Borrin Foundation SIPO - Statement of Investment Policy and Objectives

Policy	FIN004
Policy Owner	Finance & Systems Manager
Policy Reviewer	Audit, Risk and Investments Committee
Policy Approver	Nikau Foundation Board of Trustees

Version History

Change (s)	Date
Board Approved	10 April 2017 14 October 2019 4 April 2022 3 October 2022 2 October 2024 25 May 2026
Related Policies and Legislation	Responsible Investments Policy Borrin Foundation Distribution Policy

1. About Michael & Suzanne Borrin Foundation

The Michael and Suzanne Borrin Foundation ('Borrin Foundation') was established in 2015 by judge Ian Borrin in honour of his parents, Michael and Suzanne, and to provide a gift to New Zealand. It reflects the Borrin family's deep gratitude and commitment to New Zealand, Ian's love of the law and his conviction that law provides an essential foundation for a flourishing society.

We believe law is essential to a flourishing society – one that is just, inclusive, tolerant, and free. We're here to make a difference to the lives of New Zealanders, through the law. We do this by supporting legal research, education, and scholarship through effective philanthropy.

Vision

We believe law is essential to a flourishing society – one that is just, inclusive, tolerant, and free. Our vision is of an Aotearoa New Zealand where everyone understands the role and value of the law, and everyone enjoys the protection and opportunity that it provides.

Mission

We support legal research, education and scholarship that contributes to our vision for Aotearoa New Zealand. www.borrinfoundation.nz

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2. Nature of Borrin Foundation

Borrin Foundation:

- Was established by a Trust Deed dated 21 July 2015 as amended from time to time
- Is a registered charity. Our charity registration number is CC53658
- Is tax exempt
- Nikau Foundation is the sole Trustee to the Borrin Foundation
- Exists in perpetuity
- Has a balance date of 31 March

3. Governance

The Nikau Foundation Board of Trustees ('the Trustee') will be responsible for the following:

- Reviewing and approving this SIPO
- Reviewing the asset allocations and investment performance on at least a quarterly basis
- Approving the appointment of Investment Managers

The Audit Risk and Investment Committee (ARIC), a subcommittee of the Trustee, will be responsible for:

- Reviewing this SIPO, including the instructions to the Investment Managers and providing changes to the SIPO to the Trustee for its review and approval
- Determining the appropriate number of Investment Managers and making recommendations to the Trustee when changes are required
- Reporting to the Trustee on at least a quarterly basis
- Formally reviewing the mandates of the appointed Investment Managers at least every five years.

Each Investment Manager will be responsible for the following:

- Managing the funds allocated to them in accordance with the investment management agreements and/or governing documents referred to in the application form(s)
- Selecting securities within each asset class, subject to the constraints imposed in this document and any applicable legislation
- Where the Investment Manager's portion of the investment fund consists partly or wholly of a portfolio of individual securities, the Investment Manager's investment management agreement shall include explicit reference to the constraints or guidelines referred to in this SIPO as these relate to the Investment Manager
- Where the Investment Manager's portion of the investment fund consists wholly of units in a pooled fund or funds, the Investment Manager shall undertake to advise the Trustee of any variations that may arise from time to time between the operation of such pooled fund(s) and the constraints or guidelines in this SIPO as these relate to the Investment Manager
- Supplying any reports of the fund's performance results in advance of regular meetings and on request, participating in those meetings to review the written reports. The reports shall contain such information, and in such format, as agreed with the Trustee but must contain sufficient information to enable the annual financial statements to be produced

- Managing the investment fund in a manner that is consistent with the tax status of Borrin Foundation
- Providing a quarterly statement of compliance with this SIPO and investment agreements noting any breach(es) and action taken to remedy the breach(es)
- Participating, when required, in the annual review of this SIPO

4. Investment Principles

The Trustee believes:

- Strong governance leads to better investment decisions
- Higher returns are associated with greater risk
- Prudent diversification within a portfolio may reduce volatility if diversification opportunities are available otherwise risk must be managed
- Asset allocation is important and is a major determinant of portfolio returns
- Active management may return a premium over time but requires skill and information
- Markets have a strong behavioural element
- Historical performance is a poor guide to future performance
- Engaging Investment Managers will maximise the probability of producing superior investment outcomes and improve governance

In situations requiring direct investment, the following matters are important:

- To understand value and how it will be created
- To understand how the investment will be protected if events unfold differently to that expected or priorities change
- Thinking and acting like an investor and considering the following key elements:
    - Understanding the likely future outcomes
    - Understanding cash flows as indicators of economic reality
    - Consideration of acceptable risk levels
    - Estimation of the value of money over time
    - Consideration of the next best alternative to the investment on offer
    - The value of the information they have about the potential investment
    - The potential to reduce risk through diversification

5. Investment Risk

The Trustee has determined that the appropriate level of risk for the Borrin Foundation is that of a Balanced investment profile. As a proxy, a portfolio of 60% growth assets and 40% income assets reflects the level of volatility accepted by the Trustee.

Risk and return are related. The Trustee recognises the need to accept risk in order to meet its long-term investment return objectives. Key risks include:

Market Risk – the risk of market downturns. This is mitigated by taking a long-term view of markets and through diversification of assets.

Inflation – the risk of losing the purchasing power of distributions. This is mitigated long-term through allocations to assets that appreciate in real terms over time and through seeking additional returns from active investment management.

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Interest Rate Risk – the risk of losing capital when interest rates rise. Mitigated through diversification and active management of bond portfolios.

Currency Risk – the risk of losing value on offshore assets when the NZ dollar appreciates against foreign currencies. Mitigated through taking a longer-term view and having a diverse basked of foreign currencies.

Credit Risk – the risk of loss through corporate defaults. Mitigated by limiting allocations to non-investment grade credit and through diversification.

Liquidity Risk – The risk of not being able to convert an investment to cash when required. Mitigated through predominately investing in listed securities and sound budget forecasting.

Operational Risk – The risk of losing money through errors, omissions and/or fraud. Mitigated by performing thorough due diligence on Investment Managers and funds and ensuring that Investment Managers have appropriate professional indemnity insurance.

6. Investment Objectives

The broad investment objective is to produce returns over the longer term that meet or exceed the required level of annual distribution.

Specifically, the investment return objective is:

- To achieve an average rate of return of at least 3.5% p.a. after fees, expenses, inflation and tax (if any) over the longer term. This includes expenses incurred in investment funds, from investment platforms and the operational expenses of Borrin Foundation.

The investment risk objectives are to:

- Preserve the capital value, in real terms over the longer term
- Provide the liquidity necessary to meet all of Borrin Foundation's cash requirements
- Diversify market and security risk within and across asset classes

Investment governance objectives are to:

- Comply with all applicable legislation requirements in taking investment decisions
- Ensure Borrin Foundation's assets are invested in a prudent manner

Investment Manager objectives are to:

- Exceed the Benchmark Return on a rolling three-year basis after fees and expenses
- Manage the risk of the portfolio to be consistent with a Balanced strategy of 60% Growth Assets and 40% Income Assets

7. Asset Allocation

The Trustee has determined that the assets are to be managed in two portfolios being:

- The Securities Portfolio - a portfolio of predominantly listed securities managed by external Investment Managers

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- The Direct Asset Portfolio – a portfolio of unlisted assets resulting from bequests or investment on authority of the Trustee.

The ranges and types of assets included in these portfolios are:

Portfolio	**Range**	**Strategy Assets**
Securities Portfolio	65% to 100%	May include: • Company shares • Listed property • Listed infrastructure • Exchange traded funds • Listed investment trusts • Sovereign bonds • Corporate credit • Cash
Direct Assets Portfolio	0% to 35%	May include: • Direct Property • Direct Infrastructure • Private Equity • Venture Capital • Alternatives • Absolute Return Funds • Impact Funds

The Securities Portfolio is managed by two Investment Managers. The allocation between the Managers is:

Investment Manager	**Target Mix %**	**Range**
Craigs Investment Partners	50	45 ↔ 55
Harbour Asset Management	50	45 ↔ 55

Each Investment Manager manages its portfolio according to the following benchmark allocations and ranges proposed by the Managers and approved by the Trustee as set out in Appendix A.

8. Investment Policies

i. Responsible Investment Policy

The Trustee has a Responsible Investment Policy. Investment Managers are expected to adhere to this policy that can be found at Responsible+Investment+Policy+.pdf

ii. Distribution Policy

The Borrin Foundation has a Distribution Policy approved by the Trustee on 5 December 2023. This can be found at

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iii. Direct Assets Policy

Direct assets may be held by Borrin Foundation within the portfolio limits specified in this SIPO.

Specifically, direct property investments shall:

a) Be from donor bequests. No direct investment into direct property is authorised by the Trustee

b) Have tenant types that comply with the Responsible Investment Policy

c) Be managed by reputable property managers selected through an appropriate selection process and reviewed for performance on an ongoing basis.

d) Be properties graded no worse than Category B.

e) Be a safe environment for tenants including having adequate earthquake resilience.

Any property bequests falling outside of this policy will be sold as soon as practical. Complying property will be assessed on a case-by-case basis with a view to sale over time.

Other direct assets must be via unlisted managed funds or limited partnerships.

iv. Rebalancing Policy

The portfolios will be monitored against asset allocation targets and ranges. The Investment Managers are expected to maintain portfolio allocations within the ranges specified in this SIPO. The Trustee will manage the allocation between Investment Managers in accordance with the limits specified within this SIPO. Rebalancing is not to be used for tactical purposes.

v. Derivatives Policy

The use of derivatives is permitted subject to effective exposures being fully collateralised by cash and the gross exposure of any particular fund not exceeding the value of its physical holdings.

9. Portfolio Monitoring

The Audit, Risk and Investment Committee will review Investment Manager performance on at least a quarterly basis and provide a report to the Trustee.

Each Investment Manager is expected to provide sufficient information for monitoring purposes including:

- Monthly investment returns before tax and fees for each asset class managed and for the total portfolio under their management
- Annual Controls reports issued by independent auditors as well as bridging letters for any period outside of the report's date
- Asset allocations of the portfolio under their management at the end of each month
- Benchmark returns for each asset using the market indices specified in Appendix A
- Benchmark returns for the portfolio under their management using the market indices specified in Appendix A and their benchmark mix specified in this SIPO.

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Appendix A – Asset Allocations, Hedging and Benchmark Indices

The benchmark asset allocations and ranges for each Investment Manager are set out below. The benchmark return for each Manager is the asset weighted return of the benchmark indices shown in the tables. Foreign currency hedging policies are also set out below. Investment returns of each Manager will be compared to their respective benchmark returns, adjusted for fees and any tax leakage, to determine the value added from active investment strategies.

Craigs Investment Partners

Asset Class	Benchmark Mix%	Range %	Benchmark Index
New Zealand Shares	12%	2 ↔ 22	S&P/NZX 50 Ex-REIT Index (Total Return)
Australian Shares	11%	1 ↔ 21	S&P/ASX 200 Industrials Index in NZD
Global Shares	35%	25 ↔ 45	50% MSCI World SRI Index in NZD 50% MSCI World Index 100% hedged to NZD
Australasian Listed Property	2%	0 ↔ 7	60% S&P/NZX All Real Estate Index in NZD 40% S&P/ASX 200 Real Estate Index in NZD
Alternatives[1]	0%	0 ↔ 5	As agreed with Trustees
Growth Assets	**60%**	**50 ↔ 70**	
NZ Fixed Interest	20%	10 ↔ 30	S&P/NZX Investment Grade Corporate Bond Index
Global Fixed Interest	17%	7 ↔ 27	Bloomberg Barclays Global Aggregate Bond Index 100% hedged to NZD
Cash	3%	0 ↔ 8	S&P/NZX Bank Bills 90-Day Index
Income Assets	**40%**	**30 ↔ 50**	

[1]*Private Equity Funds as approved in advance of investment.*

Asset Class	Benchmark Hedge Ratio%	Range %
Australian Shares[1]	0	n/a
Global Shares	50	25 ↔ 75
Global Fixed Interest	100	90 ↔ 110

[1]*Australian dollar exposure*

Harbour Asset Management

Asset Class	Benchmark Mix %	Range %	Benchmark Index
Australasian Shares	21	11 ↔ 31	S&P/NZX 50 Index
Global Shares	36	26 ↔ 46	50% MSCI ACWI Net Index in NZD

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			50% MSCI ACWI Net Index 100% hedged to NZD
Listed Property	3	0 ↔ 10	S&P/NZX All Real Estate Index
Growth Assets	**60**	**50 ↔ 70**	
NZ Fixed Interest	25	10 ↔ 40	Bloomberg NZ Bond Composite 0+Yr Index
Global Fixed Interest	10	0 ↔ 20	Bloomberg Barclays Global Aggregate Bond Index 100% hedged to NZD
Cash	5	0 ↔ 12.5	S&P/NZX Bank Bills 90-Day Index
Income Assets	**40**	**30 ↔ 50**	

Asset Class	**Benchmark Hedge Ratio%**	**Range %**
Australasian Shares[1]	50	0 ↔ 100
Global Shares	50	25 ↔ 75
Global Fixed Interest	100	90 ↔ 110

[1]*Australian dollar exposure*

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