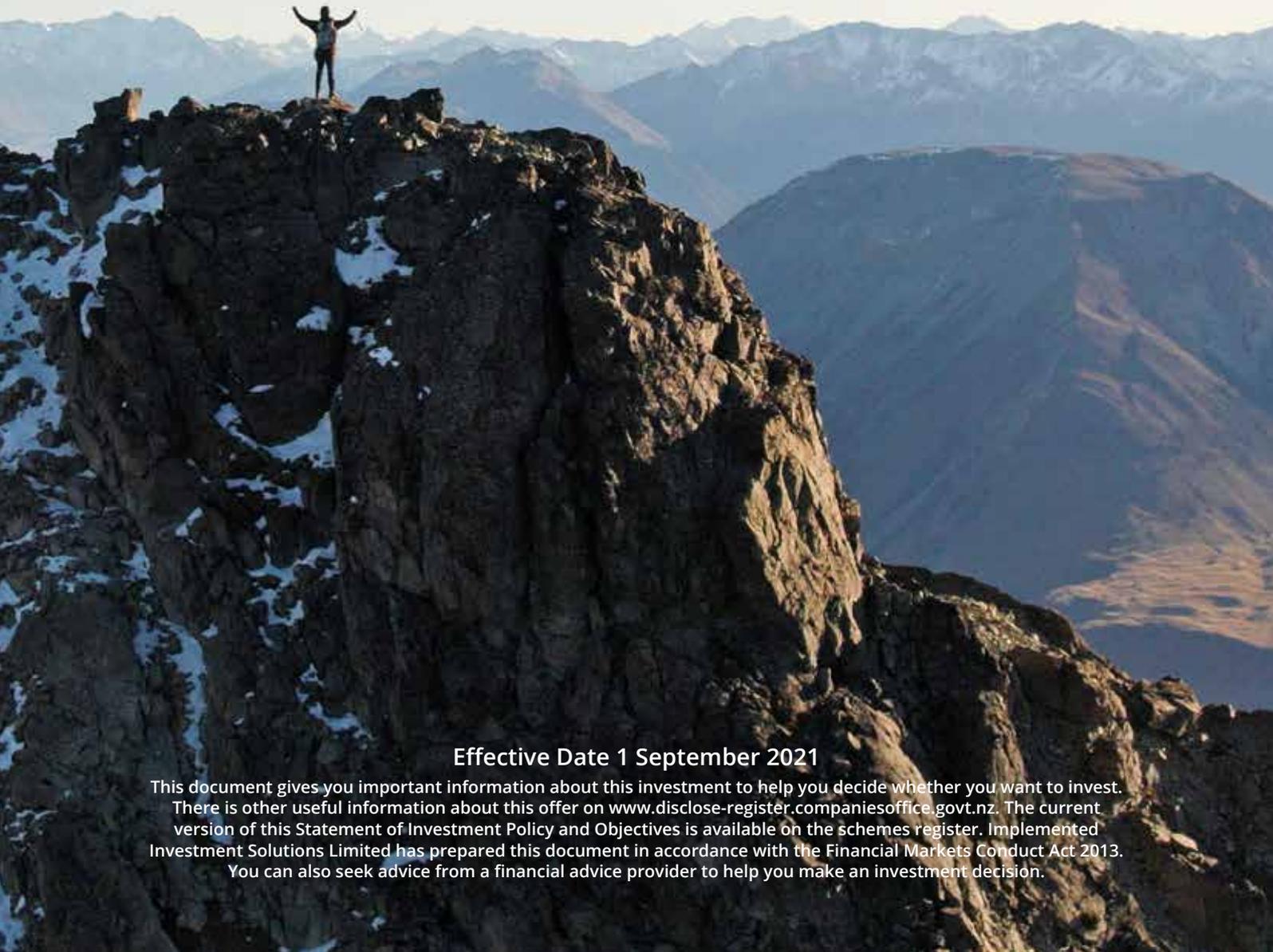


AURORA



Aurora KiwiSaver Scheme

STATEMENT OF INVESTMENT POLICY AND OBJECTIVES



Effective Date 1 September 2021

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.disclose-register.companiesoffice.govt.nz. The current version of this Statement of Investment Policy and Objectives is available on the schemes register. Implemented Investment Solutions Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you make an investment decision.

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 options ("**Funds**"), which are:

- Aurora Conservative Fund,
- Aurora Future Focused Fund, and
- Aurora Growth Fund.

The Scheme also offers Members the option to choose the RetirementPlus investment option, which automatically adjust Members weighting to the Funds over time as they age.

B. Roles and Responsibilities

The manager of the Scheme is Implemented Investment Solutions Limited ("**IIS**" or "**Manager**").

The Manager's key roles and responsibilities are:

- Preparation of disclosure material.
- Establishing, reviewing and maintaining this SIPO.
- The ongoing management and oversight of the Fund. 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 ("**Aurora**") as investment manager, and

- MMC 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 belief that it's possible to make the world a better place through responsible investing.

- Aurora believes that environmental, social and governance ("**ESG**") issues should be considered when making investment decisions as ESG factors can help to identify the long-term risks of investing in a company or asset. Investing in sectors and funds that seek to actively manage ESG factors

can help to lower portfolio risk, while also having a positive impact on people and the planet. A specific focus of Aurora's responsible investing approach is to invest in sectors and funds with strong ESG credentials.

- Aurora believes that through innovation, technology and investment, real improvements can be made to the climate which will benefit the planet's health. A specific example of this is

Aurora's belief that by investing in, or obtaining exposure to, companies that are engaged in activities that will help society move towards a more sustainable future, we can have a positive impact on the planet and, in particular, climate change.

- Aurora are long term investors and are focused on delivering competitive returns over the long-term and aligned to its ESG beliefs. Aurora believes that financial returns need not be compromised when investing according to its investment philosophy.
- While Aurora has an overall preference for actively managed investment strategies, there are times when a passive strategy may be appropriate. Regardless of exposure being active or passive,

Aurora actively monitors the underlying fund or manager selected.

- Aurora appoints underlying fund managers that incorporate ESG considerations and are also 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. Managers that Aurora appoints should be best-in-class in the inclusion of ESG into their investment process. More information on the factors Aurora takes into account when appointing underlying fund managers is available in the Other Material Information document for the Aurora KiwiSaver Scheme.

D. Investment Objectives

The investment objectives and strategies for the Funds are:

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 3 to 5 years.

Investment strategy

Benchmark Index

A composite index made up of:

- 5% Bloomberg NZ Bond Bank Bill Index
- 65% Bloomberg NZ Bond Composite 0+ Yr Index
- 5% S&P/NZX 50 Gross Index
- 15% S&P/NZX All Real Estate (Industry Group) Gross Index
- 10% MSCI All Country World Net Index – 100% New Zealand dollar hedged

Asset allocation ranges

90%-100% in managed investment schemes, made up of:

- 0%-100% cash and cash equivalents
- 0%-75% fixed interest (includes New Zealand and international fixed interest)
- 0%-10% Australasian equities
- 0%-25% listed property

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- 0%-15% international equities
- 0%-10% cash and cash equivalents

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 both in New Zealand and internationally. The fund primarily invests in fixed interest securities. Aims to provide a low risk profile through achieving a level of volatility below 4% per annum.

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

Permitted Investments

Cash and cash equivalents

Managed investment schemes

Rebalancing policy

Investment managers of the underlying managed investment schemes are responsible for rebalancing.

Currency hedging policy

The current policy of the selected underlying manager is to be fully hedged but with the discretion to reduce hedging over short time periods.

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.

Aurora Growth Fund

Objectives

The Fund objective is to deliver returns exceeding the CPI by 4.0% per annum before fees and tax, over the medium to long term.

Investment strategy

Benchmark Index

A composite index made up of:

- 5% Bloomberg NZ Bond Bank Bill Index
- 15% Bloomberg NZ Bond Composite 0+ Yr Index
- 15% S&P/NZX 50 Gross Index
- 5% S&P/NZX All Real Estate (Industry Group) Gross Index
- 60% MSCI All Country World Net Index – 100% New Zealand dollar hedged

Asset allocation ranges

90%-100% in managed investment schemes, made up of:

- 0%-100% cash and cash equivalents
- 0%-30% fixed interest (includes New Zealand and international fixed interest)
- 0%-20% Australasian equities
- 0%-15% listed property
- 0%-80% international equities

0%-10% cash and cash equivalents

Appointed Investment manager

Aurora Capital Limited

Investment Manager strategy

A multi-asset class fund which offers a diversified portfolio and aims to provide capital growth over the long-term. The fund invests primarily in NZ and international equities but will also hold cash and fixed interest securities. The fund has a medium – high risk profile.

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

Permitted Investments

Cash and cash equivalents

Managed investment schemes

Rebalancing policy

Investment managers of the underlying managed investment schemes are responsible for rebalancing.

Currency hedging policy

The current policy of the selected underlying manager is to be fully hedged but with the discretion to reduce hedging over short time periods.

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.

Aurora Future Focused Fund**Objectives**

The primary Fund objective is to deliver returns exceeding the CPI by 4.0% per annum before fees and tax, over the medium to long term.

The Fund's non-financial objective is to have an MSCI Weighted Average Carbon Intensity measure lower than that of the benchmark index over the medium to long term.

The MSCI Weighted Average Carbon Intensity measures will be published monthly on Aurora's website, www.aurora.co.nz.

Investment strategy

Benchmark Index

A composite index made up of:

- 2% Bloomberg NZBond Bank Bill Index
- 29% Bloomberg Barclays Global Aggregate Index – 100% New Zealand dollar hedged
- 69% MSCI All Country World Net Index – 25% New Zealand dollar hedged

Asset allocation ranges

The Fund invests in the asset classes in the table below. Investment can be either directly in securities (including derivatives) or via a suitable fund.

Asset class ¹	Benchmark asset allocation %	Range %	Benchmark Index
Cash and cash equivalents	2%	0% - 10%	Bloomberg NZBond Bank Bill Index
International fixed interest	29%	10% - 50%	Bloomberg Barclays Global Aggregate Index – 100% New Zealand dollar hedged
Total income assets	31%		
International equities	69%	40% - 90%	MSCI All Country World Net Index – 25% New Zealand dollar hedged
Total growth assets	69%		

¹ Accrued fund expenses and other fund liabilities are excluded for the ranges in this table. If we invest in a suitable fund to gain exposure to an asset class in this table, we do not look through to the underlying asset class exposure of that fund. The suitable fund is regarded as being 100% invested in the relevant asset class.

The Fund has the following currency hedging ranges for its international asset class exposures:

Asset class	Target hedging position %	Range %
International fixed interest	100%	0% - 105%
International equities	25%	0% - 50%

If any of the asset allocations or currency hedge ratio moves outside their permitted range due to a market movement or cashflows, the Investment Manager must move back within the range within five business days, unless prior written approval is obtained from the Supervisor.

Appointed Investment manager

Aurora Capital Limited

Investment Manager strategy

The Fund is built to provide investors with a diversified exposure to global equities and fixed income. The portfolio has a strong focus on ESG factors. The investment universe for the Fund is an outcome of Aurora's screening policy, as outlined in Section E of this SIPO.

The Fund currently invests in a combination of highly ESG rated Exchange Traded Funds ("**ETFs**"), namely:

- ETFs which also exclude fossil fuels for core global and emerging market equity exposure.
- ETFs that focus on clean energy, global timber, and global water for supplementary global equity exposure, and.
- A combination of US\$ inflation linked bond and global green bond ETFs for fixed income exposure.

Allocations to the ETFs are actively managed.

Permitted Investments

- Cash and cash equivalents
- Managed investment schemes or other collective investment vehicles that meet Aurora's stated Socially Responsible Investing ("**SRI**") Policy requirements
- Derivatives (but solely for the purpose of currency hedging)

Rebalancing policy

Exposures will be passively rebalanced using cashflows when the actual asset allocation has deviated from the target asset allocation by +/-3% for sub-sectors, and +/-10% at the asset class level.

Currency hedging policy

The target currency hedging position for any foreign currency exposure within the equity allocation is to be 25% hedged back to the NZ\$, while the target for the fixed income exposure is to be fully hedged to the NZ\$.

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.

E. 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. Hence if any Fund within the Scheme were to experience liquidity problems the Manager may defer or suspend redemptions for a period of time.

Related-party transactions

Related-party transactions, other than the type described below are prohibited.

The Scheme invests in other managed investment schemes. If these schemes are managed by related parties (for example where the Scheme invests in an underlying fund that IIS is also the manager of), and investment is permitted under section 174 of the FMC Act, they are permitted investments for the Scheme. The Manager will report transactions in managed investment schemes managed by related parties to its Supervisor in accordance with section 173(2) of the FMC Act.

Trade allocations and transactions

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

Rebalancing, currency hedging, derivatives

Where the Scheme invests in other managed investment schemes and funds responsibility for managing portfolio rebalancing, currency hedging and derivatives sits with each of the investment managers of the underlying funds. This applies to the Aurora Conservative Fund and the Aurora Growth Fund.

For the Aurora Future Focused Fund:

- Exposures will be passively rebalanced using cashflows when the actual asset allocation has deviated from the target asset allocation by +/-3% for sub-sectors, and +/-10% at the asset class level.

The target currency hedging position for any foreign currency exposure within the equity allocation is to be 25% hedged back to the NZ\$, while the target for the fixed income exposure is to be fully hedged to the NZ\$.

- An external specialist will be mandated to run a passive overlay hedging strategy, of which Aurora will retain oversight and responsibility for.

Responsible Investments

Aurora has an SRI 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 SRI Policy applicable to the Scheme. Aurora however has a focus on ESG factors and hence any manager it appoints needs to be what Aurora believe to be best in class in the inclusion of ESG into their investment process, and as such a manager won't be appointed if it doesn't meet the standards of Aurora's SRI Policy. This screen is incorporated into Aurora's Investment Manager Selection and Monitoring Policy which is available at www.disclose-register.companiesoffice.govt.nz. A copy of Aurora's SRI 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 SRI Policy will be reviewed at least annually and signed off by the Aurora's Board.

Screening policy

Aurora excludes industries that it believes do more social or environmental harm than good.

These exclusions are:

- Armament production
- Pornography production
- Tobacco production
- Uranium mining
- Whaling
- Fossil fuel extraction, including:
 - Integrated oil & gas
 - Oil & gas exploration and production
 - Coal mining

The above exclusions apply to all Funds.

In addition to applying the exclusions stated above, the Aurora Future Focused Fund also currently targets an allocation of 20% of its capital to obtain exposure to companies that are important in the transition to a healthier planet and a carbon zero future. These include, but are not limited to:

- Companies that produce energy from solar, wind, and other renewable sources;
- Timber & forestry companies; and,
- Companies related to water businesses.

While Aurora's ethical and ESG principles restrictions apply predominantly to their equity investments, Aurora also applies these principles to its fixed income investments. The Aurora Future Focused Fund allocates a portion of the fixed income portfolio to green bonds. Green bonds are investment grade global bonds where the use of proceeds is directly tied to promote climate or other environmental sustainability purposes through independent evaluation.

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.

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 IIS. The policy applies to all of IIS'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, IIS must act honestly and in the best interests of the Scheme participants. IIS 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 IIS'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.

F. Investment Performance Monitoring and Reporting

IIS monitors each Fund's investment 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 Fund benchmarks and objectives. Risk and return metrics are measured and assessed gross of tax and fees. IIS also monitors the non-financial performance of the Aurora Future Focused Fund. Progress against the non-financial objective of the Aurora Future Focused Fund will be

published monthly on Aurora's website, www.aurora.co.nz, along with commentary on any action taken in the preceding month to ensure progress is maintained towards this target. If the Aurora Future Focused Fund consistently fails to meet its non-financial objectives, IIS will review the investment manager strategy to determine if it remains appropriate.

IIS reports performance, both financial and non-financial, to the Supervisor and to the IIS Board.

G. SIPO Compliance and Review

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

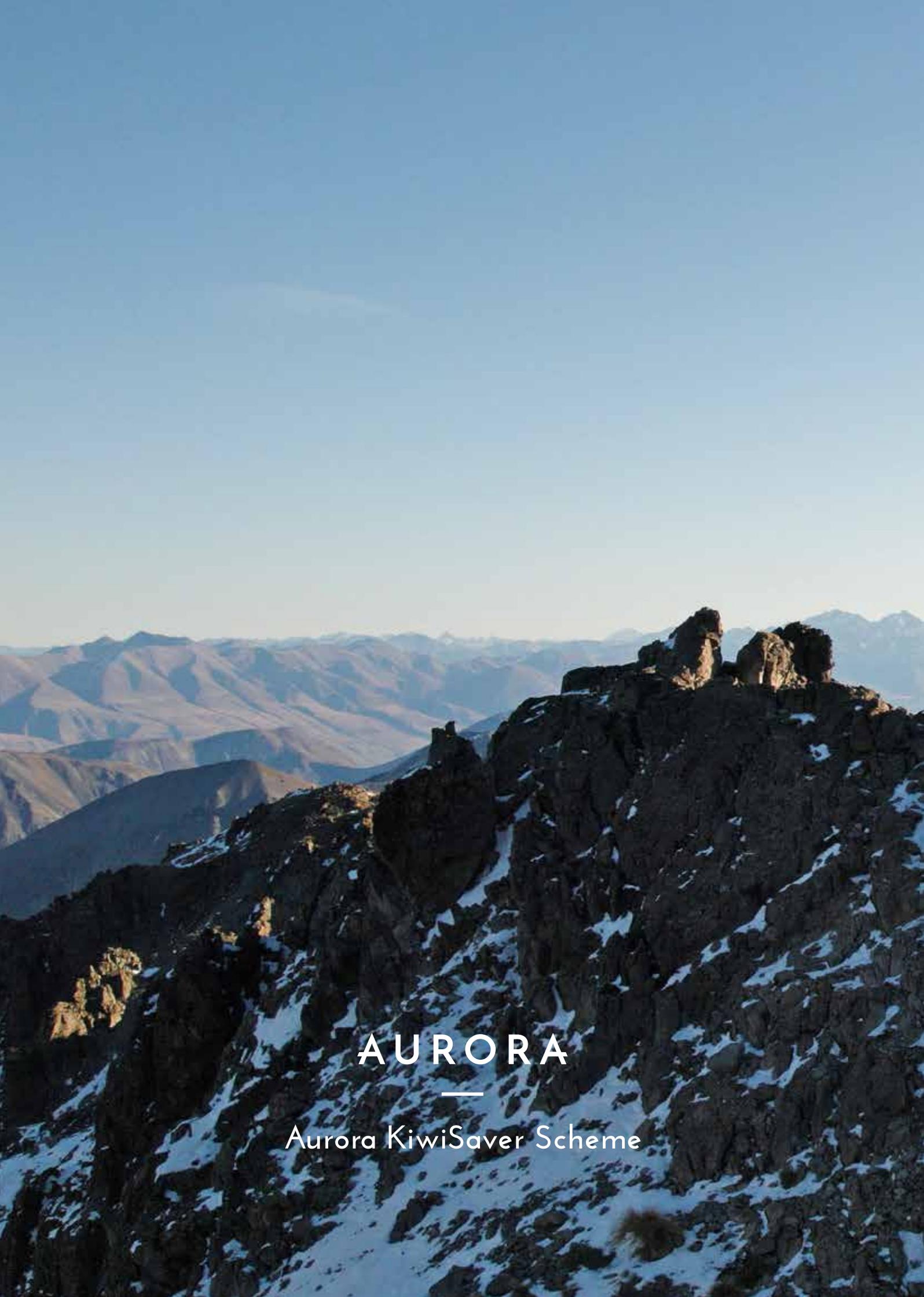
This SIPO is reviewed annually by the Manager with the outcomes of the review reported to the IIS Board. In addition, IIS's management team may initiate an ad hoc review, with examples of events that could lead to this being:

- 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 IIS 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 IIS Board approval, as well as written approval of the Supervisor.

This SIPO was approved by the IIS Board on 31 August 2021 and takes effect on 1 September 2021.



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