8. Meetings

8.1. A quorum of members of the Committee shall be three of the members of the committee then holding office.

8.2. The Committee may have in attendance such other persons as it considers necessary to provide appropriate information and explanations.

8.3. Meetings shall be held not less than four times a year. Any member of the committee may, through the Chair, request a meeting at any time if they consider it necessary.

9. Authority and Delegations

9.1. The Committee is a committee of the Board and shall have no authority independent of the functions delegated to it by the Board.

9.2. The conclusions and pronouncements of the Committee shall not relieve the Board from any of its responsibilities, apart from those delegated to the Committee by the Board.

9.3. The Committee is delegated by the Board to:

- Renew the appointment of the Investment Manager(s).
- Renew the appointment of the Investment Consultant.

- Amend the tactical asset allocation position(s) of the Foundation's investments (provided they remain within the strategic ranges set out in the SIPO).
- Approve operational and administrative arrangements with bank and investment mandates e.g. authorised signatories.

10. Review of the Committee

10.1. The Committee shall undertake a three yearly review of its responsibilities and activities and, if necessary, report to the Board on that review.

10.2. Such responsibilities and activities may also be reviewed by such bodies and persons as the Board considers appropriate.