Aurora Capital

Aurora KiwiSaver Scheme

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

Effective Date 23 April 2024

A. Description of the Scheme

The Aurora KiwiSaver Scheme (**“Scheme”**) is a KiwiSaver scheme registered under the Financial Markets Conduct Act 2013 (**“FMCA”**).

The Scheme provides members (**“Members”**) with access to

- Three investment funds (**“Funds”**), which are:
  - Aurora Conservative Fund,
  - Aurora Growth Fund, and
  - Aurora Liquidity Fund
- Two multi-fund investment options (**“Strategies”**) that blend several of the Funds together:
  - Aurora First Home Buyer Strategy
  - Aurora Balanced Strategy

The Scheme also offers Members the option to choose the RetirementPlus investment option, which automatically adjusts Members’ weighting to the Conservative and Growth Funds over time as they age.

B. Roles and Responsibilities

The manager of the Scheme is FundRock NZ Limited (**“FundRock”** or **“Manager”**).

The Manager’s key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this Statement of Investment Policy and Objectives (**“SIPO”**).
- The ongoing management and oversight of the Funds. This includes appointing, managing and monitoring specialist providers for:
  - Administration management; and
  - Investment management.
- Monitoring investment performance and outcomes.

The Manager has appointed the following parties to assist in managing the Scheme:

- Aurora Capital Limited as investment manager (**“Aurora” or “Investment Manager”**), and
- Apex Investment Administration (NZ) Limited as registrar, and fund administration manager.

The Scheme supervisor is Public Trust (**“Supervisor”**). The Supervisor is responsible for supervision of the Manager and the Scheme, including:

- Acting on behalf of Members in relation to the Manager and any contravention of the Manager’s issuer obligations;
- Supervising the performance by the Manager of its functions and the financial position of the Manager and the Scheme; and
- Holding the Scheme property or ensuring that the assets are held in accordance with applicable legislative requirements. Adminis NZ Limited has been appointed by the Supervisor as Custodian for the Fund.

C. Investment Philosophy

Aurora’s investment philosophy is underpinned by the following principles.

Active management is preferred over passive.

Aurora believes that investment markets are inefficient, creating opportunities for skilled, active fund managers to create risk-adjusted value, after fees, over the course of a market cycle. Aurora acknowledges that certain market conditions may be supportive for passively managed strategies, and that there may be times where passive strategies may be appropriate. However, Aurora believes that actively managed strategies are better equipped to manage downside risks, especially during periods when markets are disorderly and experiencing high levels of instability and uncertainty. Aurora implements active management at two levels: through active asset allocation decision-making; and by selecting actively managed underlying investment strategies. Aurora actively monitors all the underlying fund managers responsible for managing the underlying assets.

Portfolio diversification is central to managing risk.

All investments involve some level of risk. While risk can’t be eliminated, it can be managed. Diversification is an effective way to manage risk by investing in a variety of uncorrelated assets, that is, by investing in assets that are expected to perform differently to one another in normal market conditions. Put simply, if one asset falls and a different asset rises, this can provide an effective reduction in the volatility in member returns. Aurora diversifies risk by investing across asset classes, geographies, and sectors. They also select fund managers that have different investment drivers and portfolio characteristics to further diversify risk.

Time horizons are important.

Aurora generally takes a long-term view on its investments, which is consistent with the long-term nature of saving for retirement. Some of the Aurora strategies have a shorter investment time horizon, to reflect the varying needs of members. Aurora encourages its members to avoid focusing on short-term performance outcomes unless their investment timeframes are short.

Manager and strategy selection are key to achieving financial objectives and alignment with sustainability concerns.

Aurora appoints a mix of underlying fund managers with differing styles and sustainability approaches. Aurora undertakes rigorous research of the fund managers in its selection and monitoring process with a focus on the calibre of the investment professionals; how the manager's business is structured to ensure alignment with their clients; and the rigour of their investment process. Aurora also reviews their manager's ESG and sustainability policies. All of the fund managers selected by Aurora take ESG considerations into account and are signatories to the Principles for Responsible Investment, established by the United Nations (**"UNPRI"**). The UNPRI aims to provide a consistent framework for reviewing business practices across industries and companies. More information on the factors Aurora considers when appointing underlying fund managers is available in the Other Material Information document for the Aurora KiwiSaver Scheme.

Investment returns need not be compromised when investing to improve the health of the planet.

Aurora is biased to a mix of investment strategies that target a low-carbon economy, have a less negative impact on the climate and environment, and can contribute to a more sustainable future. The underlying asset class strategies selected by Aurora aim to outperform their respective benchmarks.

Aurora employs a mix of principles-based responsible investment approaches.

Aurora uses a mix of responsible investing approaches that orient around improving the climate and the environment. These approaches include the exclusion of companies that do more social and environmental harm than good; the identification, reduction and management of environmental, social and governance ("ESG") risks through ESG integration; and a bias to investing in companies and securities that are contributing to a more sustainable future.

Investments are monitored for their climate and sustainability impact.

Aurora monitors its investments at the portfolio level and underlying fund manager level against suitable climate and sustainability measures. These aim to assess a portfolio's carbon emissions and alignment to sustainability goals. Aurora believes that measures relating to climate risks, in particular, are likely to evolve and strengthen over time as investor expectations and regulatory disclosure requirements for companies continue to increase.

D. Investment Objectives

The investment objectives and strategies for the Funds and Strategies are:

Aurora Liquidity Fund

Objectives

The Fund aims provide a gross return above the return of the Bloomberg NZBond Bank Bill Index on a rolling 12-month basis.

Investment strategy

Benchmark Index

- Bloomberg NZBond Bank Bill Index

Benchmark asset allocation ranges

- 100% Cash and cash equivalents

Appointed Investment Manager
Aurora Capital Limited

Investment Manager strategy
Provides exposure to an actively managed portfolio of bank bills, floating rate notes and mainly short-term deposits and securities, that targets capital security and liquidity. Environmental, Social and Governance characteristics are integrated into the investment process where applicable.

Aurora selects the underlying funds and/or appoints underlying investment managers.

Permitted Investments

- Cash and cash equivalents
- Managed investment schemes

Rebalancing policy
As the fund only invests in a single asset class no rebalancing is required.

Currency hedging policy
The Fund only invests in New Zealand dollar denominated investments, so currency hedging is not required.

Other
The Fund can borrow up to 10% of the aggregate value of its investments but only for the purposes of providing short-term liquidity.

The Fund may, from time to time, temporarily exceed the asset allocation ranges set out above. This might occur, for example, where the Investment Manager changes the Fund's allocation to underlying funds or underlying investment managers and existing holdings need to be sold before new holdings are acquired. Temporary deviations will not be a breach of this SIPO if the Fund is returned to the above asset allocation ranges within 10 working days.

Aurora First Home Buyer Strategy

Objectives

The Strategy aims for stable returns with lower risk. The objective is to deliver returns exceeding the Consumer Prices Index (**"CPI"**) by 2.25% per annum before fees and tax, over a suggested investment timeframe of 1+ years.

Investment strategy

Investment asset allocation and ranges
The benchmark investment allocation is comprised of the following funds and weights.

Underlying Fund	Benchmark Investment Allocation
Aurora Liquidity Fund	25%
Aurora Conservative Fund	75%
Income assets	**81.2%**
Growth assets	**18.8%**

Appointed Investment Manager
Aurora Capital Limited

Investment Manager strategy
A multi asset class strategy that offers diversification by investing in Funds that provide exposure to a number of asset classes and underlying investment managers in New Zealand and internationally. The strategy's primarily investment exposure is to cash and fixed interest securities but will also have exposure to equity and listed infrastructure investments. The strategy may also have exposure to private markets (including private debt and private equity). The strategy has a low to medium risk profile.

Aurora selects the underlying funds and/or appoints underlying investment managers.

Permitted Investments
- Cash and cash equivalents
- Managed investment schemes
- Derivatives (but solely for the purpose of currency hedging)

Rebalancing policy
Each year, on 31 July (or the next business day if 31 July falls on a weekend or public holiday), all members in the Aurora First Home Buyer Strategy will have their investment rebalanced to the Benchmark Investment Allocation detailed above.

Currency hedging policy
Aurora's currency hedging policy aims to smooth the impact of currency movements on the value of its international investments. At an asset class level, the currency hedging of the portfolio's international assets is described in the following table.

Currency hedging of international assets - target and ranges:

Asset class	Target currency hedge	Currency hedge range
Global fixed interest	100% hedged to NZD	85%-115%
Listed infrastructure	100% hedged to NZD	95%-105%
Global equities	0% hedged to NZD	0%-25%

Listed infrastructure is 100% hedged to NZD, and the range reflects the underlying investment manager's hedging policy.

Aurora is responsible for currency hedging decisions for global fixed interest and global equities, while BNZ is responsible for execution of those decisions.

The portfolio's currency hedge position may deviate from the target hedge position owing to cashflows and market movements. If the deviation reaches +/-5% on either side of the target hedge, Aurora will rebalance back to the target hedge. However, if Aurora believes that a currency is over or undervalued, they can express that view by actively changing the hedge position, which may be more than +/-5% on either side of the target hedge. Aurora's active currency hedging positions must stay within the allowed currency hedge range. Should market movements or cashflows move the currency hedging position outside of the allowed currency hedge range, Aurora will return the hedge back within the allowed range as quickly as it is reasonable to do so.

Aurora Conservative Fund

Objectives

The Fund aims to achieve moderate returns with lower risk. The objective is to deliver returns exceeding the CPI by 2.5% per annum before fees and tax, over a suggested investment timeframe of 3 to 5 years.

Investment strategy

Benchmark asset allocation and ranges

The benchmark asset allocation is comprised of the following indices and weights.

Asset class	Benchmark	Benchmark Asset Allocation	Asset Allocation Range
Cash	Bloomberg NZBond Bank Bill Index	15%	0% - 50%
NZ Fixed Interest	Bloomberg NZBond Composite 0+ Yr Index	30%	10% - 50%
Global Fixed Interest	Bloomberg Global Aggregate Index – 100% New Zealand dollar hedged	30%	10% - 50%
Income assets		**75%**	**60%-90%**
Listed infrastructure	FTSE Developed Core Infrastructure – ex Pipelines Index Net Total Return – 100% New Zealand dollar hedged	5%	0% - 25%
Australasian equities	S&P/NZX 50 Gross Index	8%	0% -30%
Global equities	MSCI All Country World Net Index – unhedged	12%	0% - 30%
Growth assets		**25%**	**10%-40%**
		100%	

Appointed Investment Manager

Aurora Capital Limited

Investment Manager strategy

A multi asset class fund that offers diversification by investing across a number of asset classes and underlying investment managers in New Zealand and internationally. The Fund primarily invests in fixed interest securities but will also hold equity and listed infrastructure investments. The Fund has a low to medium risk profile.

Aurora selects the underlying funds and/or appoints underlying investment managers.

Permitted Investments

Cash and cash equivalents

Managed investment schemes

Derivatives (but solely for the purpose of currency hedging)

Tactical Asset Allocation and Rebalancing

Aurora may make tactical asset allocation decisions within the stated asset allocation ranges to enhance risk-adjusted returns. Asset allocations are periodically reviewed against target asset allocations and rebalanced at Aurora's discretion. Where asset allocation ranges or any maximum investment limits are breached, the Fund will be rebalanced as soon as practicable. Aurora reviews benchmark asset allocations and asset allocation ranges at least annually.

Currency hedging policy

Aurora's currency hedging policy aims to smooth the impact of currency movements on the value of its international investments. At an asset class level, the currency hedging of the portfolio's international assets is described in the following table.

Currency hedging of international assets - target and ranges:

Asset class	Target currency hedge	Currency hedge range
Global fixed interest	100% hedged to NZD	85%-115%
Listed infrastructure	100% hedged to NZD	95%-105%
Global equities	0% hedged to NZD	0%-25%

Listed infrastructure is 100% hedged to NZD, and the range reflects the underlying investment manager's hedging policy.

Aurora is responsible for currency hedging decisions for global fixed interest and global equities, while BNZ is responsible for execution of those decisions.

The portfolio's currency hedge position may deviate from the target hedge position owing to cashflows and market movements. If the deviation reaches +/-5% on either side of the target hedge, Aurora will rebalance back to the target hedge. However, if Aurora believes that a currency is over or undervalued, they can express that view by actively changing the hedge position, which may be more than +/-5% on either side of the target hedge. Aurora's active currency hedging positions must stay within the allowed currency hedge range. Should market movements or cashflows move the currency hedging position outside of the allowed currency hedge range, Aurora will return the hedge back within the allowed range as quickly as it is reasonable to do so.

Other
The Fund can borrow up to 10% of the aggregate value of its investments but only for the purposes of providing short-term liquidity.

The Fund may invest up to 10% in private markets (including private debt and private equity) via underlying funds.

The Fund may, from time to time, temporarily exceed the asset allocation ranges set out above. This might occur, for example, where the Investment Manager changes the Fund's allocation to underlying funds or underlying investment managers and existing holdings need to be sold before new holdings are acquired. Temporary deviations will not be a breach of this SIPO if the Fund is returned to the above asset allocation ranges within 10 working days.

Aurora Balanced Strategy

Objectives

The Strategy objective is to deliver returns exceeding the CPI by 3.4% per annum before fees and tax, over a suggested investment timeframe of 6+ years.

Investment strategy

Benchmark asset allocation and ranges
The benchmark investment allocation is comprised of the following funds and weights.

Underlying Fund	Benchmark Investment Allocation
Aurora Conservative Fund	40%
Aurora Growth Fund	60%
Income assets	**42%**
Growth assets	**58%**
	100%

Appointed Investment Manager
Aurora Capital Limited

Investment Manager strategy
A multi-asset class strategy which aims to provide a balance between stability in returns and capital growth over the long-term. The strategy invests in Funds that provide exposure to NZ and international equities and listed infrastructure securities as well as cash and fixed interest securities. The strategy may also have exposure to private markets (including private debt and private equity). The strategy has a medium to high risk profile.

Aurora selects the underlying funds and/or appoints underlying investment managers.

Permitted Investments
Cash and cash equivalents

Managed investment schemes

Derivatives (but solely for the purpose of currency hedging)

Rebalancing policy
Each year, on 31 July (or the next business day if 31 July falls on a weekend or public holiday), all members in the Aurora Balanced Strategy will have their investment rebalanced to the Benchmark Investment Allocation detailed above.

Currency hedging policy
Aurora's currency hedging policy aims to smooth the impact of currency movements on the value of its international investments. At an asset class level, the currency hedging of the portfolio's international assets is described in the following table.

Currency hedging of international assets - target and ranges:

Asset class	Target currency hedge	Currency hedge range
Global fixed interest	100% hedged to NZD	85%-115%
Listed infrastructure	100% hedged to NZD	95%-105%
Global equities	30% hedged to NZD	5%-55%

Listed infrastructure is 100% hedged to NZD, and the range reflects the underlying investment manager's hedging policy.

Aurora is responsible for currency hedging decisions for global fixed interest and global equities, while BNZ is responsible for execution of those decisions.

The portfolio's currency hedge position may deviate from the target hedge position owing to cashflows and market movements. If the deviation reaches +/-5% on either side of the target hedge, Aurora will rebalance back to the target hedge. However, if Aurora believes that a currency is over or undervalued, they can express that view by actively changing the hedge position, which may be more than +/-5% on either side of the target hedge. Aurora's active currency hedging positions must stay within the allowed currency hedge range. Should market movements or cashflows move the currency hedging position outside of the allowed currency hedge range, Aurora will return the hedge back within the allowed range as quickly as it is reasonable to do so.

Aurora Growth Fund

Objectives

The Fund objective is to deliver returns exceeding the CPI by 4.0% per annum before fees and tax, over a suggested investment timeframe of 10+ years.

Investment strategy

Benchmark asset allocation and ranges
The benchmark asset allocation is comprised of the following indices and weights.

Asset class	Benchmark	Benchmark Asset Allocation	Asset Allocation Range (around benchmark allocation)
Cash	Bloomberg NZBond Bank Bill Index	3%	0% - 50%
NZ Fixed Interest	Bloomberg NZBond Composite 0+ Yr Index	6%	0% - 30%
Global Fixed Interest	Bloomberg Global Aggregate Index – 100% New Zealand dollar hedged	11%	0% - 30%
Income assets		**20%**	**5%-35%**
Listed infrastructure	FTSE Developed Core Infrastructure – ex Pipelines Index Net Total Return – 100% New Zealand dollar hedged	8%	0%- 30%
Australasian equities	S&P/NZX 50 Gross Index	20%	0% - 40%
Global equities	MSCI All Country World Net Index – 50% New Zealand dollar hedged	52%	30% - 70%
Growth assets		**80%**	**65%-95%**
		100%	

Appointed Investment Manager
Aurora Capital Limited

Investment Manager strategy
A multi-asset class fund that offers diversification by investing across a number of asset classes and underlying investment managers in New Zealand and internationally and aims to provide capital growth over the long-term. The Fund invests primarily in NZ and international equities and listed infrastructure securities but will also hold cash and fixed interest securities. The Fund has a high risk profile.

Aurora selects the underlying funds and/or appoints underlying investment managers.

Permitted Investments
Cash and cash equivalents

Managed investment schemes

Derivatives (but solely for the purpose of currency hedging)

Tactical Asset Allocation and Rebalancing
Aurora may make tactical asset allocation decisions within the stated asset allocation ranges to enhance risk-adjusted returns. Asset allocations are periodically reviewed against target asset allocations and rebalanced at Aurora's discretion. Where asset allocation ranges or any maximum investment limits are breached, the Fund will be rebalanced as soon as practicable. Aurora reviews benchmark asset allocations and asset allocation ranges at least annually.

Currency hedging policy
Aurora's currency hedging policy aims to smooth the impact of currency movements on the value of its international investments. At an asset class level, the currency hedging of the portfolio's international assets is described in the following table.

Currency hedging of international assets - target and ranges:

Asset class	Target currency hedge	Currency hedge range
Global fixed interest	100% hedged to NZD	85%-115%
Listed infrastructure	100% hedged to NZD	95%-105%
Global equities	50% hedged to NZD	25%-75%

Listed infrastructure is 100% hedged to NZD, and the range reflects the underlying investment manager's hedging policy.

Aurora is responsible for currency hedging decisions for global fixed interest and global equities, while BNZ is responsible for execution of those decisions.

The portfolio's currency hedge position may deviate from the target hedge position owing to cashflows and market movements. If the deviation reaches +/-5% on either side of the target hedge, Aurora will rebalance back to the target hedge. However, if Aurora believes that a currency is over or undervalued, they can express that view by actively changing the hedge position, which may be more than +/-5% on either side of the target hedge. Aurora's active currency hedging positions must stay within the allowed currency hedge range. Should market movements or cashflows move the currency hedging position outside of the allowed currency hedge range, Aurora will return the hedge back within the allowed range as quickly as it is reasonable to do so.

Other
The Fund can borrow up to 10% of the aggregate value of its investments but only for the purposes of providing short-term liquidity.

The Fund may invest up to 10% in private markets (including private debt and private equity) via underlying funds.

The Fund may, from time to time, temporarily exceed the asset allocation ranges set out above. This might occur, for example, where the Investment Manager changes the Fund's allocation to underlying funds or underlying investment managers and existing holdings need to be sold before new holdings are acquired. Temporary deviations will not be a breach of this SIPO if the Fund is returned to the above asset allocation ranges within 10 working days.

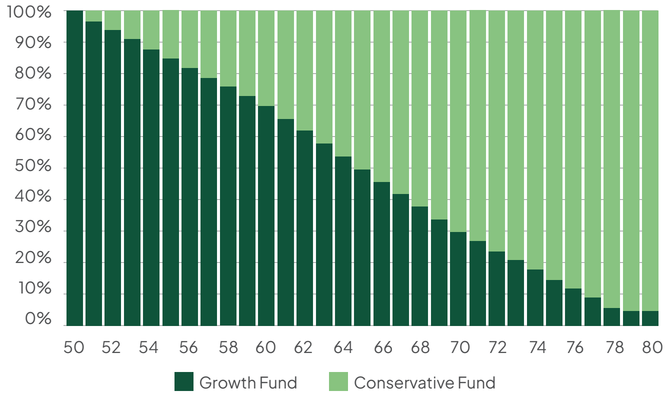
Aurora RetirementPlus Strategy

Objectives

The CPI+ return objective will vary according to your age. The strategy is designed to reduce your investment risk as you get older.

Benchmark investment allocation
The RetirementPlus Strategy invests in a mix of two underlying Funds: the Aurora Conservative Fund and the Aurora Growth Fund. Aurora blends these funds to achieve an expected risk and return that is suitable for you at each age. Until you are age 51, you are invested 100% in the Aurora Growth Fund. From age 51 to 80, your investment risk is reduced every year, as seen in the following chart with the progressive reduction in allocation to the Aurora Growth Fund. From age 80 onwards, you are invested 95% in the Aurora Conservative Fund and 5% in the Aurora Growth Fund.

Fund composition – risk reduces as age increases



Appointed Investment Manager
Aurora Capital Limited

Investment Manager strategy
A multi-asset class strategy that offers diversification by investing in Funds that provide exposure to a number of asset classes and underlying investment managers in New Zealand and internationally. The strategy is 100% invested in the Aurora Growth Fund until up until age 51; then from age 51 to 80 risk is gradually reduced every year by reducing the exposure to the Aurora Growth Fund and increasing the exposure to the Aurora Conservative Fund.

Aurora selects the underlying funds and/or appoints underlying investment managers.

Permitted Investments
Cash and cash equivalents

Managed investment schemes

Derivatives (but solely for the purpose of currency hedging)

Rebalancing policy
After reaching age 51, the allocation to the underlying Funds will be adjusted to match to the benchmark allocation, based on the age of the member.

Currency hedging policy
Aurora's currency hedging policy aims to smooth the impact of currency movements on the value of its international investments. At an asset class level, the currency hedging of the portfolio's international assets is described in the following table.

Asset class	Target currency hedge	Currency hedge range
Global fixed interest	100% hedged to NZD	85%-115%
Listed infrastructure	100% hedged to NZD	95%-105%
Global equities	varies according to age	varies according to age

Listed infrastructure is 100% hedged to NZD, and the range reflects the underlying investment manager's hedging policy.

Aurora is responsible for currency hedging decisions for global fixed interest and global equities, while BNZ is responsible for execution of those decisions.

The portfolio's currency hedge position may deviate from the target hedge position owing to cashflows and market movements. If the deviation is +/-5%, Aurora will rebalance back to the target hedge. However, if Aurora believes that a currency is over or undervalued, they can express that view by actively changing the hedge position, which may exceed +/-5%, but will be constrained by the ranges provided. Should market movements or cashflows move the currency hedging position outside of the allowed currency hedge range, Aurora will return the hedge back within the allowed range as quickly as it is reasonable to do so.

Investment Policies

Taxation

The Scheme has elected to be a Portfolio Investment Entity **("PIE")** and therefore is taxed under the PIE regime.

The taxation implications of a Fund's investment method, such as holding assets directly or investing in a managed investment scheme, are taken into account when determining the most appropriate approach for the Scheme. Note that taxation is not the sole consideration when choosing an investment method; other factors taken into account include cost and implementation feasibility.

Liquidity

The liquidity risk of any Fund is assessed with reference to liquidity of the underlying assets and securities. The Manager then establishes an appropriate application and redemption frequency for the Fund.

The Funds within the Scheme invest predominantly in liquid investments and hence have daily applications and redemptions. Market conditions can, however, change resulting in some assets becoming difficult to sell. If any Fund within the Scheme were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

The Aurora Conservative Fund and the Aurora Growth Fund may invest into private markets (including private debt and private equity). These investments are considered less liquid than publicly traded securities meaning they can take longer to sell than publicly traded securities or may not be able to be sold at all. The Investment Manager actively monitors the liquidity of these Funds and maintains a limited exposure to private market investments.

Related-party transactions

Related-party transactions, other than the types permitted under the FMCA are prohibited.

The Funds may enter into transactions with related parties if permitted under section 174 of the FMCA or consented to by the Supervisor under section 173(2)(a). Examples of such transactions include:

- a related party of Aurora being appointed to provide investment services for the Funds; or,
- parties related to the Funds, including the staff and directors of Aurora and their families, and the staff of FundRock and their families from time to time investing in the Funds.

The Manager will report such transactions by related parties to its Supervisor in accordance with section 173(2) of the FMCA.

Trade allocations and transactions

The Scheme currently invests in other managed investment schemes and funds rather than trading directly in securities.

Currency hedging and derivatives

- Currency hedging: An external specialist, BNZ, is responsible for executing the currency hedging strategy, however, Aurora is responsible for oversight and decision-making.
- Derivatives: Each of the investment managers of the underlying funds are responsible for managing their derivative exposures. BNZ may use currency swaps and futures for currency hedging purposes.

Responsible Investments

Aurora has a Responsible Investment (RI) Policy which is driven by Aurora's investment philosophy and beliefs and outlines how Aurora incorporates responsible investment into its investment approach. Where the Scheme invests in other managed investment schemes and funds, the responsible or ethical investment policy of the underlying funds is set by each of the investment managers of those underlying funds. This may limit Aurora's ability to have full control over the underlying investment managers own responsible or ethical investment policy, and therefore the Responsible Investment (RI) Policy applicable to the Scheme.

Aurora employs a mix of principles-based responsible investment approaches. This includes the exclusion of companies that do more social and environmental harm than good; the identification, reduction and management of environmental, social and governance ("ESG") risks through ESG integration; and a bias to investing in companies and securities that are contributing to a more sustainable future.

Aurora's exclusions, ESG integration, and sustainability focus is oriented around improving the climate and the environment. Aurora believes that in tackling environmental challenges, such as global warming, we need to do more than simply exclude high carbon emitting companies or industries, we also need to fund innovations that are needed to replace legacy carbon emitting processes. Hence, a mix of approaches is preferred.

- Exclusion - is important in avoiding the most harmful activities, but using the climate as an example, exclusion alone can't create the change that's needed to reduce carbon emissions, which is central to improving the climate crisis. Financial resources also need to fund innovations that will be required to replace legacy carbon emitting processes. A full list of exclusions is detailed below under "Exclusions" and is available in the Other Material Information document for the Aurora KiwiSaver Scheme.
- ESG integration - which includes identifying, reducing, and managing ESG risks. The integration of ESG factors into portfolio decision making can help to identify the long-term risks of investing in a company or asset. Investing in strategies that seek to actively reduce and manage ESG factors can help to lower portfolio risks over long-term investment horizons. While all ESG factors are important, Aurora prioritises investment strategies that target a low-carbon economy and/or have a less negative impact on the climate and environment.
- Sustainability - Aurora believes that companies that positively contribute to society and the environment are likely to face fewer risks over the long term and as a result, are more likely to deliver better investment returns. Aurora supports the United Nations (UN) Sustainable Development Goals (SDGs) with the view that all the SDG's are important for a better and sustainable future. However, Aurora prioritises the SDG's that can positively influence the climate and environment and regularly monitors each portfolio's alignment with this subset and the broader SDG's. The climate and environment related SDGs tracked by Aurora are identified in this document in the section, "Sustainability."

Any manager that Aurora appoints must meet the standards of Aurora's Responsible Investment (RI) Policy and Aurora's Investment Manager Selection and Monitoring Policy. Aurora's Investment Manager Selection and Monitoring Policy is available at www.disclose-register.companiesoffice.govt.nz. A copy of Aurora's Responsible Investment (RI) Policy is also available at www.disclose-register.companiesoffice.govt.nz. More information on Aurora's investment approach, including a summary of Aurora's Investment Manager Selection and Monitoring Policy, can be found in the Other Material Information document for the Aurora KiwiSaver Scheme.

Aurora's Responsible Investment (RI) Policy will be reviewed at least annually and signed off by the Aurora's Board.

Exclusions

Aurora seeks to excludes companies that it believes do more social or environmental harm than good. Excluded companies are associated with the following business practices, subject to those companies meeting certain business involvement criteria (which include revenue thresholds) as part of the screening process.

Companies are also generally excluded if they meet certain business involvement criteria, as described in the following table.

Business Practice	Business Involvement Criteria
Coal	Revenue from the extraction and sale of coal to external parties.
Evidence of fossil fuel reserves	Reserves are resources that are still in the ground. This is based on an estimate of carbon dioxide produced if a company's reserves of oil, gas, and coal were converted to energy. The worst 5% of potential carbon dioxide emitting companies, based on reserves, are excluded or underweighted from the eligible universe. This screening can be expected to reduce exposure to companies with reserves to close to zero.
Factory farming	>20% of revenue from sectors related to factory farming.
Palm oil	>20% of revenue from palm oil farming and/or palm oil processing.
Controversial weapons	Involvement in the manufacture of cluster munitions or anti-personnel mines or their key components; chemical and biological weapons; or depleted uranium ammunition and armour.
Nuclear weapons components, systems and support services	Involvement in the manufacture of components of nuclear weapons or systems that are capable of the delivery of nuclear warheads, or provision of support services related to nuclear weapons (such as the repair and maintenance of nuclear weapons).
Tobacco	Involvement in the production of tobacco products or, >10% of total revenue related to tobacco products.
Child labour	Involvement in severe controversies related to child labour practices.
Gambling	>10% of revenue from the ownership or operation of gambling facilities, or from the support or services to the gambling industry.
Adult entertainment	>10% of revenue from the production, distribution or retailing of adult entertainment products.
Personal firearms	Involvement in the manufacture of handguns, pistols, shotguns, rifles, revolvers, and ammunition for civilian (nonmilitary) use, or >20% of revenue from distribution of personal firearms.

The above exclusions apply are applied to the Aurora First Home Buyer Strategy, Aurora Conservative Fund, Aurora Balanced Strategy, Aurora Growth Fund, and the RetirementPlus Strategy.

Aurora acknowledges that within equities, there will be small, immaterial exposures to environmental and sustainability concerns. However, Aurora believes that this risk is more than offset by the diversification and investment benefits of holding these companies, on aggregate. Should Aurora hold a company with business involvement that exceeds the above stated thresholds or are inconsistent with investment philosophy, they will report the investment to members in the Quarterly Update, which is available on the website, and provide reasons for the exception and for maintaining the holding.

Responsible investing principles are also applied to the fixed interest component of Aurora's portfolios, with a particular emphasis on investing for improved environmental outcomes. Aurora's global fixed interest allocation expresses social and environmental sustainability through investments that are comprised of green bonds, social bonds, and sustainability bonds.

There may be an exposure to companies that may have otherwise been excluded, if they issue securities to fund projects with dedicated environmental and/or social benefits. The focus is on 'use of proceeds' of these securities, rather than on the issuing company.

The NZ fixed interest exposure accesses more traditional fixed interest securities and is managed in accordance with the same exclusion list provided above.

The above exclusions do not apply to government and supranational issued fixed interest securities.

The Aurora Liquidity Fund accesses a very low risk underlying fund that only invests in New Zealand cash and cash equivalent securities, such as bank bills, floating rate notes and short term deposits. This fund excludes investing in companies that the underlying fund manager believes have involvement in the:

- Manufacture, maintenance or delivery of cluster munitions, anti-personnel mines, chemical or biological weapons
- Manufacture or testing of nuclear explosive devices (NEDs)
- Production and manufacture of, or essential or significant involvement in the distribution and sale of, tobacco
- Production of civilian firearms

Social and governance characteristics are also integrated into the Aurora Liquidity Fund's investment process where applicable.

Register of exceptions

Aurora undertakes ongoing monitoring of the companies and securities in the portfolios to ensure compliance with their exclusions and Responsible Investing Policy. If Aurora is invested in a company that does not meet its exclusions criteria, they will engage with the underlying investment manager to understand why they are invested in the company. If Aurora supports the underlying investment manager's rationale for holding the company, Aurora will add the company to the exceptions register and continue to monitor the investment.

If Aurora does not support the reason for investing, they will actively engage and agitate with the underlying investment manager to change their view on the company. As Aurora are investing in pooled vehicles, they cannot direct the underlying investment manager to sell the security. The company will be added to the exceptions register, with the disclosure that Aurora does not support the investment. If an underlying investment manager continues to add excluded companies in their portfolio, Aurora will terminate them.

Any new additions to the exceptions register will be reported by Aurora in the Quarterly Update to members, which can be viewed on the Aurora website.

Sustainability

The Sustainable Development Goals (or SDGs) are a set of 17 goals established by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. Aurora believes that all SDG's are important for a better and sustainable future but prioritise aligning their portfolios with the climate and environment related SDGs. Of the 17 SDG's, Aurora's focus is on the 4 SDG's that they have identified as being most relevant to the climate and environment. These are:

- SDG 7–Affordable and Clean Energy
- SDG 9–Industry, Innovation, and Infrastructure
- SDG 11–Sustainable Cities and Communities
- SDG 13–Climate Action

Aurora monitors and reports on the alignment of each investment option (except for the Aurora Liquidity Fund) with the climate and environment related SDGs.

More information on Aurora's investment approach can be found in the Other Material Information document for the Aurora KiwiSaver Scheme.

Other relevant policies

Summaries of the key relevant policies are set out below.

Pricing and Asset Valuation Policy

The purpose of this policy is to set out how FundRock manages its pricing and asset valuation obligations, and the way in which FundRock exercises its discretions authorised by the Trust Deed and the Funds' establishment documentation.

This policy also links to FundRock's Outsourcing Policy reflecting that it outsources functions including registry, fund administration and unit pricing to third parties. In particular, the Outsourcing Policy governs how FundRock selects, monitors and undertakes ongoing due diligence on third party providers.

Within the bounds of what is reasonable and practical FundRock's goals are to:

- have unit prices that reflect fair, realisable value of underlying assets and liabilities;
- ensure equitable treatment of investors entering, exiting or remaining in a Fund;
- have a consistent and objective process for determining unit prices; and
- comply with our governing documents, offer documents and the law.

Conflicts of Interest and Related Party Transactions Policy

The Conflicts of Interest and Related Party Transactions Policy sets out the principles and procedures relating to the management of conflicts of interest within FundRock. The policy applies to all of FundRock's directors, relevant officers, senior management and employees. The policy provides guidance on:

- What is meant by a conflict of interest.
- What constitutes a related party transaction.

The core policy statement is:

'As a licensed manager of Managed Investment Schemes, FundRock must act honestly and in the best interests of the Scheme participants. FundRock recognises that in order to satisfy this duty, it and its staff must put the interests of Scheme participants ahead of those of itself or the staff members.'

Investment Management Policy

This document sets out FundRock's policies and procedures in relation to appointing and monitoring investment managers. In particular the policy covers:

- investment management governance,
- investment manager selection and appointment, and
- investment manager monitoring and compliance.

E. Investment Performance Monitoring and Reporting

FundRock monitors each investment option's performance quarterly.

Both risk (volatility of return) and return are reviewed. Various time periods are considered, for example 1, 3 and 5 years. Risk and return results are assessed relative to each investment option's benchmarks and objectives.

Risk and return metrics are measured and assessed both gross and net of tax and fees.

FundRock also monitors the alignment of each investment option (except for the Aurora Liquidity Fund) with the climate and environment related SDGs on a quarterly basis. If the investment options consistently fail to be appropriately aligned with the climate and environment related SDGs, FundRock will review the Investment Manager's strategy to determine if it remains appropriate.

FundRock reports on financial performance to the Supervisor and to the FundRock Board.

F. SIPO Compliance and Review

The Manager monitors adherence to this SIPO and reports any breaches to the FundRock Board and the Supervisor.

This SIPO is reviewed annually by the Manager with the outcomes of the review reported to the FundRock Board. In addition, FundRock's management team may initiate an ad hoc review, with examples of events that could lead to this being:

- the Investment Manager recommending SIPO changes,
- a change in roles and responsibilities, and
- a permanent change in risk and return characteristics of the relevant market.

SIPO reviews take into account the views of FundRock and the Investment Manager and if required the views of external experts.

The Manager can make changes to the SIPO in accordance with the Trust Deed and the FMCA. Before making changes to the SIPO, the Manager will consider if the changes are in the best interests of Members and consult with the Supervisor. Any changes to the SIPO require FundRock Board approval, as well as written approval of the Supervisor.

The current version of this SIPO, and other useful information about the investment options, is available on www.companiesoffice.govt.nz/disclose.

This SIPO was approved by the FundRock Board on 22 April 2024 and takes effect on 22 April 2024.