

30 June 2016

Robert Ashe
Green Party
By email: Robert.Ashe@parliament.govt.nz

Dear **Robert**,

REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your request dated **1 June 2016** made pursuant to the Official Information Act 1982 ("OIA").

Your Request

You have requested: "**All reports prepared relating to the Super Fund's possible investment in Kiwibank.**"

Details of the information we have pertaining to your request, and our response in respect of that request, are set out in the table **enclosed** at Appendix 1 to this letter.

Thank you for refining your OIA request following our initial discussions. We hold a large amount of information regarding the proposed investment and this refinement has made your request more manageable. Please note that we have excluded duplicate and draft reports (where a subsequent draft or final report exists) from our response.

About Us

Under the New Zealand Superannuation and Retirement Income Act 2001, the Guardians of New Zealand Superannuation (**the "Guardians"**, "**we**") must invest the New Zealand Superannuation Fund (**"the Fund"**) on a prudent, commercial basis and, in doing so, must manage and administer the Fund in a manner consistent with:

- best-practice portfolio management;
- maximising return without undue risk to the Fund as a whole; and
- avoiding prejudice to New Zealand reputation as a responsible member of the world community.

The activities of the Guardians are therefore primarily commercial and, in seeking investment opportunities, we are in competition with other investors.

In relation to any potential investment or transaction, we hold a great deal of information relating to commercial, operational, tax, finance and legal matters. Much of this information is commercially sensitive, as discussed further below.

As you are aware, we have not made a final decision regarding the proposed investment in Kiwibank, which remains conditional. We are currently undertaking due diligence into Kiwibank, and participating in associated negotiations involving the vendor, New Zealand Post; The Treasury (as the Crown's representative); and another prospective investor, the Accident Compensation Corporation ("ACC"). This due diligence process and the associated negotiations are commercially sensitive and confidential to the parties concerned.

Our Response

For the above and other relevant reasons, as detailed below, we have chosen to withhold much of the information you have requested. We have considered whether consulting further with you would assist you to make your request in a form that would remove the reasons for withholding the information. We believe that, given the nature of the information, it is unlikely your request will be able to be formulated in a way that would enable us to provide you with the information.

In **Appendix 1** we set out the documents that have been captured by your request and our decision in relation to each one, including specific withholding grounds as applicable.

Where we have withheld information, we have considered whether the public interest in favour of disclosing that information outweighs our reasons for withholding it, and have concluded that it does not.

Our reasons for withholding this information, as per section 9 of the OIA, vary by document, but include:

- A. **Section 9(2)(a) – “protect the privacy of natural persons”**. In the interests of protecting the privacy of individuals, we have redacted the names of individuals mentioned in the documents other than the names of senior managers. The Guardians cannot see any public interest in, or public benefit from, the release of this personal information. Information regarding the identity of these individuals is not required for the purposes of transparency and accountability of the Guardians' activities. There is no good reason why these individuals in particular should be subjected to potential public scrutiny.
- B. **Section 9(2)(b)(i) – “protect information where the making available of the information would disclose a trade secret”**. Some of the information concerning Kiwibank is non-public information that gives Kiwibank, or the supplier of the information, a competitive advantage while the information remains generally unknown. We do not consider it to be in the public interest for us to disclose ‘trade secret’ information of a company that we are considering investing in, or that is provided by our suppliers to enable us to evaluate investment opportunities.
- C. **Section 9(2)(b)(ii) – “protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information”**. Some of the information concerning Kiwibank is commercially sensitive (such as information about its business strategy, risks and opportunities, contractual obligations and rights, information technology and intellectual property) and has been supplied specifically to enable us to consider a potential investment in Kiwibank. Kiwibank operates in a very competitive market. Non-public information that relates to Kiwibank's commercial position has been withheld where disclosure would diminish the value of that information or disadvantage Kiwibank by making the information known to its competitors. Our suppliers also operate in a competitive market and non-public information that is commercially valuable to suppliers has been withheld where disclosure would diminish the value of that information or their competitive advantage.
- D. **Section 9(2)(ba)(i) – “protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied”**. Due diligence and negotiations regarding our potential investment in Kiwibank are being conducted on a confidential basis, and information concerning Kiwibank has been provided subject to an obligation of confidence. We would not have been able to properly evaluate the investment opportunity without receiving confidential information concerning Kiwibank. We operate in a competitive market and if we cannot uphold the confidentiality of commercially sensitive information provided to enable us to evaluate investments, the supply of such information will be jeopardised. In the event the Guardians was to disclose this confidential information to the public, it is likely that other entities in which the Guardians

might wish to invest (or other parties with which the Guardians might wish to contract) will be reluctant to engage with the Guardians because of the risk of disclosure of their confidential information. It is in the public interest that we can maintain the highest standards of confidentiality and commercial sensitivity with those we work with, in order to compete on a level playing field with other investors and maximise returns to the Fund.

- E. Section 9(2)(g)(i) – “maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any department or organisation in the course of their duty”.** It is important for our efficient and effective operations that our staff and officers are able to express their opinions freely and frankly. The reports prepared for our Investment Committee and NZ Bank Committee (a sub-committee of the Board) include opinions of staff members who prepared the reports. The release of such information is likely to inhibit frankness and candour in the future which will be detrimental to good investment decision making and contrary to the public interest.
- F. Section 9(2)(h) – “maintain legal professional privilege”.** We have engaged external legal service providers to provide advice to our Board regarding conflicts of interest, and to undertake legal due diligence on Kiwibank. The legal due diligence reports provide confidential legal advice to the Guardians. This information is subject to legal professional privilege. It is necessary that we withhold that information to maintain legal professional privilege. Legal professional privilege is recognised as an important protection that will not be set aside except in the clearest cases. In this case, we do not consider that there is a public interest in the release of this legally privileged information that outweighs the Guardians' interest in protecting its rights to legal privilege.
- G. Section 9(2)(i) – “enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities”.** Investing the Fund is a commercial activity. When we invest we compete in a global market for access to the best investment opportunities, as well as competing for a variety of suppliers such as investment advisers, responsible investment screening agencies, and custodians. Our ability to compete for future investment opportunities will be prejudiced or disadvantaged if non-public information concerning our strategy and likely future investment actions were made known to the relevant market participants ahead of any such actions. It would also be prejudicial to our negotiating position on potential future investments for information to be disclosed that gives potential future counterparties insights into the basis on which the Guardians is prepared to transact (including what concessions or trade-offs the Guardians may be prepared to accept in order to secure an investment opportunity). Potential future counterparties to investment transactions and suppliers will be discouraged from dealing with the Guardians if they do not have trust in our ability to maintain the confidentiality of sensitive information provided by them to us in the course of a transaction. It is in the public interest that we can maintain the highest standards of confidentiality and commercial sensitivity with those we work with, as well as our own commercial sensitivity.
- H. Section 9(2)(j) – “enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)”.** As outlined above, the Guardians' proposed investment in Kiwibank is still conditional and subject to current, ongoing negotiations. Disclosure of our internal analysis of the proposed investment, and of the nature and details of the negotiations, would severely undermine our negotiating position and the effectiveness of these negotiations.
- I. Section 9(2)(k) – “prevent the disclosure or use of official information for improper gain or improper advantage”.** Withholding the due diligence reports, the Guardians' analysis of the investment opportunity, the terms on which it is prepared to invest and confidential and commercially sensitive information about Kiwibank is necessary to prevent that information being used for improper gain or improper advantage. The reasons for this are the same as those set out in the above points **C** and **G** relating to commercial prejudice. Disclosure of this information would enable competitors and counterparties of Kiwibank, the Guardians and the ACC to obtain an improper advantage in circumstances where similar information about those

competitors and counterparties is not available to the public. Further, disclosure of due diligence and investment reports prepared in respect of the Guardians' and ACC's prospective investment in Kiwibank would provide to other parties, who might wish in future to explore opportunities to invest in Kiwibank, the benefit of the substantial work undertaken by the Guardians' and ACC's various consultants and paid for by the Guardians and ACC. That would give those other parties an improper gain or advantage in that they would have the benefit of this work without having had to contribute to its cost.

Please refer to **Appendix I** for a summary of the documents captured by your request and the details of our specific response in relation to each one. The information we have released can be found at **Appendix II**.

Please note that we may choose to publish your request and this response on our website.

Clarification regarding Board Conflicts

Some of the documents released to you mention conflicts at the level of the Guardians Board in relation to New Zealand Post, Datacom and Kiwibank. Our approach to managing Board conflicts of interest is set out in our Board Code of Conduct available within the Board Charter on our website at: <https://www.nzsuperfund.co.nz/publications/policies>. In line with good commercial practice, our approach is for Board members who have stepped down from a role that presented a potential conflict of interest to continue to be considered conflicted for a period. The relevant period will depend on the circumstances (e.g. how long they were in the role) but may be up to two years. Accordingly, at the time the transaction was first considered we took the view that one of our Board members, Pip Dunphy, continued to have a potential conflict by reason of her former role as a director of NZ Post (which ended on 31 October 2013). We considered that this potential conflict no longer applied after the lapse of eighteen months from Ms Dunphy ceasing her role.

General

You have the right to seek a review by the Ombudsmen's Office of our decision to withhold the information. Contact details for the Ombudsmen's Office can be found at: <http://www.ombudsmen.parliament.nz/>.

Yours sincerely



Adrian Orr
Chief Executive Officer

Appendix I							
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank							
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II	
1	1469072	2015-03-19	Project Jerry - Stage 2 Investment Committee Paper	All	Released in part	A: 9(2)(a) – privacy of natural persons B: 9(2)(b)(i) – trade secret C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	1
2	1762912	2015-11-11	Project Tui - Investment Committee Update	All	Released in part	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	36
3	1867554	2016-03-25	Project Tui - Investment Committee Update	All	Released in part	A: 9(2)(a) – privacy of natural persons D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	39
4	1781843	2015-12-01	NZ Bank Committee - Project Tui Update	All	Released in part	A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	43
5	1789937 and attached table 1787569	2015-12-10 2015-12-07	NZ Bank Committee - Project Tui Update Table – Project Tui Board Conflicts	All	Released in part	A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank F: 9(2)(h) – legal privilege G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	46

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6	1834289	2016-02-16	NZ Bank Committee – Update	All	Released in part	A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence F: 9(2)(h) – legal privilege G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	52
7	1861403	2016-03-14	NZ Bank Subcommittee - Project Tui - March Update	All	Released in part	A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	56
8	1868431	2016-03-28	NZ Bank Committee – Update	All	Released in part	A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	60
9	1885218	2016-04-12	NZ Bank Committee - Project Tui Update	All	Released in part	A: 9(2)(a) – privacy of natural persons D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	64
10	1889653	2016-04-20	NZ Bank Committee - Project Tui Update	All	Released in part	A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	67
11	1925841	2016-05-02	KPMG Red Flags Report – Draft	All	Withheld	B: 9(2)(b)(i) – trade secret C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A

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12	1925843	2016-05-24	Legal Red Flags Report - Working Draft	All	Withheld	B: 9(2)(b)(i) – trade secret C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence F: 9(2)(h) – legal privilege G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A
13	1658365	2015-07-31	Quarterly Report to Minister of Finance - To 30 June 2015	Section 4.7	Relevant section released in full	N/A	72
14	1886931	2016-04-29	Quarterly Report to Minister of Finance - To 31 March 2016	Section 4.2.1	Relevant section released in full	N/A	74
15	1929511	2016-02-01	Treasury Report for the Ministers – Capital Support for the Benefit of Kiwibank	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A
16	1929091	2016-XX-XX	Redacted copy of Treasury Report – Capital Support and Exit Mechanism	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A
17	1929090	2016-02-29	Treasury Report for the Ministers– Aide Memoire: Project Tui Update	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A

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Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II	
18	1814586	2015-11-23	Treasury Report – Briefing for Ministers	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	N/A
19	1925838	2016-05-20	Draft Due Diligence Report - Tax - Prepared by KPMG	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A
20	1925837	2016-05-20	Draft Due Diligence Report - Regulatory - Prepared by KPMG	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A
21	1925836	2016-05-20	Draft Due Diligence Report -I.T. - Prepared by KPMG	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A
22	1925839	2016-05-23	Draft Due Diligence Report - Key Industry Trends - Prepared by KPMG	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A
23	1925840	2016-05-27	Draft Due Diligence Report -Legal - Prepared by Bell Gully	All	Withheld	C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence F: 9(2)(h) – legal privilege G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	N/A

Project Jerry - Stage 2 Investment Committee Paper - 2015-03-19

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ITEM Project Jerry – Investment Committee Paper
Prepared by: NZ Direct Investment
Date: 19 March 2015

1. Purpose

- This paper seeks Investment Committee approval to submit a non-binding conditional indicative offer of [REDACTED] shareholding in Kiwi Group Holdings Limited (“KGHL”).

2. Executive Summary

- KGHL is owned 100% by New Zealand Post (“NZP”), a State Owned Enterprise, and is the holding company for Kiwibank Limited (“Kiwibank”) which contributed [REDACTED]. Kiwibank was established 12 years ago in 2002 and is NZ’s largest domestically owned bank and NZ’s 5th largest bank overall with a market share of ~7.1% of NZ residential mortgages. Kiwibank services ~880k customers and for the year ended 30 June 2014 recorded NPAT of ~\$100m and (Return on Book Value of Equity “ROE” of ~11.7%). *A more detailed business overview of KGHL is provided in Appendix A.*
- KGHL also owns a number of related smaller businesses and funding vehicles (collectively “Other Businesses”) including Kiwi Wealth Management Limited (“Kiwi Wealth”), Kiwi Insurance Limited (“Kiwi Insurance”) and New Zealand Home Loans (“NZHL”). [REDACTED]
- Kiwibank is a **highly sensitive asset for the Crown** and undertakings have been made by Prime Minister John Key in 2008 during his election campaign and again in 2010 that the “people’s” bank would not be sold. Kiwibank has been successful in growing its loan book from \$10.4bn to \$14.6bn from 2010 to 2014 and while NZP faces financial constraints, Kiwibank continues to require capital to grow. NZP has been in discussions with NZSF around Kiwibank at various points over the last 3 years recognising the need for a politically acceptable, well-funded, aligned equity partner in the future. NZSF has been monitoring Kiwibank given its strong fit for the NZ Direct strategy. In late 2014, Brian Roche (CEO NZP) approached Adrian and Matt seeking to engage with NZSF on an exclusive basis to potentially acquire [REDACTED] of KGHL.
- The proposed transaction to acquire [REDACTED] of KGHL is an **opportunistic investment** which fits well with the approved NZ Direct strategy, being a \$100m+ investment in ordinary equity, a strongly aligned partner, a politically restricted buyer audience where NZSF is a high value owner due to potential credit rating and brand implications, a capable management team and favourable industry economics¹.
- **The restricted buyer audience** and [REDACTED]

¹ The New Zealand banking sector is highly profitable, has a robust regulatory environment and remains among the most resilient in the world. See Appendix B for further details.

Item 2c – [REDACTED]

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- Over the past 6 weeks, NZ Direct have undertaken a high level review exercise. While we have had access to information and Q&A sessions through Brian Roche and three other employees at NZP, we have not had access to Kiwibank management due to the sensitivity of the transaction.

- The proposed transaction price of [REDACTED] KGHL represents [REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

- [REDACTED]

[REDACTED]

[REDACTED]

- Should the IC approve submitting an indicative bid and we agree an acceptable offer price with NZP, the next steps would be for NZP to approach the Crown with the terms of our bid in order to gain approval to proceed with due diligence and a potential transaction. We expect this process could take some time and is not necessarily straight forward. [REDACTED]

[REDACTED]

imposed to control our exit. We will work with [REDACTED] with regards to any communications / reputational issues and “no surprises” obligations.

- [REDACTED]

We acknowledge the conflict that exists with respect to the NZSF board, with Catherine Savage and Lindsay Wright also being Directors of Kiwibank. Catherine and Lindsay are currently classed as Independent Directors of Kiwibank which would no longer be the case should this transaction proceed. A successful transaction in this instance would require the 4 NZP and 2 NZSF-related directors to reduce to 50% of board seats (currently 4) in total under RBNZ regulations.

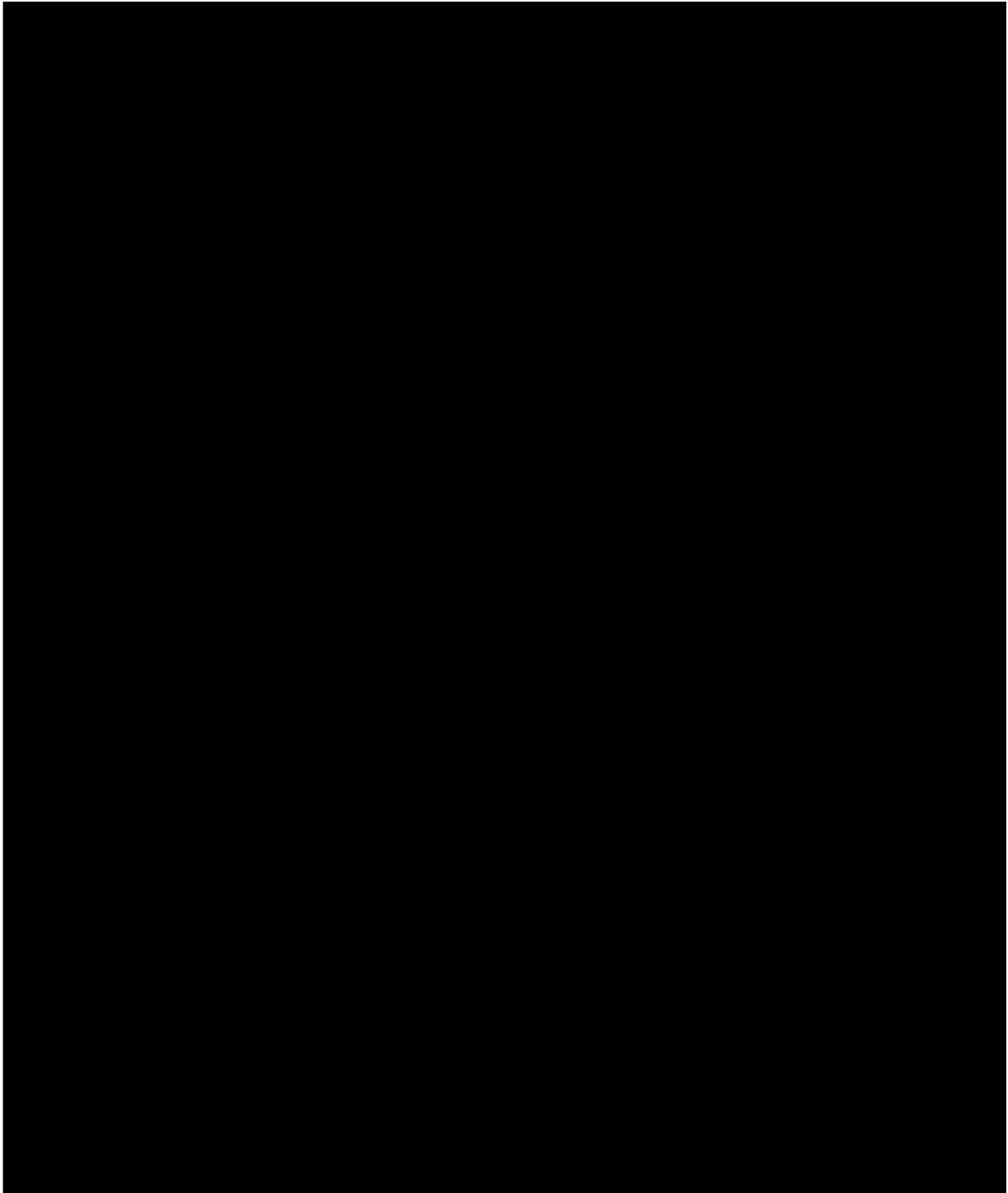
3. Defining the Investment Opportunity

- The proposed transaction represents the opportunity to gain direct exposure to the New Zealand banking sector [REDACTED] by leveraging our endowments and in a manner which is aligned to the fund’s Target Operating Model and fits with the NZ Direct strategy.
- The opportunity can be defined within the Investment Framework as follows:

A Restricted Market for Kiwibank	<ul style="list-style-type: none"> • NZSF has been invited on an exclusive basis to consider an interest in KGHL due to a restricted market for Kiwibank given political sensitivity around selling out of the Crown ownership “umbrella”. • This restricted market translates to an ability to acquire KGHL [REDACTED]
Liquidity constraints in the near term	<ul style="list-style-type: none"> • Given the political sensitivity and restricted market, it is likely that sale options in the near term will be severely restricted. • [REDACTED]
NZSF Competitive Advantages	<ul style="list-style-type: none"> • NZP views NZSF as a preferred partner due to our long-term investment horizon, access to capital to enable Kiwibank’s continued growth, sovereign status and trusted relationship built up through the Datacom transaction. [REDACTED] • NZSF is a high value owner of KGHL as our ownership potentially enhances the Kiwibank brand further as “New Zealand’s bank” given the ultimate beneficiaries of NZSF. Our investment and ownership also enables Kiwibank to pursue further growth [REDACTED]

Item 2c – [Redacted]

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Item 2c – [Redacted]

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- [Redacted]
- [Redacted]

5. What Risks Does this Investment Expose NZSF to?

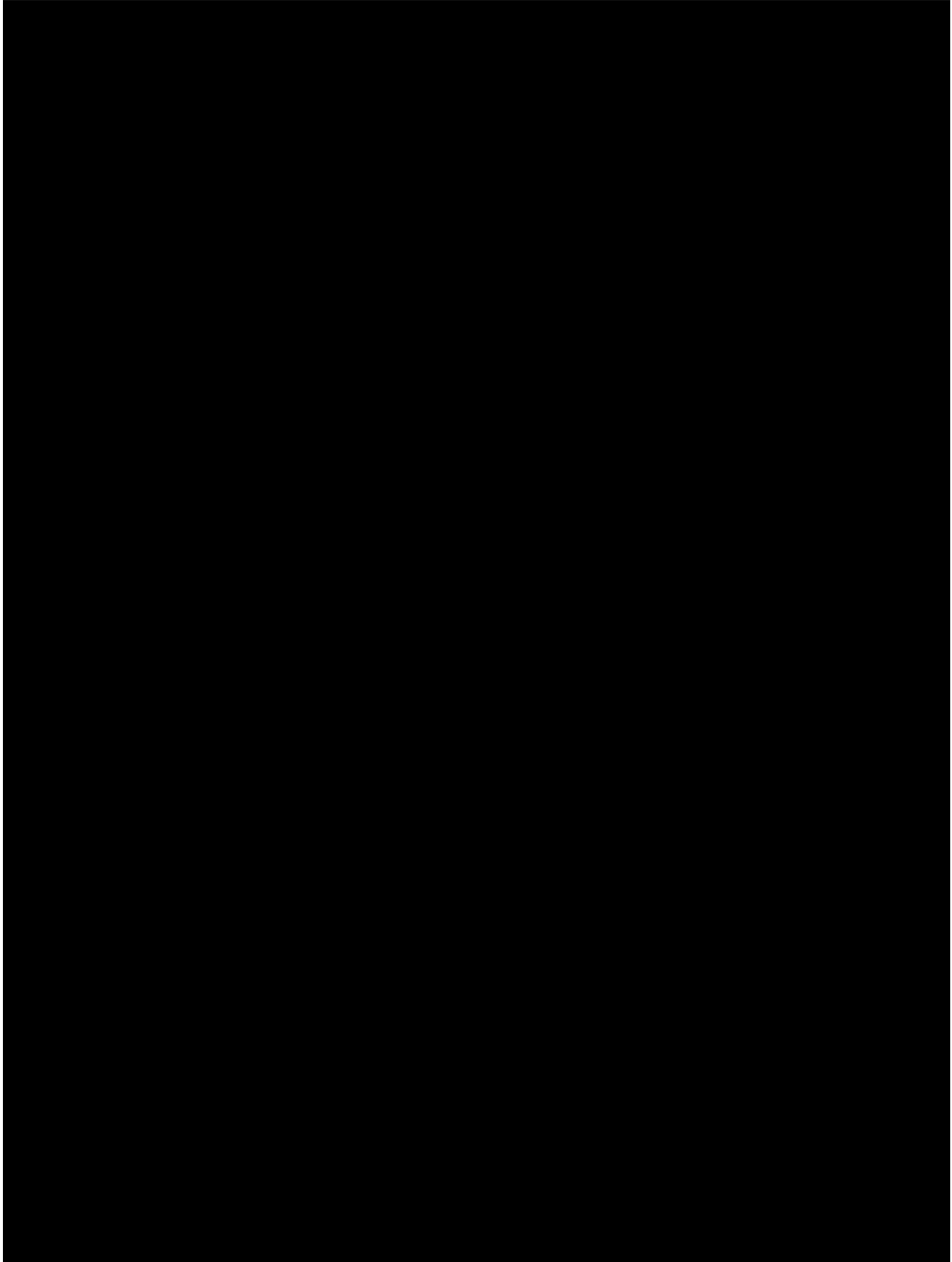
KGHL would expose NZSF primarily to NZ growth, inflation, interest rates, credit, illiquidity and agency risks.

Area of Risk	Commentary
Market Risks	
New Zealand Economic Growth & Credit Growth	• [Redacted] • [Redacted]
The New Zealand Residential Housing Market	• [Redacted] • [Redacted] • [Redacted]
Technological Disruption	• [Redacted] • [Redacted] • [Redacted] • [Redacted]
Kiwibank Specific Risks	

Item 2c –



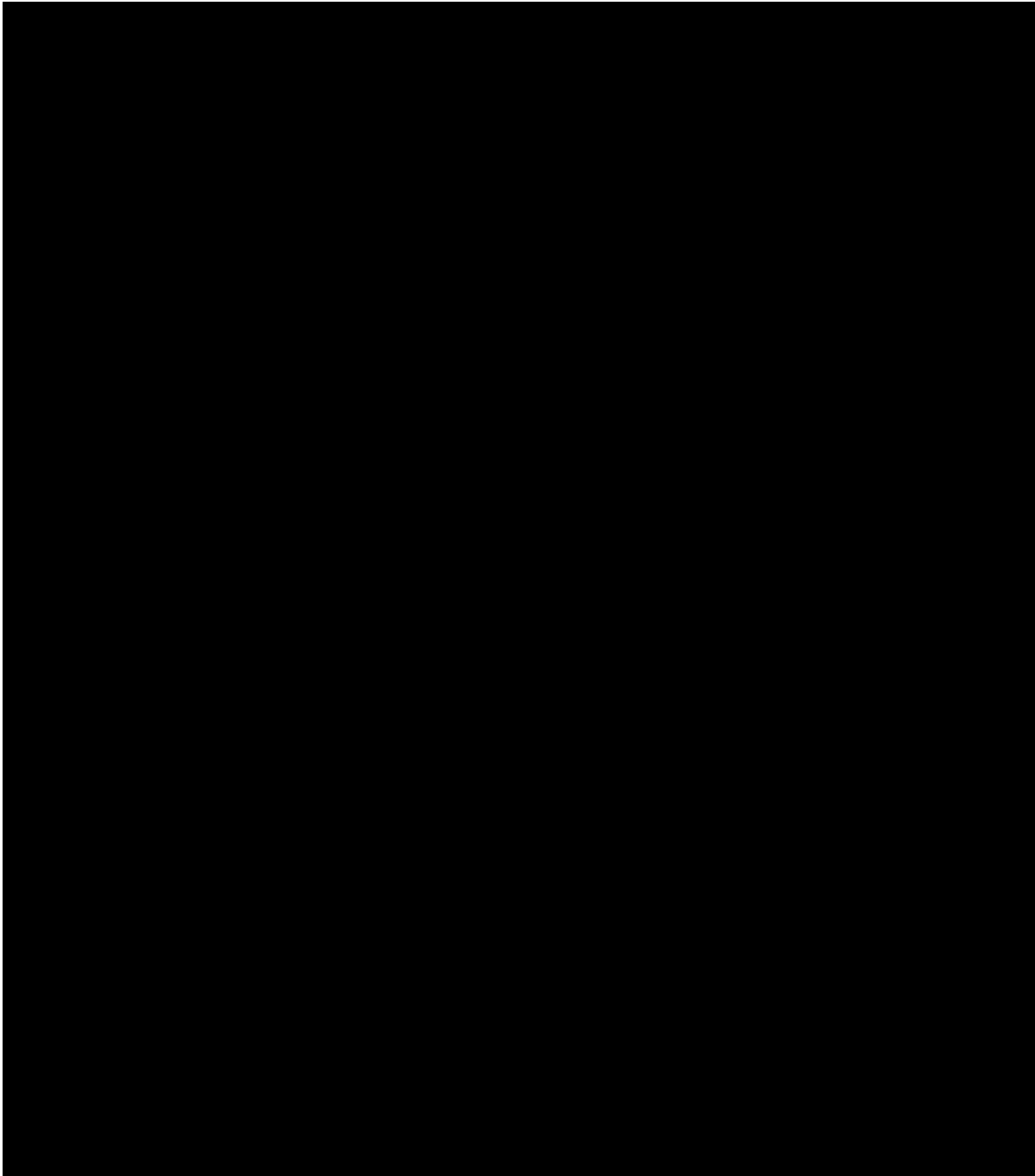
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Item 2c – [REDACTED]

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6. What are the Alternative Access Points

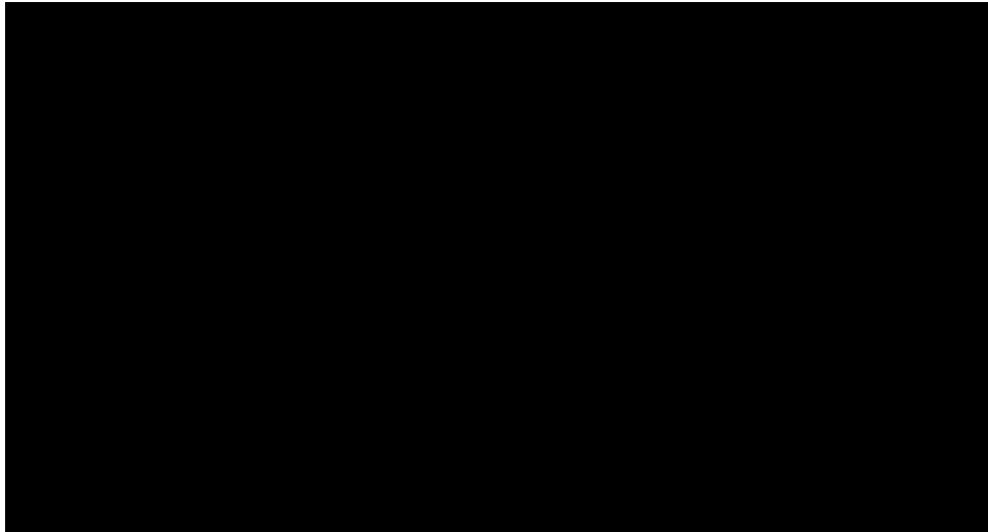
- The investment characteristics of the KGH opportunity make it difficult to find an exact comparable access point. [REDACTED]

- Alternative methods of accessing elements of the risk/return profile include:
 - [REDACTED]

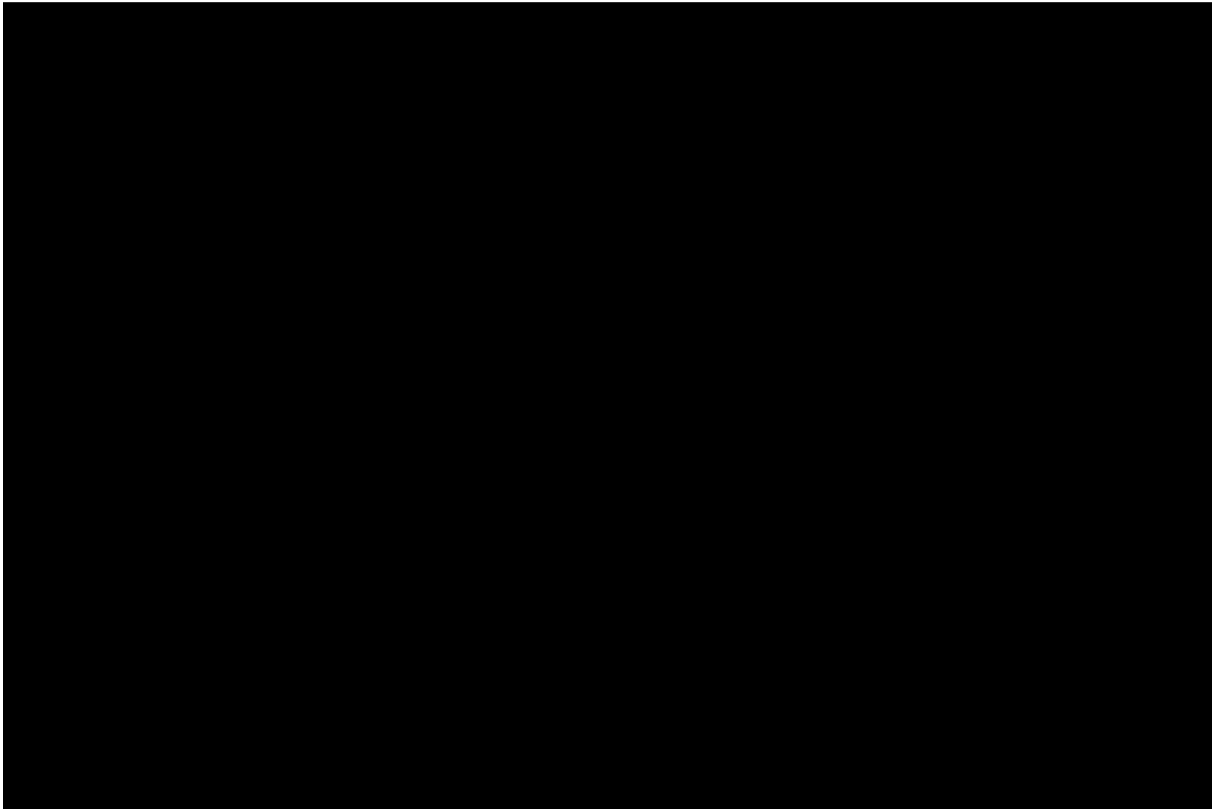
Item 2c – [REDACTED]

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The following graph shows the relative attractiveness of Kiwibank (based on forecast FY15 ROE) versus alternative access points. *See Appendix C for an analysis of ROE and P/BV ratios over time (Australian Banks).*

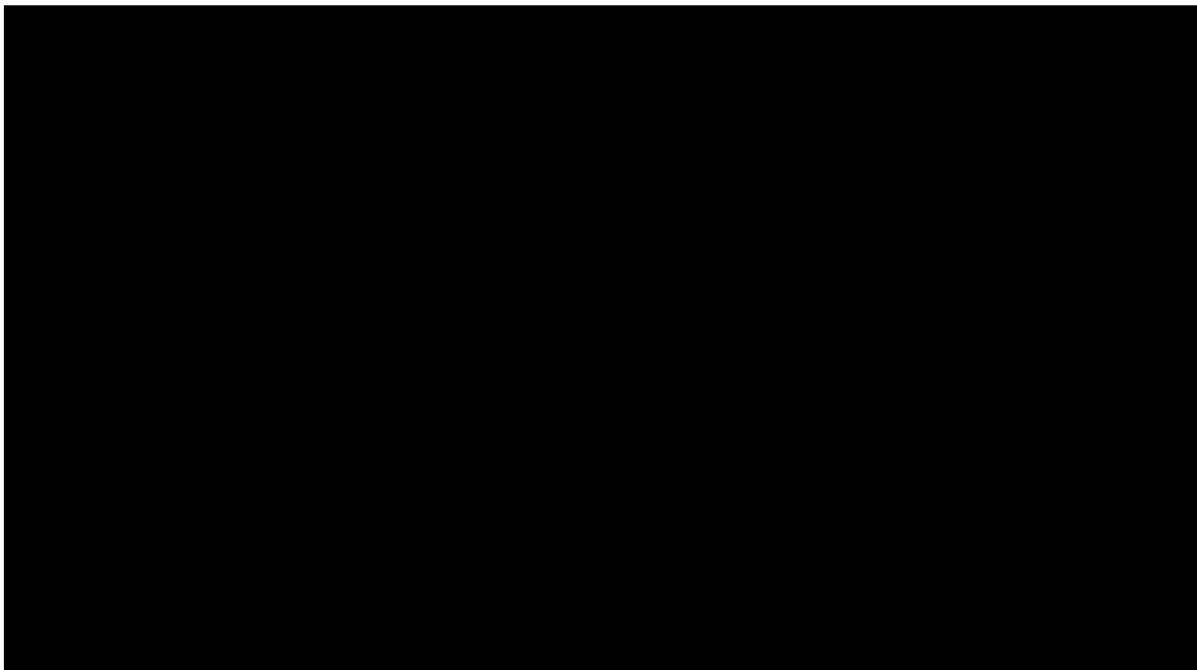


7. Due Diligence Overview

Item 2c – [REDACTED]

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- The project team will include:
 - Project Lead – [REDACTED]
 - Project Manager – [REDACTED]
 - Lead Analyst – [REDACTED]
 - Legal – [REDACTED]
 - Finance – [REDACTED]
 - Tax – [REDACTED]
 - Investment Analysis – [REDACTED]
 - Assistance from bank knowledgeable team members – [REDACTED]
 - IT Implementation Review – [REDACTED]
 - Responsible Investment – [REDACTED]
 - Communications / Reputational – [REDACTED]
- A list of key commercial issues that we will seek to address during due diligence can be found under [SUPERDOCS-#1470027-Project Jerry - Project Management Register](#).
- [REDACTED] Once we are in a position to contact advisers, the Due Diligence budget will be confirmed and presented to the CIO for approval. No advisers have been spoken to as yet due to confidentiality.
- At this stage we are unlikely to use an investment bank for transaction advice. We will likely use [REDACTED] A specialist bank industry adviser and SAP implementation adviser may also be sought for specific advice on the project.
- The timetable depends on NZP and Crown approval processes post agreement of indicative bid. Due diligence is likely to take **approximately 9 weeks to complete and occur in the latter half of this year although there is potential for delay or rejection of the proposed transaction due to Crown process and sensitivity.**



Item 2c – [REDACTED]

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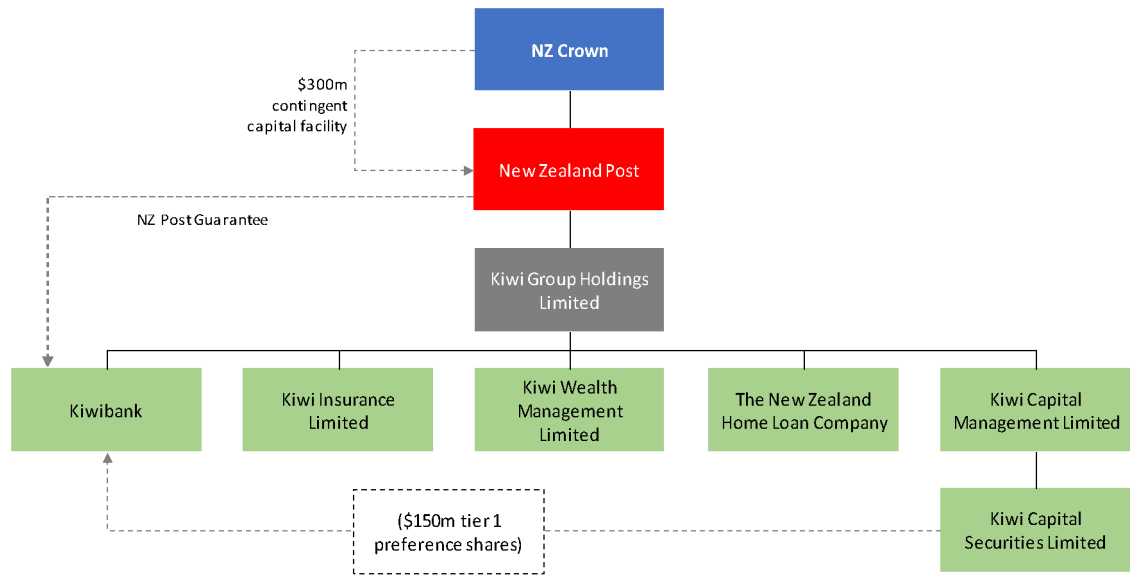
9. Recommendation of Next Steps

- That the Investment Committee approve a non-binding conditional indicative offer of up to [REDACTED] [REDACTED] interest in KGHL from NZP.

Appendix A: KGHL Company Overview

- KGHL is the holding company for a number of subsidiaries that comprise the “Financial Services Group”.
- These subsidiaries include Kiwibank, Kiwi Wealth Management Limited, Kiwi Insurance Limited and The New Zealand Home Loan Company.
- Kiwi Capital Management and Kiwi Capital Securities are both funding vehicles for Kiwibank and have no operational role in the Financial Services Group.
- A brief overview of each of the subsidiaries of KGHL is provided below:

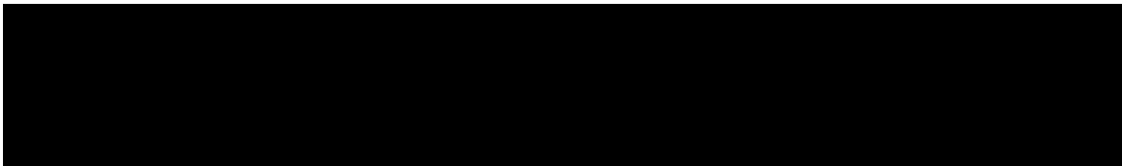
Figure A1 – Kiwi Group Holdings Limited Structure



Source: *Kiwibank Standard & Poor’s Management Meeting Presentation (October 2014)*

Kiwibank Limited

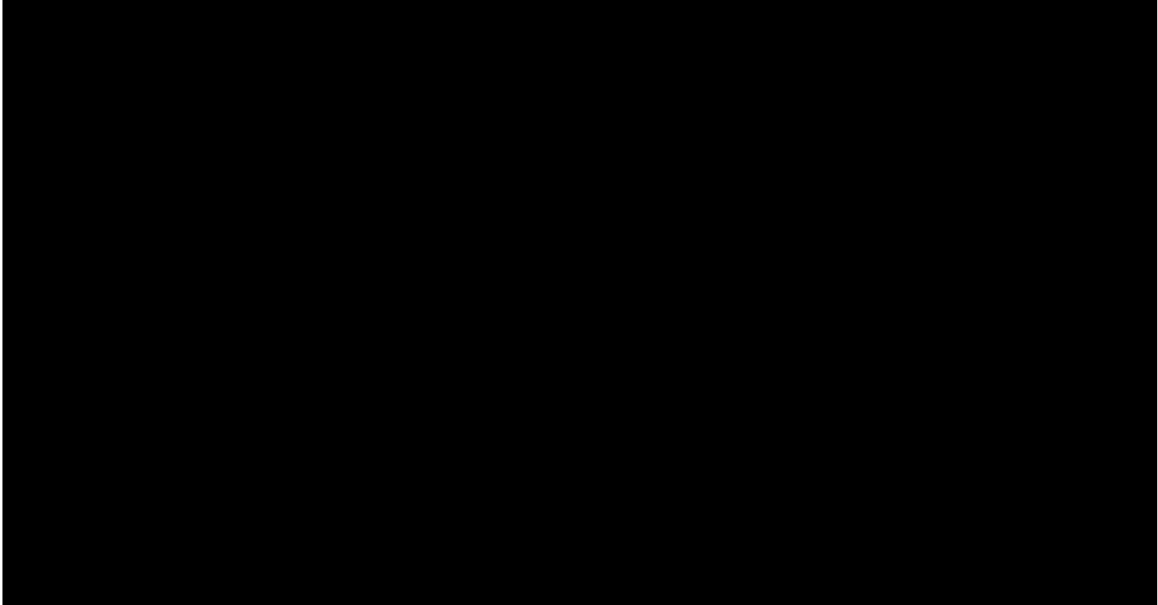
- Kiwibank has now been operating for over 12 years, having been established in 2002. Kiwibank is now New Zealand’s largest domestically owned bank, servicing ~880,000 customers. Kiwibank currently operates out of NZP shops throughout New Zealand.
- In the year to June 2014, Kiwibank generated ~NZ\$100m NPAT
- Kiwibank operates from 270 branches nationwide, employing ~1,200 staff. As at 30 June 2014, Kiwibank had total lending of \$14.6b and total deposits of \$12.8bn.
- In its primary lending market (residential mortgages) Kiwibank has a market share of ~7% based on RBNZ residential mortgage data. Kiwibank has managed to increase this market share from ~4.8% in 2009, averaging 0.44% increase in market share each year.



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- [REDACTED]



- Kiwibank is primarily funded by customer deposits, making up 79% of Kiwibank’s funding as at June 2014. [REDACTED]
 [REDACTED] The table below provides an overview of Kiwibank’s funding sources and identifies whether these sources are included under the NZP guarantee.

Figure A3 – Kiwibank Funding Sources

Debt Programme	Market	Term	Size	As at 30 June 2014	Guaranteed
RCD	NZ	Short	Unlimited	NZ\$206m	Yes
RMBS	NZ	Short	NZ\$600m	-	Yes
ECP	Offshore	Short	US\$2,000m	NZ\$731m	Yes
MTN	NZ	Long	Unlimited	NZ\$378	Yes
Sub Bond (Dec 2022)	NZ	Long	Unlimited	NZ\$150	No
Capital Note (Jul 2024)	NZ	Long	Unlimited	NZ\$100	No
Covered Bond (Dec 2020)	NZ/Offshore	Long	NZ\$3,000m	CHF150m	No
Kangaroo (Aus MTN)	Australia	Long	A\$1,500m	A\$368m	Yes
Senior Bond (Apr 2019)	Switzerland	Long	Stand Alone	CHF175m	Yes
Sub-Total				~NZ\$2,400m	
Other Funding					
Due to Other Financial Institutions				NZ\$185m	Yes
Customer Deposits				NZ\$12,751m	Yes
Total Funding				~NZ\$15,300	

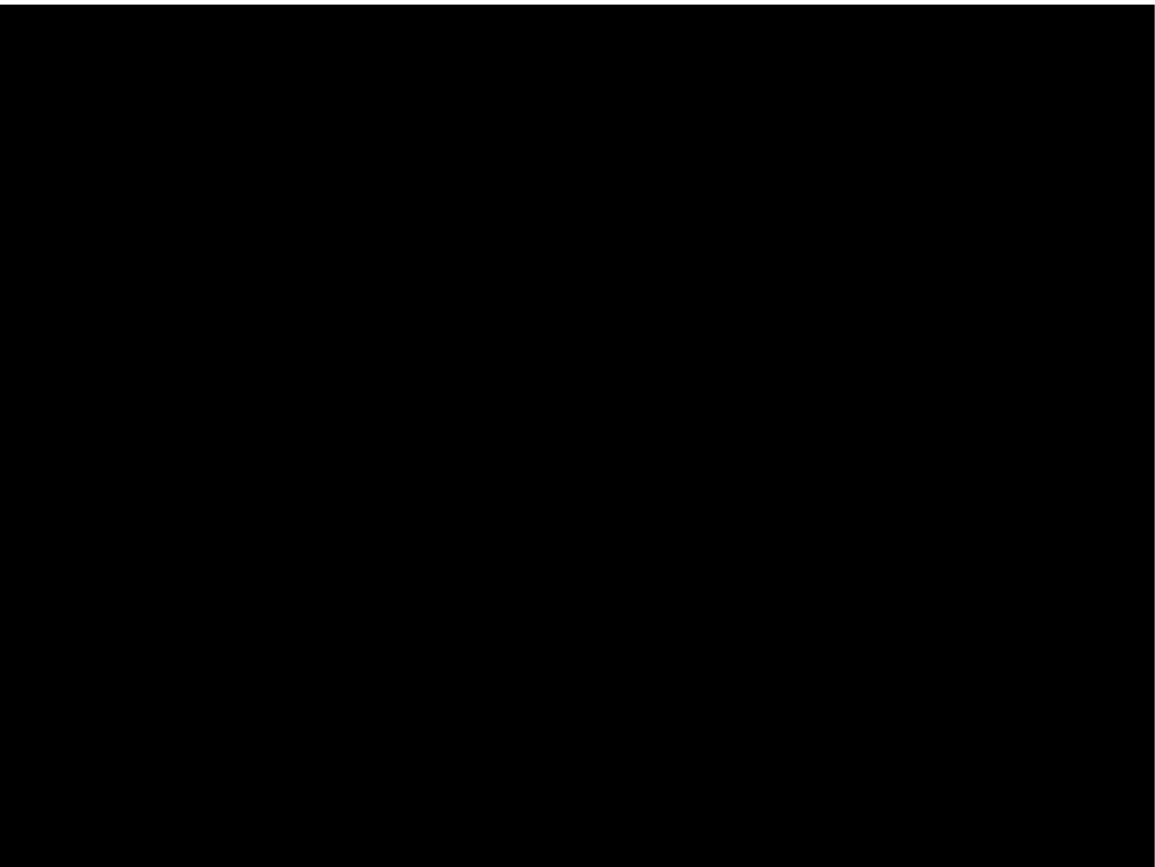
Source: Kiwibank Disclosures

- [REDACTED]

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Kiwi Wealth Management Limited

- Previously Gareth Morgan Investments, Kiwi Wealth Management was acquired in 2012 for ~\$58m. Kiwi Wealth Management provides wealth management and KiwiSaver investment products.
- As at June 2014, Kiwi Wealth Management held ~NZ\$2.75bn in funds under management, with ~114k KiwiSaver clients, generating NPAT of NZ\$7.3m in FY2014.

Kiwi Insurance Limited

- Kiwi Insurance provides life & living, home loan and credit card insurance. Kiwi Insurance also provides travel insurance, vehicle, contents and house insurance through TOWER Insurance.
- Kiwi Insurance contributed NZ\$2.1m in NPAT in 2014, a 50% increase on 2013. KIL provides ~22k customers with insurance.

The New Zealand Home Loan Company

- NZHL provides homes loans, insurance as well as financial and budgeting advice. KGHL acquired a 25% interest in NZHL in 2006, progressively increasing its interest to 100% in 2012.

• [REDACTED]

Management and Governance Arrangements

- KGHL currently has only 2 Directors, Brian Roche (NZN CEO) and David Walsh (NZN CFO).
- Kiwibank has 8 Directors, of which 50% are independent (as required by the RBNZ). Kiwibank is chaired by Rob Morrison. NZP appoints four directors to the board. [REDACTED]

- Kiwibank's current Directors are:
 - Rob Morrison (Chairman) – *Independent*
 - Hon Sir Michael Cullen (Chair NZP board)
 - Brian Roche (NZN CEO)
 - David Willis (NZN board)
 - Carol Campbell (NZN board)
 - Catherine Savage (NZSF board member) – *Independent*
 - Alison Gerry – *Independent*
 - Lindsay Wright (NZSF board member) – *Independent*

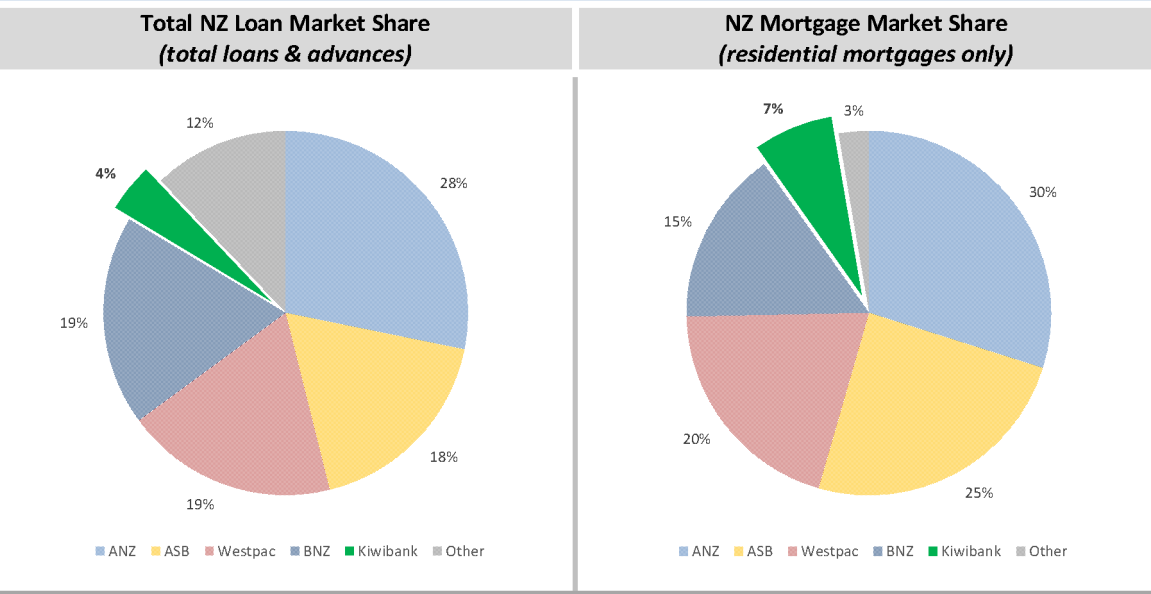
- It should be noted that should a transaction be successful between NZSF and NZP, the RBNZ independent directors requirement would mean that Catherine Savage and Lindsay Wright would no longer be considered independent. **This would require a reorganisation of the 6 NZSF/NZN associated directors down to 4 directors (50% of total).**
- Kiwibank's CEO is Paul Brock. Paul Brock has an extensive background in New Zealand's banking industry, including managerial roles with Westpac and Trust Bank. He was part of the team that created Kiwibank in 2002 and has held a number of key positions within the bank, including General Manager Marketing and General Manager Savings and Transactions.

Appendix B: New Zealand Bank Sector

Highly Profitable Resilient Sector

- The NZ bank sector is characterised by high concentration, with four largest banks (ANZ, ASB, BNZ and Westpac) accounting for ~84% of total loans and ~91% of deposits. Despite moderate competitive pressures, the banks have not drifted toward riskier business models and were able to maintain high performing loan portfolios even in the wake of the global financial crisis and the Christchurch earthquake.

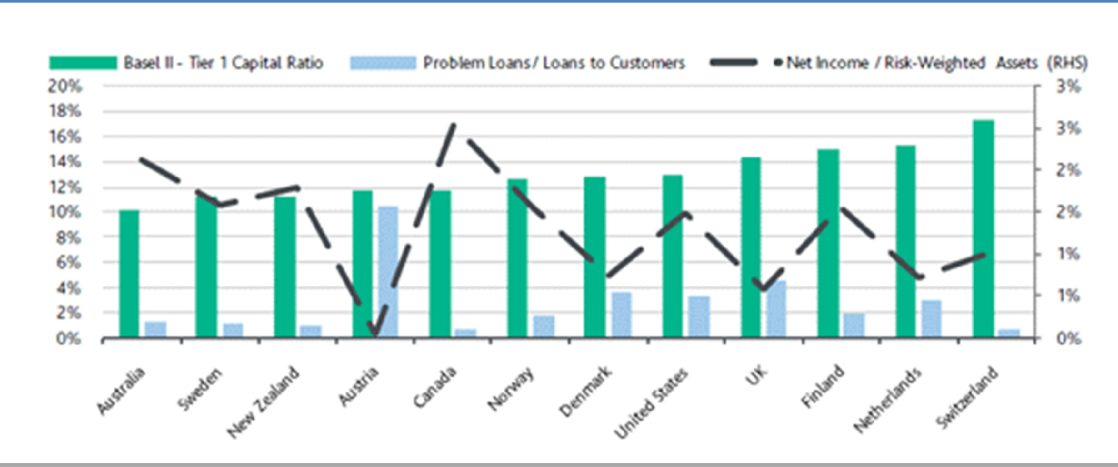
Figure B1 – NZ Bank market shares



Source: RBNZ, Bank General Disclosure Statements

- Although less capitalised than the banking systems of several other Aaa-rated sovereigns, New Zealand banks' capitalization ratios are broadly commensurate with the low riskiness of their loan portfolios. Additionally, the banking system currently demonstrates some of the highest profitability levels in its peer group, minimising the likelihood of capital erosion in the near-term.

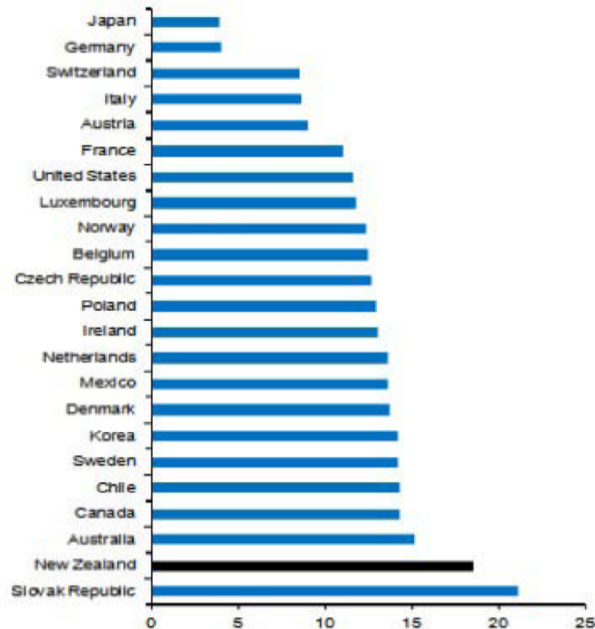
Figure B2 – Low Delinquencies & High Profitability Underpin Banking System Strength



Source: Moody's

- The high profitability of NZ bank sector is primarily due to NZ's stronger economic performance and the support from AU parents for the big four banks resulting in less capital required for a given credit rating/funding cost. NZ is also characterised by higher barriers of entry, customers appearing to place significant weight on bank branding, and low operating costs and loan loss provisions.

Figure B3 – Post Tax Return on Equity – OECD Comparison (Average 2002 – 2007)



Source: OECD, Australian Prudential Regulatory Authority, RBNZ Calculations

- NZ banks largely fund on balance sheet rather than through securitisation common in other countries and have limited funds under management and insurance activities. NZ banks remain well funded with the sector core funding ratio comfortably above 75% regulatory requirement.
- The long-term soundness of the NZ banking system is supported by a robust regulatory environment administered by the RBNZ, including effective macro-prudential measures and conservative monetary policy. The cost of regulation has been increasing for banks, particularly Anti-Money-Laundering requirements over recent years, and is likely to drive further consolidation amongst smaller banks and non-bank deposit takers.
- The following table shows the characteristics of the major banks (the big four) and the smaller/regional banks. The major banks are all Australian owned and benefit from a strong degree of support from Australian parents which allows them to maintain lower capital levels than otherwise the case to maintain credit rating.

Figure B4 – Major New Zealand Bank Market Participants

	Kiwibank	Major Banks				Smaller / Regional Banks			
		ANZ	ASB	BNZ	Westpac	TSB	Heartland	SBS	Co-op Bank
Profitability (NZ\$m)									
Net profit for the past 12 months	109	1,716	825	850	938	55	37	18	8
Net profit to average total assets (%)	0.7%	1.4%	1.2%	1.1%	1.3%	1.0%	1.5%	0.6%	0.5%
Net profit as a % of average equity	11.3	14.5	15.7	15.0	14.4	11.5	10.1	7.6	5.7
Credit rating(s)									
Issued by Standard and Poor's	A+	AA-	AA-	AA-	AA-	BBB+	BBB	-	-
Issued by Moody's	Aa3	Aa3	Aa3	Aa3	Aa3	-	-	-	-
Issued by Fitch	AA+	AA-	AA-	-	AA-	A-	BBB	BBB	BBB-
Capital adequacy (%)									
Common equity tier 1 ratio	9.3%	10.7%	9.8%	9.3%	11.9%	14.8%	14.0%	14.1%	16.6%
Tier 1 ratio	10.7%	11.1%	10.9%	10.6%	11.9%	14.8%	14.0%	14.2%	16.6%
Capital ratio	13.2%	12.3%	12.0%	12.0%	11.9%	15.0%	14.1%	16.0%	16.8%
Assets (NZ\$m)									
Gross loans	14,786	96,965	61,894	65,333	65,024	3,139	2,064	2,285	1,489
Mortgages	13,961	50,712	42,114	30,608	39,702	2,602	234	1,726	1,361
Other lending	825	46,253	19,780	34,725	25,322	537	1,830	559	127
Total assets	16,972	128,915	69,694	79,685	74,449	5,736	2,453	2,829	1,713
Equity	1,022	11,781	4,936	5,741	6,605	502	365	242	147
Asset quality (NZ\$m)									
Impaired assets	32	634	185	277	346	4	24	13	2
90 days past due	12	150	90	208	90	2	44	7	3
Non-performing loans / gross lending (%)	0.3%	0.8%	0.4%	0.7%	0.7%	0.2%	3.3%	0.9%	0.3%
Individual provisions / impaired assets (%)	56.3%	33.9%	20.5%	41.9%	41.6%	50.6%	43.4%	33.5%	39.2%

Source: RBNZ (note – the table above does not include all NZ bank market participants)

Housing Market a Key Risk

- The housing market remains the key area of risk for NZ banks. According to Moody's:

"Apart from slightly lower than average capitalisation, the strengths of the country's banking systems are weighed against its highly concentrated loan portfolios, dominated by housing loans. With high household debt levels potentially amplifying any housing price correction, an abrupt reversal in the housing price trend may expose banks to pressures of magnitude comparable to the 2008-2010 episode."

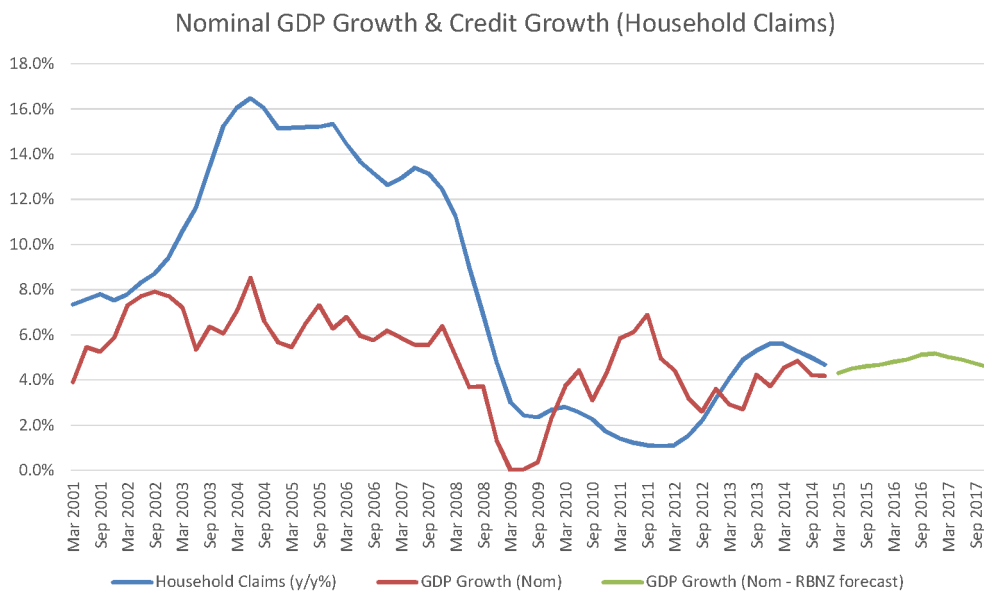
Given the size of the system, currently at 193% of GDP, a credit crunch that may be triggered by a prolonged housing market contraction would have significant impact on the broader economy and, by extension, the sovereign. Nevertheless, strong capital buffers, timely macro-prudential actions, and ample monetary policy space suggest that the likelihood of such a scenario immaterialising in New Zealand is no higher than in other similarly rated sovereigns".

- The RBNZ engaged the major banks to undertake a comprehensive stress test and the smaller banks (including Kiwibank) in a basic credit stress test in April 2014, assessing the balance sheet resilience of the domestic banks to a large increase in credit losses due to a severe domestic recession and large falls in asset prices. RBNZ noted all participating banks appear resilient with no bank breaching minimum capital requirements.

Banking Sector Outlook

- Credit growth is a key driver of the outlook for bank performance. The demand for credit is driven by income growth (or expected income growth) and lending rates, which both affect the ability to service a loan, and wealth, which, in the case of NZ households, is driven by house prices.
- Leading up to the GFC, private sector credit was growing in excess of 12% year on year. House prices nationwide were growing at double digits despite significant increases in interest rates, while nominal GDP was growing at around 6%.
- During the GFC, income and credit growth collapsed to near zero. Despite nominal GDP rebounding and lending rates at historically low levels, credit growth remained subdued as households and businesses deleveraged to improve the health of their balance sheets.
- With income growth and credit growth now at similar rates, it appears that this period of deleveraging has concluded [REDACTED]
- Regulatory factors have also played a role in containing credit growth. Enhanced capital requirements, loan-to-value restrictions and liquidity requirements have influenced the quantity and price of credit supplied.
- Credit growth is currently being underpinned by household lending, which is being driven by house prices (primarily Auckland and Christchurch – the rest of NZ remains subdued) and low mortgage rates. High commodity prices have driven agricultural sector lending, although risks in this sector have now increased with reduced milk pricing. Business lending has been subdued and only recently increased to be in-line with income growth.
- RBNZ projects nominal GDP growth to be between 4.5 and 5.0% over the next few years.

Figure B5 – Nominal GDP Growth & Credit Growth (Household Claims)



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Source: RBNZ

- Household lending growth will continue to be driven by record net immigration flows combined with consistent annual income growth and interest rates remaining low. [REDACTED]

[REDACTED]
RBNZ forecasts have house prices growing at around 3% post-2016, [REDACTED]
[REDACTED]

- The yield curve suggests inflation and interest rates will remain low, although as the exchange rate depreciates towards fair value, some increases in rates might be forthcoming.

- [REDACTED]

- [REDACTED]

Item 2c – [REDACTED]

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Appendix C: Valuation & Expected Return

1. Summary

- [REDACTED]
- [REDACTED]

[REDACTED]

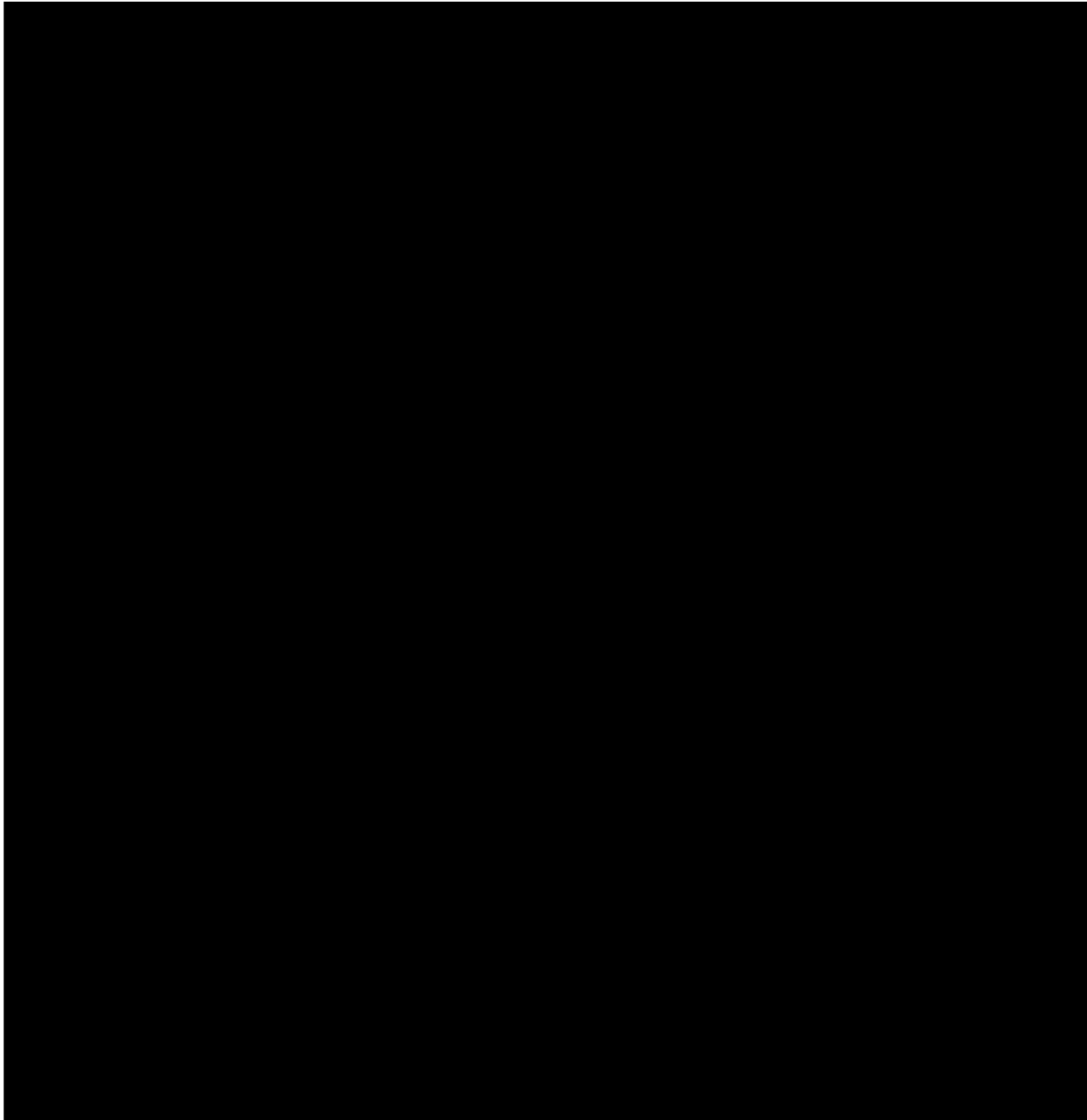
2. Basis of Valuation

- [REDACTED]
- [REDACTED]

Item 2c – [REDACTED]

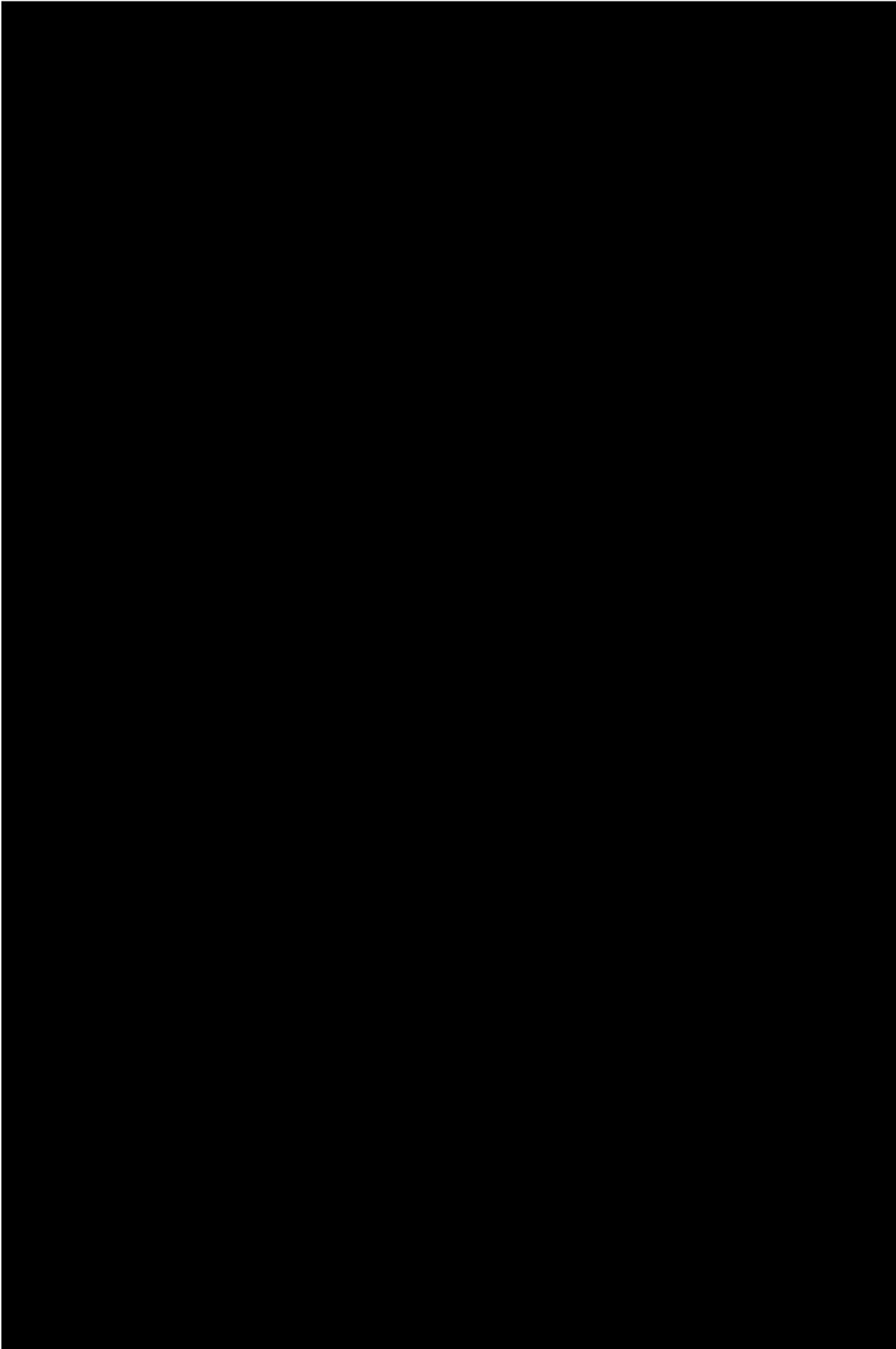
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3. Key Assumptions



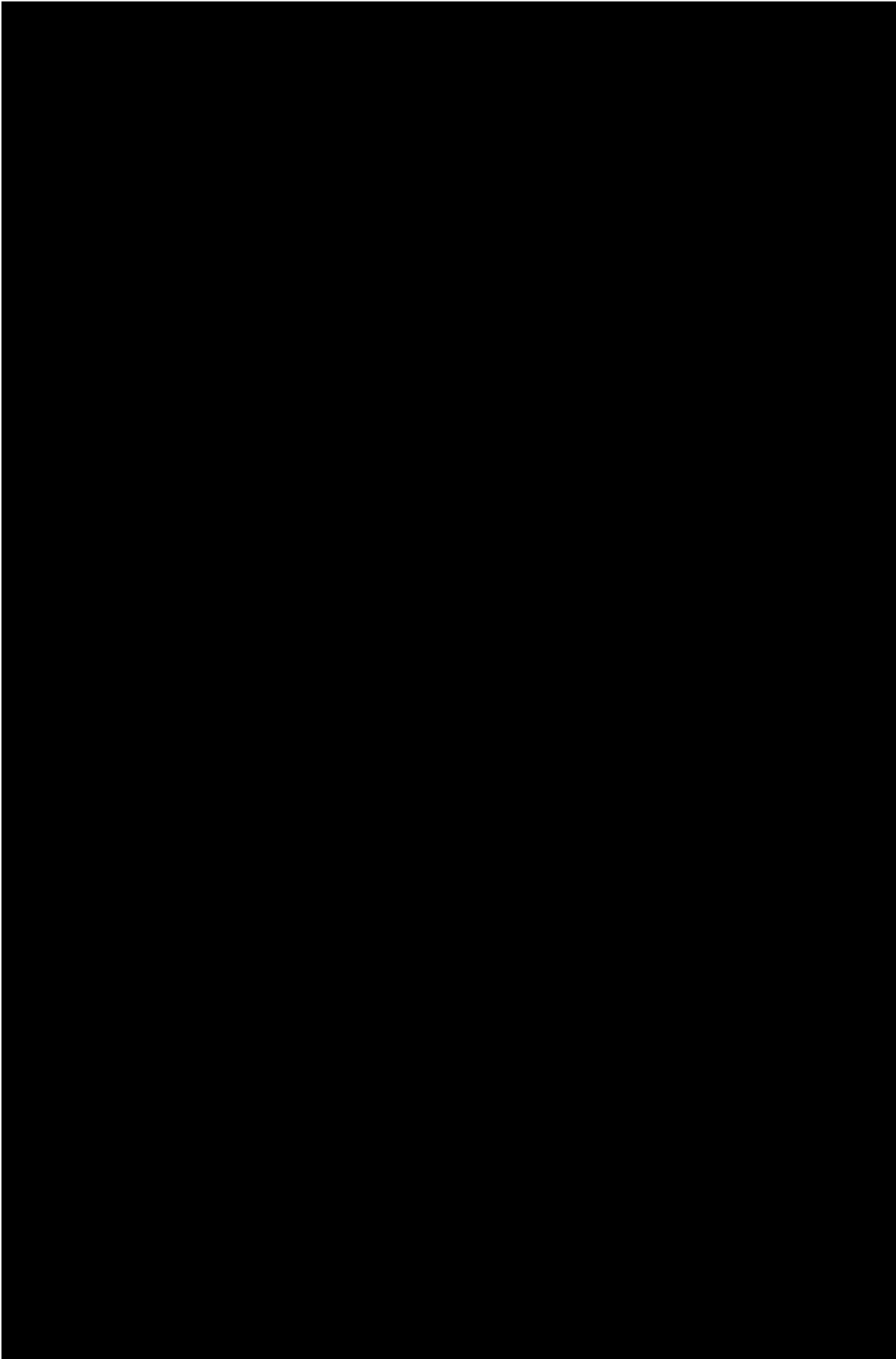
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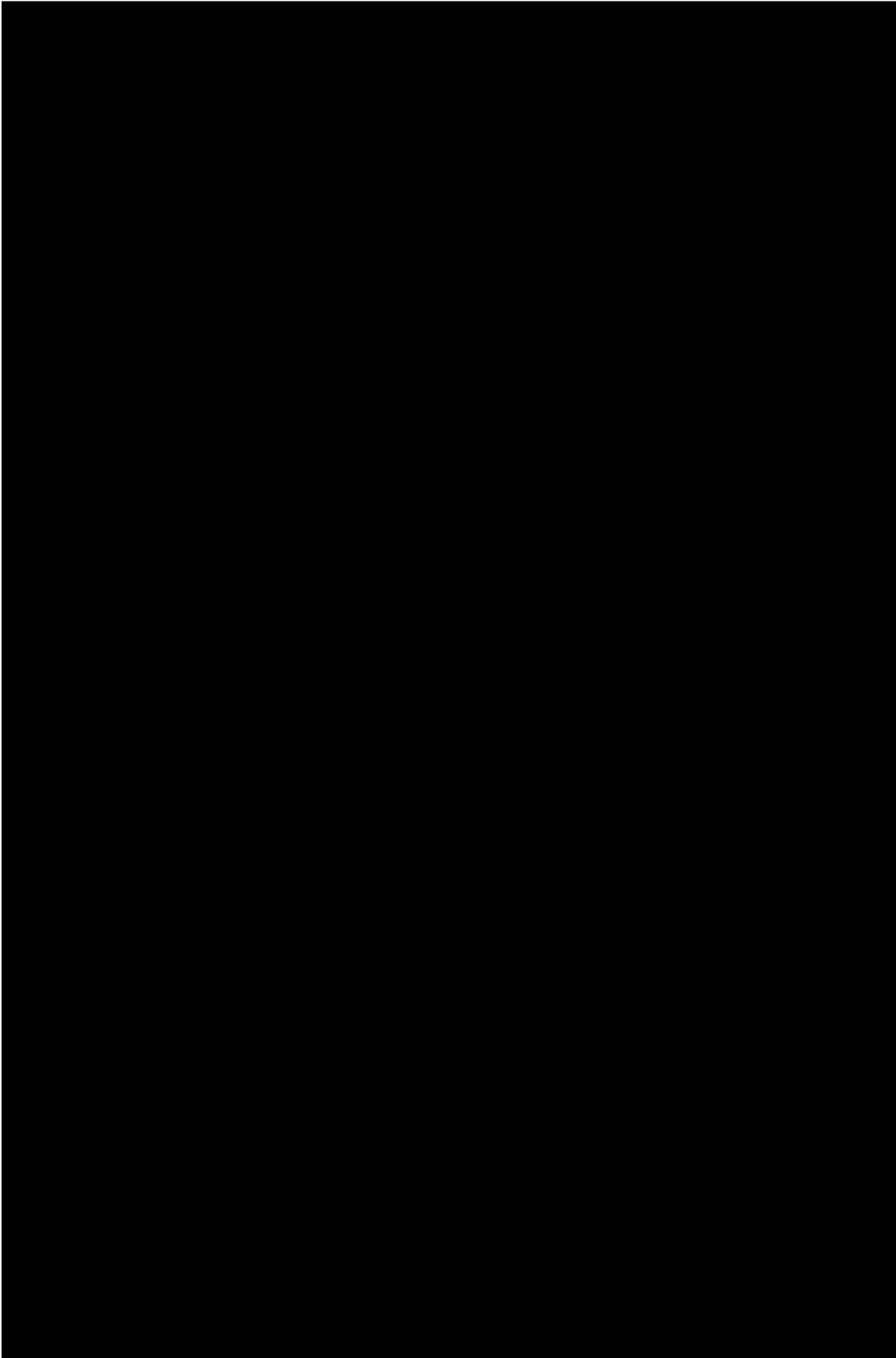
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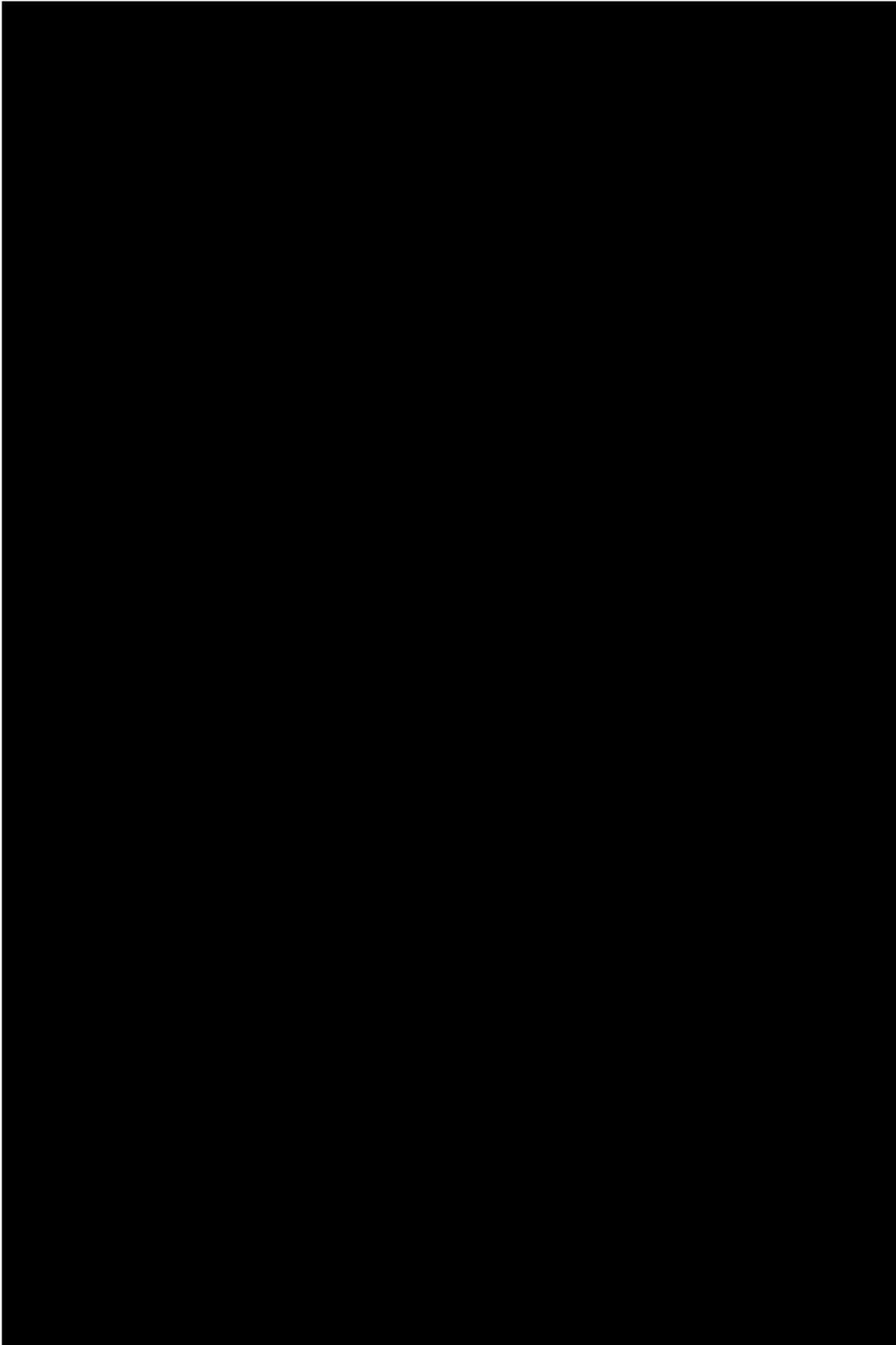


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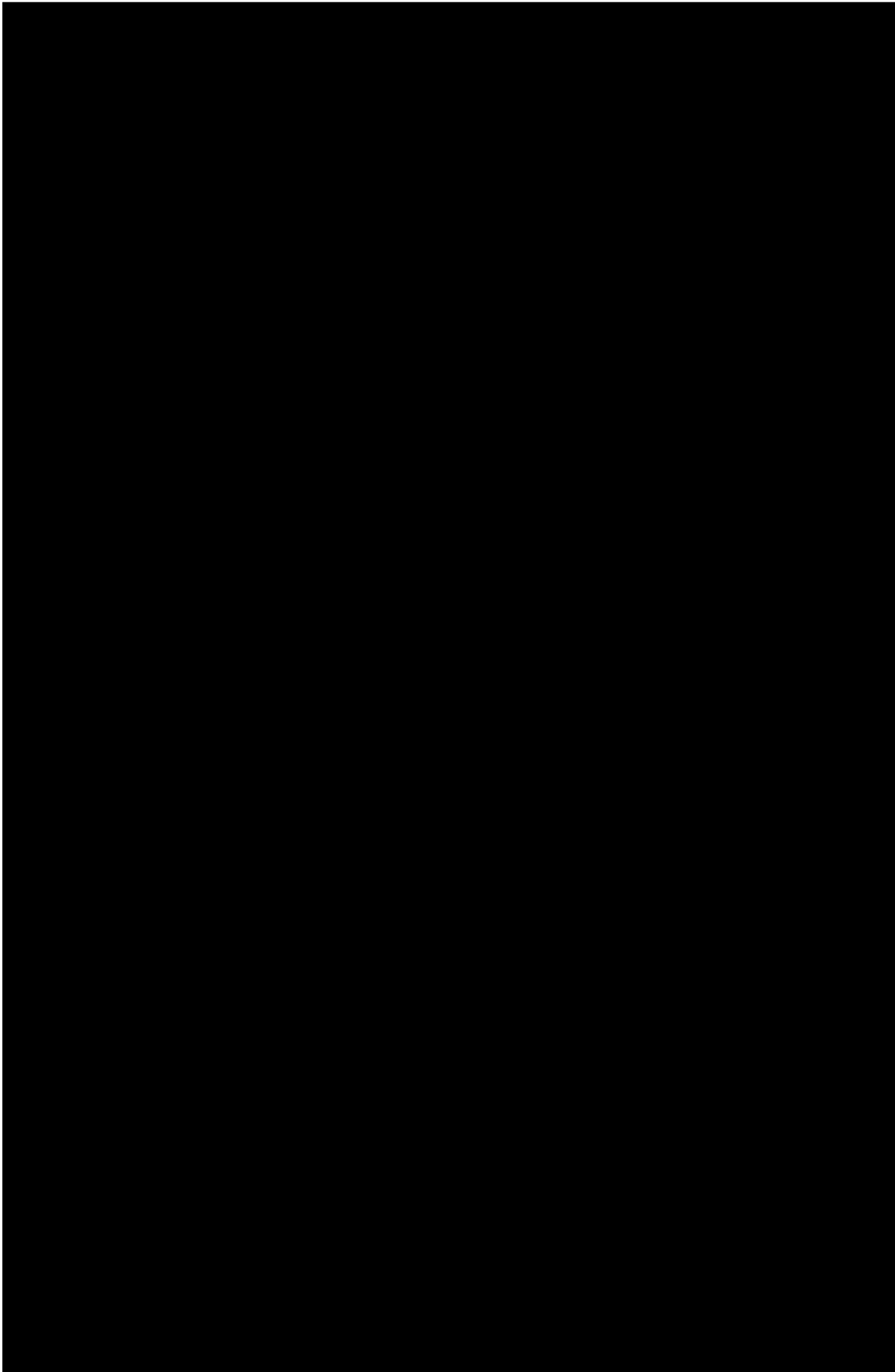
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4. Financial Forecasts - Bid Case



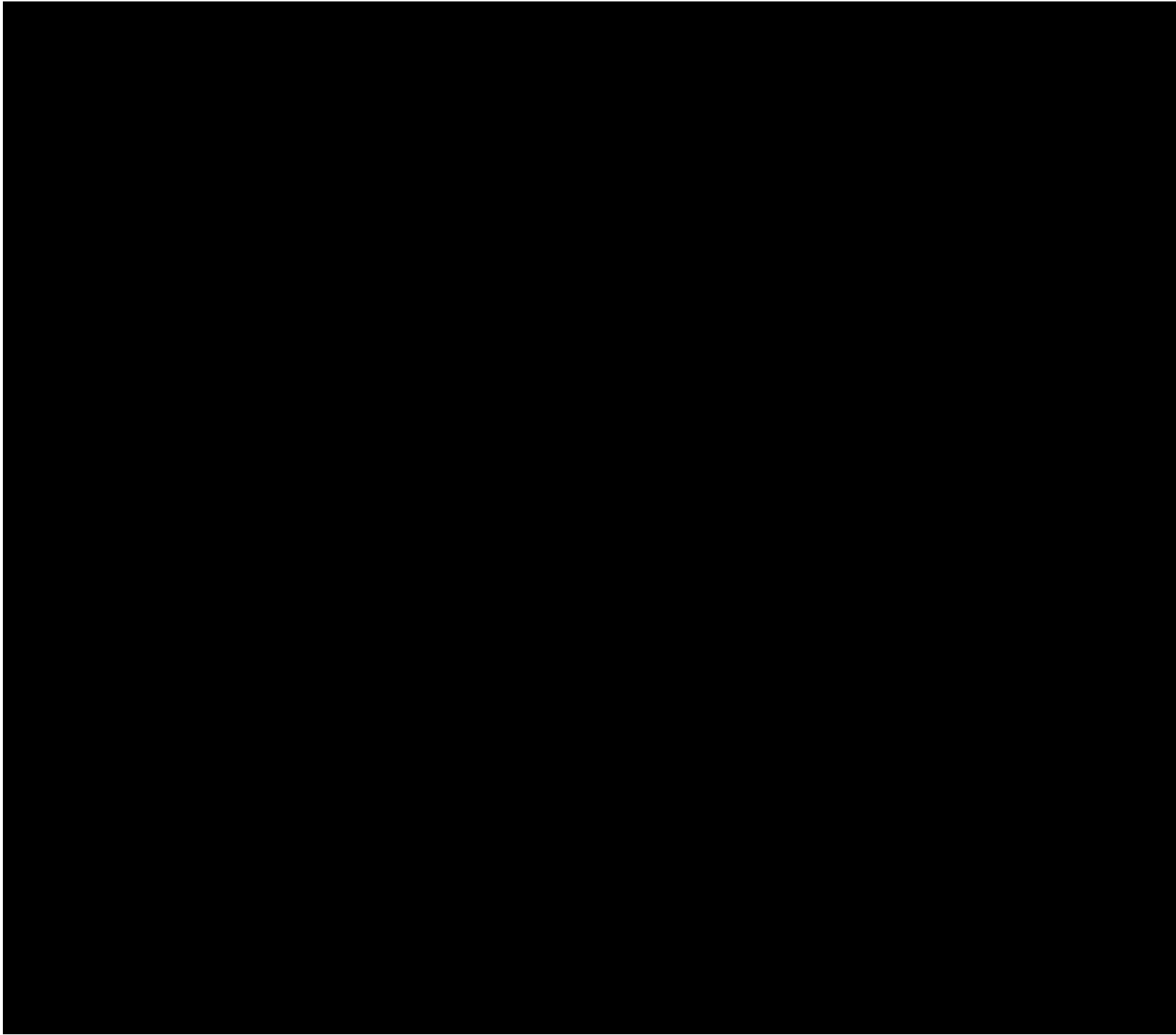
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Item 2c – [REDACTED]

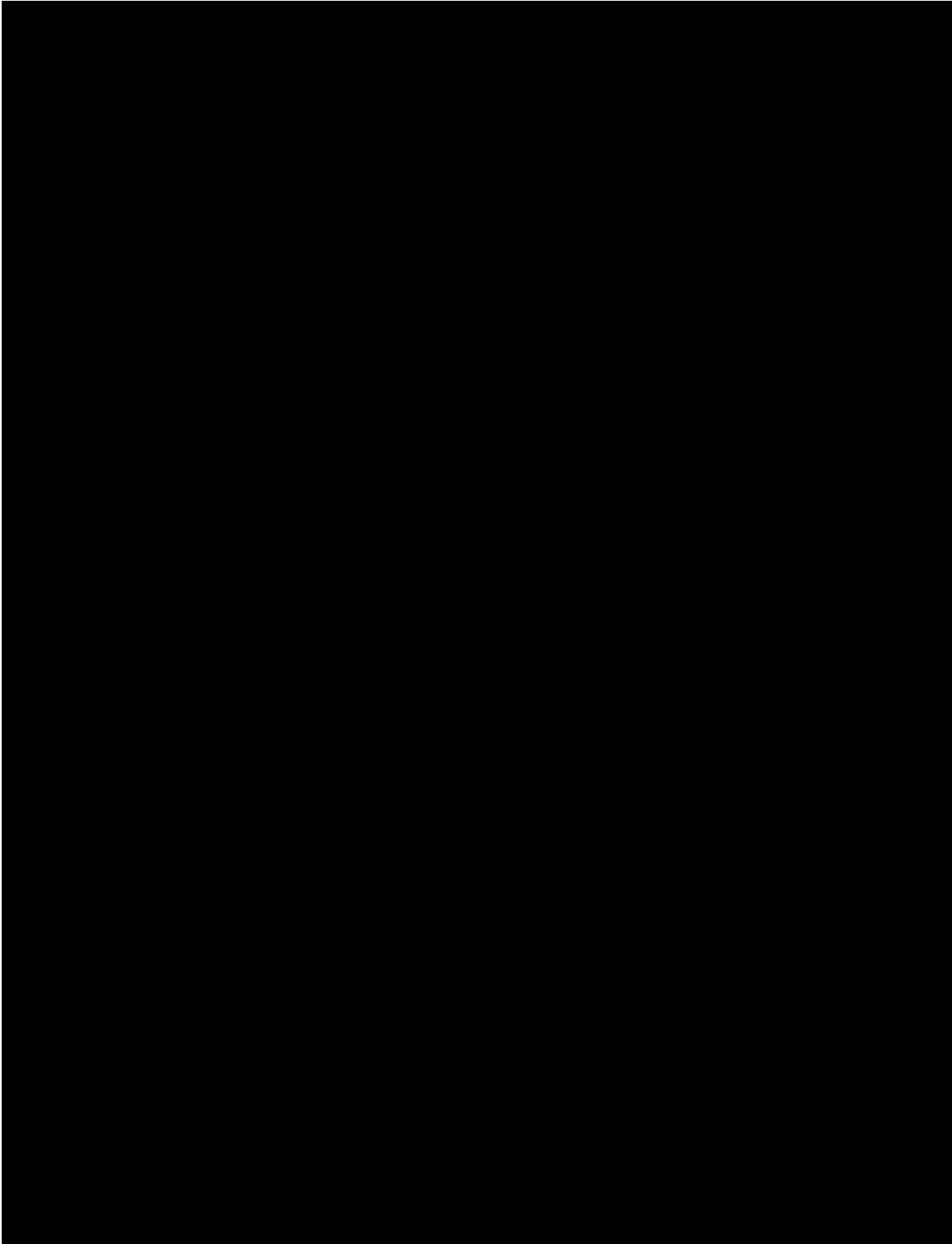
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Item 2c – [REDACTED]

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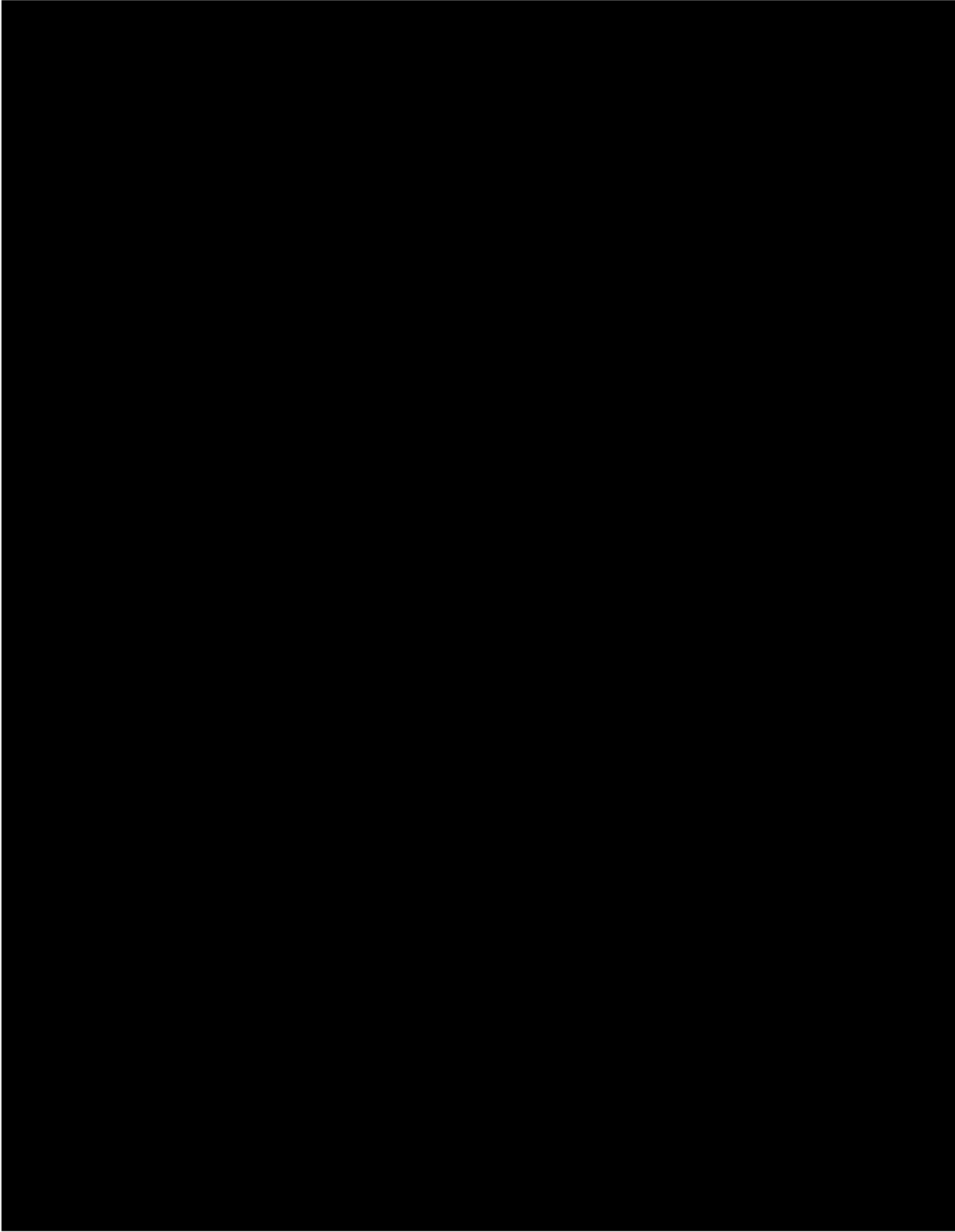
5. Comparable Multiples



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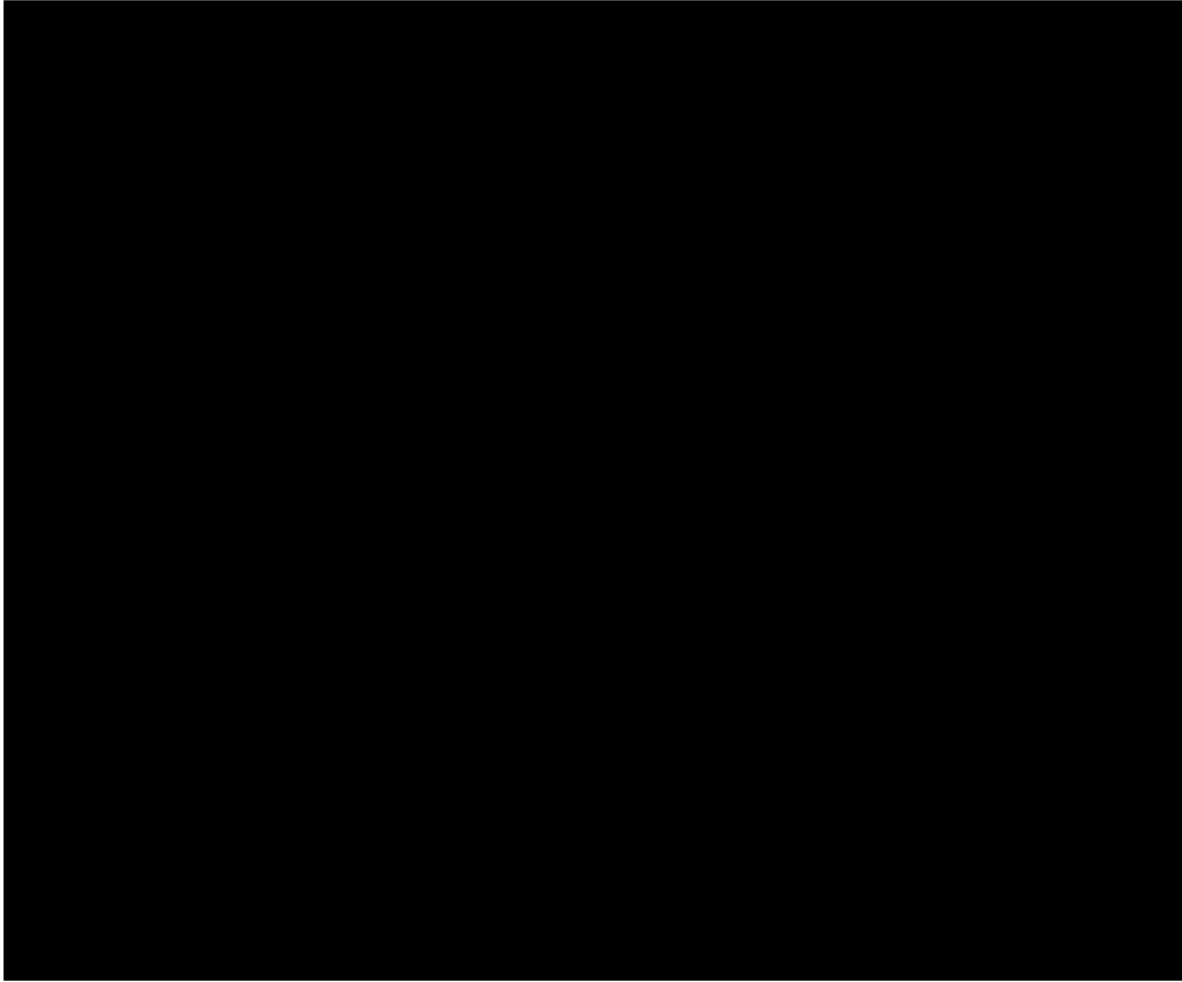
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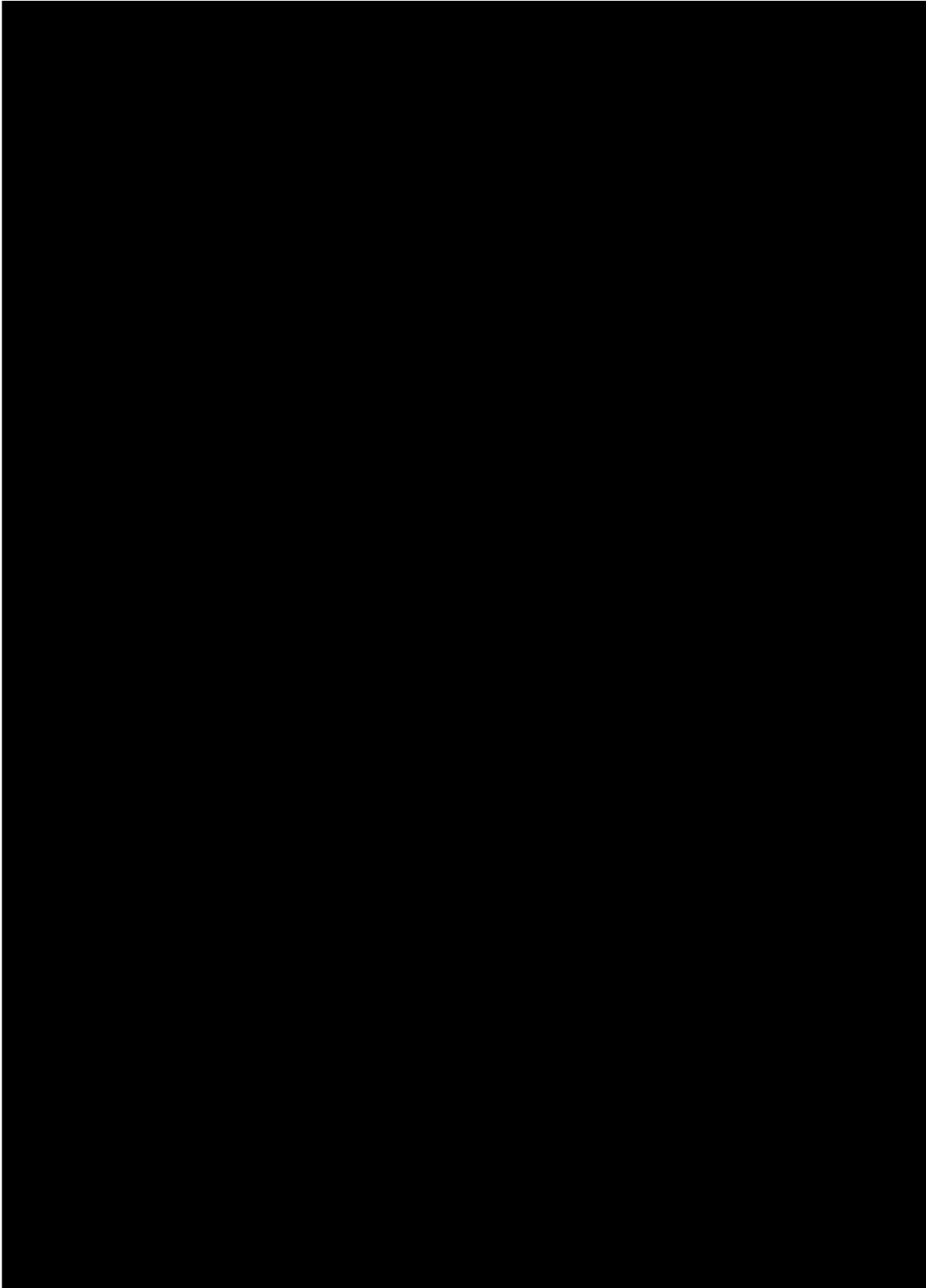
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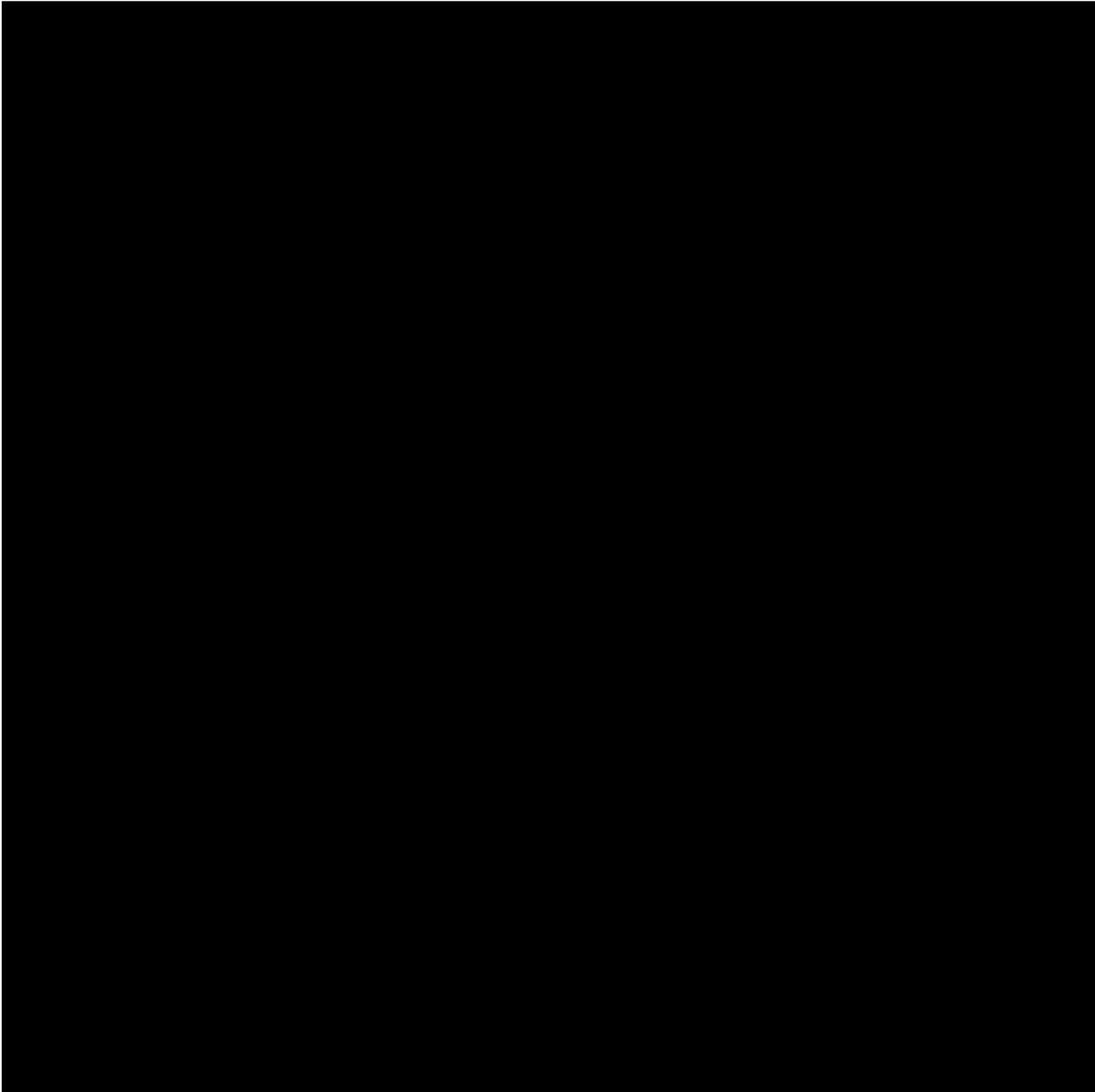
Item 2c – [REDACTED]

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6. IRR Analysis



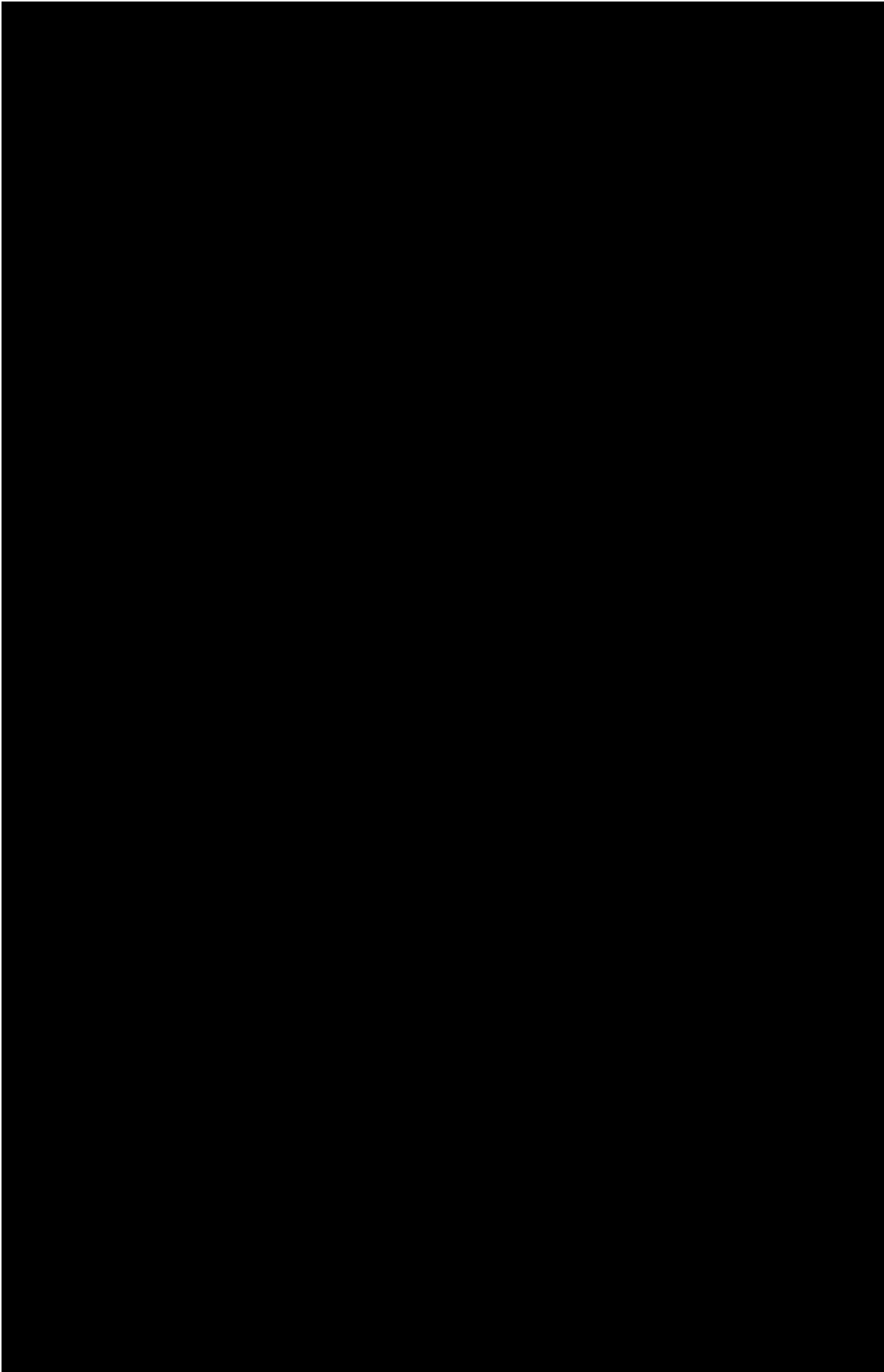
Appendix D: Hurdle Rate Analysis



Item 2c –



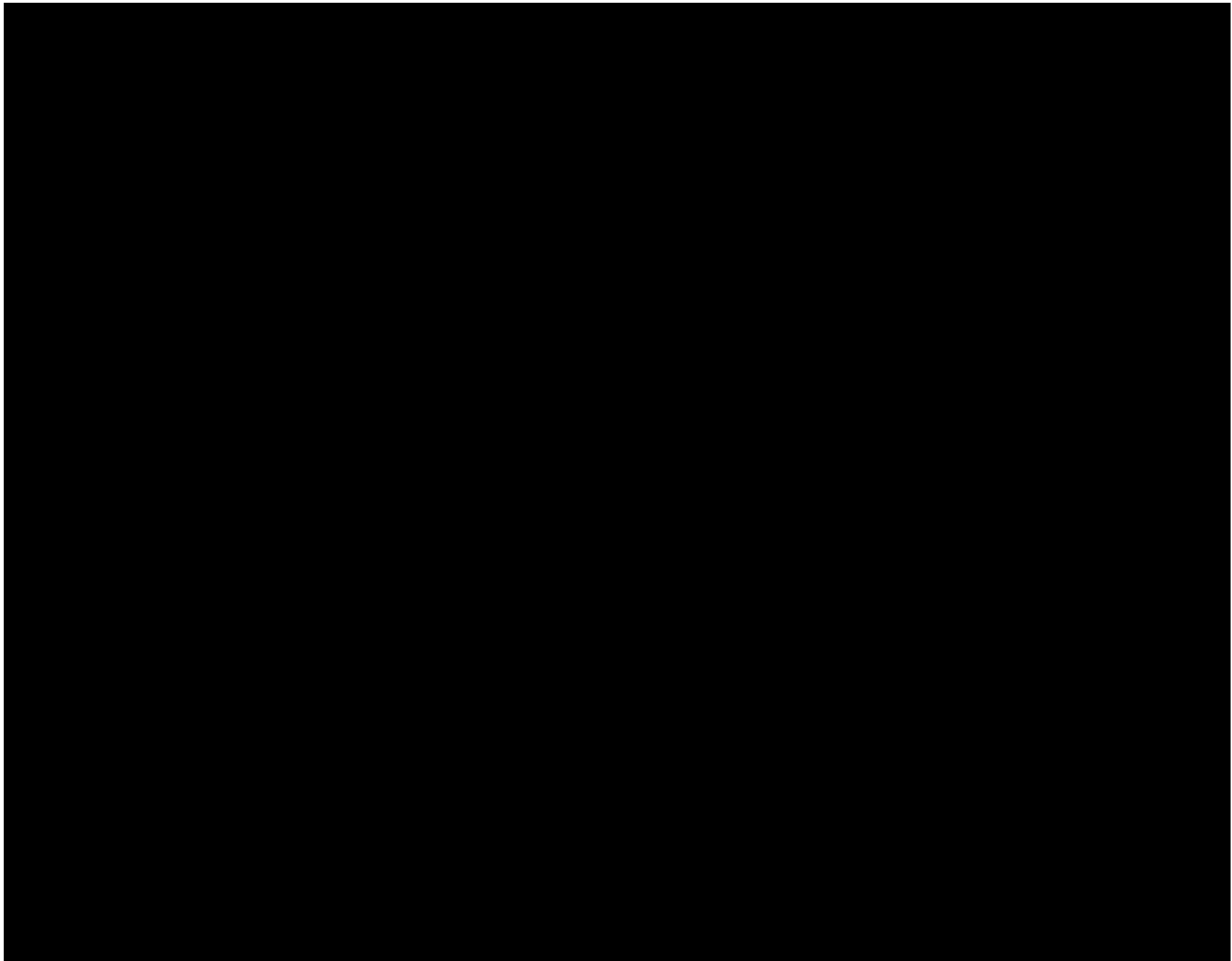
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Item 2c – [REDACTED]

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Appendix E: Example of Direct Investments Size and Hurdle Premiums



Project Tui - Investment Committee Update - 2015-11-11

Appendix I						
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank						
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II
2	1762912	2015-11-11	Project Tui - Investment Committee Update	All	Released in part C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	36

Project Tui - IC Update

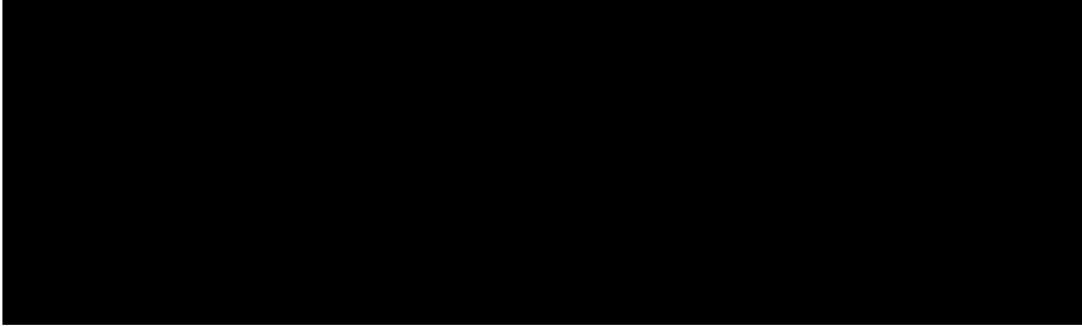

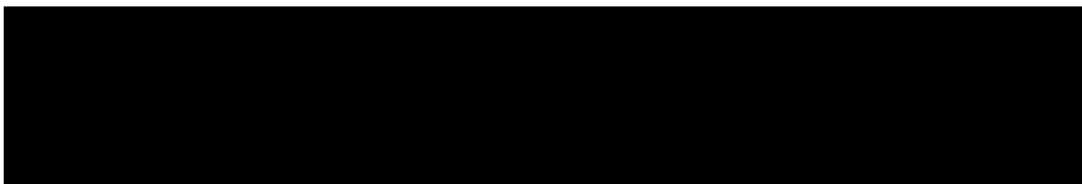
Background:

- NZSF has been in discussions with NZ Post over the last 12 months around the potential acquisition of a minority interest in Kiwi Group Holdings Limited (KGHL)
- KGHL is the parent company of Kiwibank, Kiwi Wealth, Kiwi Insurance and New Zealand Home Loans
- Project Tui (previously Jerry) was presented to the IC on 19 March 2015 (see: [SUPERDOCS-#1469072-Project Jerry - Stage 2 IC Paper FINAL 20150311](#))
- On 16 April 2015, NZSF delivered a proposal to NZ Post seeking to acquire [REDACTED]
- The purchase price represented a [REDACTED]

Key Events Subsequent to Initial Proposal:

- [REDACTED]
- NZSF provided a draft terms sheet to be agreed prior to commencing due diligence including transaction conditions, valuation, proposals around director appointments and terms protecting our liquidity
- NZSF approached and have subsequently engaged KPMG to provide financial, tax and IT due diligence services and Bell Gully to provide legal due diligence services. And industry adviser has also been approached subject to approval by NZP.
- [REDACTED] NZSF suggested that we could bring in an additional investor, ACC [REDACTED] NZ Post were supportive of this idea
- NZSF and ACC have consequently executed and MoU setting out the key terms on which we will work together
- [REDACTED]
- [REDACTED]
- [REDACTED]

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Next Steps:

- Execute the key terms sheet between NZSF, ACC and NZ Post (close to finalisation)
- Commence 6-9 week period of due diligence (due diligence advisors KPMG and Bell Gully on notice following positive meetings, scope generally agreed)
- Achieve RBNZ approval to the proposed transaction and Treasury approval to put option
- Negotiate sale & purchase and shareholders agreement and any constitutional amendments
- Return to IC for final approval prior to confirming final offer

Project Tui - Investment Committee Update - 2016-03-25

Appendix I						
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank						
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II
3	1867554	2016-03-25	Project Tui - Investment Committee Update	All	Released in part A: 9(2)(a) – privacy of natural persons D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	39

ITEM 4C

PROJECT TUI

Presented by:

Matt Whineray, [REDACTED]

Date:

25 March 2016

1. Purpose

For noting. This paper updates the Investment Committee on the changes to the non-binding conditional indicative offer for a shareholding in Kiwi Group Holdings Limited ("KGHL"). On the basis that we proceed, the final terms of the transaction will be brought back to the IC for final approval.

2. Background

On 19 March 2015, the Investment Committee approved NZSF submitting a non-binding conditional indicative offer of up to [REDACTED] in Kiwi Group Holdings Limited ("KGHL"). [REDACTED] KGHL is 100% owned by NZ Post and is the parent company of Kiwibank, Kiwi Wealth, Kiwi Insurance and New Zealand Home Loans. [Investment committee paper 19 March 2015](#)

Since this time, ACC has been brought into the process as a co-investor. It was agreed that ACC would purchase 20% and NZSF would purchase 25% [REDACTED]. The introduction of ACC was attractive to NZSF as it brings in another compatible, well-funded investor.

NZSF/ACC have held a number of discussions with NZ Post around key commercial terms. [REDACTED]

[REDACTED]

[REDACTED]

3. Current Terms Sheet

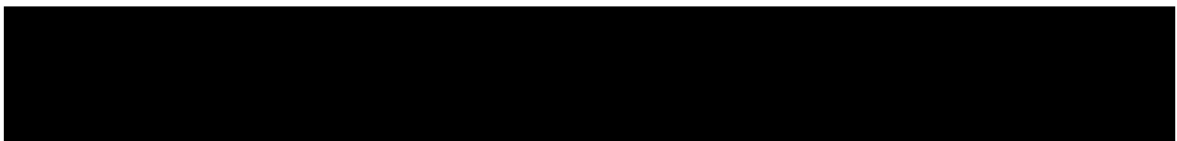
This final agreed position is currently being documented in a transaction term sheet between NZ Post/ACC/NZSF "Term Sheet" (for detailed terms see the draft [Term Sheet](#)). [REDACTED]

[REDACTED]

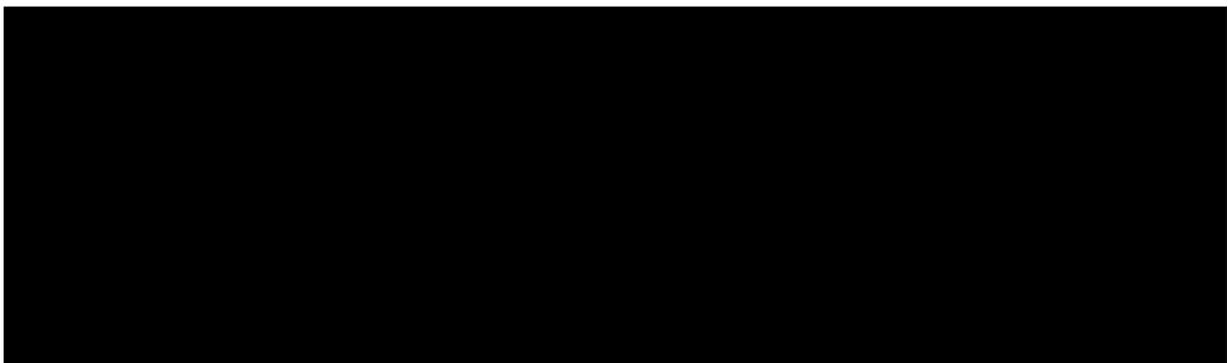
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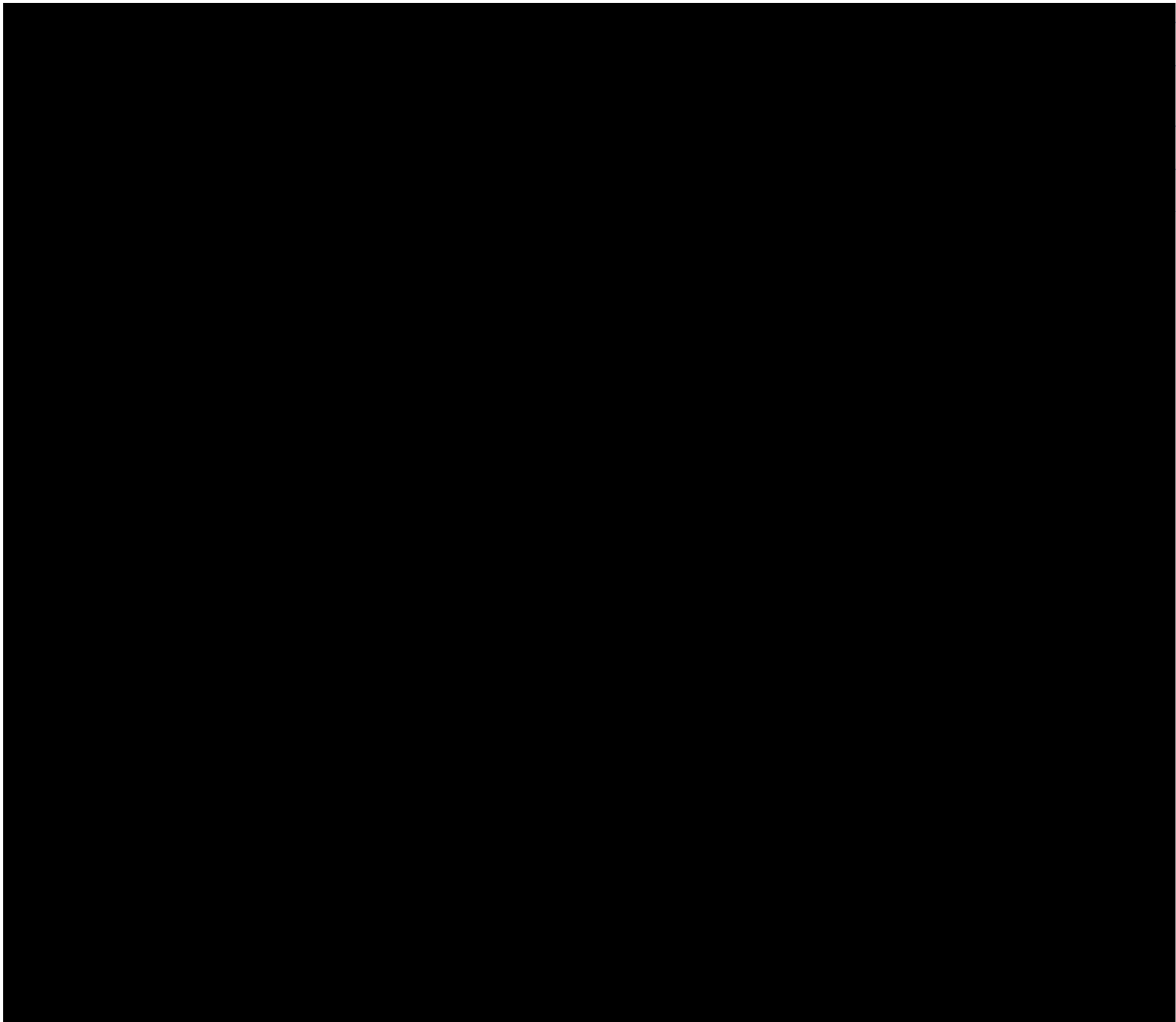


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4. Revised Pricing





6. Next Steps

NZ Post are currently seeking Board approval [REDACTED]

The next step will be completing due diligence over an 8 week period. Due diligence advisors are on standby and scope has been agreed. A dataroom has been populated with board papers and minutes and our team has had access to this over the past few months.



NZ Bank Committee - Project Tui Update - 2015-12-01

Appendix I						
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank						
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II
4	1781843	2015-12-01	NZ Bank Committee - Project Tui Update	All	Released in part A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	43

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PROJECT TUI UPDATE

To: *NZ Bank Committee of the Board of the New Zealand Superannuation*

From: *Matt Whineray* [REDACTED]

Date: *1 December 2015*

1 Purpose

1.1 For noting.

1.2 Set out in Section 2 below is an update on the current status of the Project Tui Transaction and a NZ Bank Committee action item.

2 Update

	Update / Comments
Key Milestones	<ul style="list-style-type: none">Treasury have delivered a briefing note to the Ministers (Finance/SOE's) outlining the transaction and their views on it. Overall report was very positive and recommended proceeding subject to [REDACTED]RBNZ have provided letter outlining approval process required.
Changes to Key Terms (since last update)	<ul style="list-style-type: none">[REDACTED][REDACTED][REDACTED]

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	Update / Comments
Due Diligence Progress	<ul style="list-style-type: none"> On hold pending execution of termsheet. Advisors engaged and on standby Banking sector advisor [REDACTED] on standby. Engagement letter agreed (not executed yet until termsheet signed)
Upcoming Key Activities	<ul style="list-style-type: none"> NZSF, ACC and NZ Post to meet with Treasury on 2 December NZSF/ACC and NZ Post to discuss board skills matrix and potential appointment process for the Bank Negotiate [REDACTED] Finalise and execute formal terms sheet Commence due diligence Proceed with RBNZ approval process Rating agency discussions Initiate board skillset review and director search process
NZ Bank Committee action items	<ul style="list-style-type: none"> The internal transaction team would like to speak with the Committee regarding any specific input and questions it has in relation to the due diligence or any other specific aspects of Project Tui for the team to focus on. This can be done by arranging a meeting or call with the committee members together or separately depending on availability. We would like to arrange this discussion prior to 11 December.
Communications (External)	<ul style="list-style-type: none"> Nil to date

Recommendations:

- 1 We recommend that the Committee notes the update set out in Section 2 above.***
- 2 We request that the Committee indicates its availability for a meeting/call with the transaction team prior to 11 December (subject to availability).***

NZ Bank Committee - Project Tui Update - 2015-12-10

Appendix I						
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank						
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II
5	1789937	2015-12-10	NZ Bank Committee - Project Tui Update	All	Released in part	A: 9(2)(a) – privacy of natural persons
	1787569 (Attached Table - Withdrawn)	2015-12-07	Table – Project Tui Board Conflicts			C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank F: 9(2)(h) – legal privilege G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations
						46

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PROJECT TUI UPDATE

To: *NZ Bank Committee of the Board of the New Zealand Superannuation*

From: *Matt Whineray, [REDACTED]*

Date: *10 December 2015*

1 Purpose

1.1 For noting.

1.2 Set out in Section 2 below is an update on the current status of the Project Tui Transaction.

2 Update

	Update / Comments
Key Milestones	<ul style="list-style-type: none">NZSF/ACC/NZP met with Treasury following feedback from shareholding ministers on the initial Treasury paper. Treasury are generally supportive of the transaction. [REDACTED] [REDACTED] prior to signing.[REDACTED]
Changes to Key Terms (since last update)	<ul style="list-style-type: none">[REDACTED]

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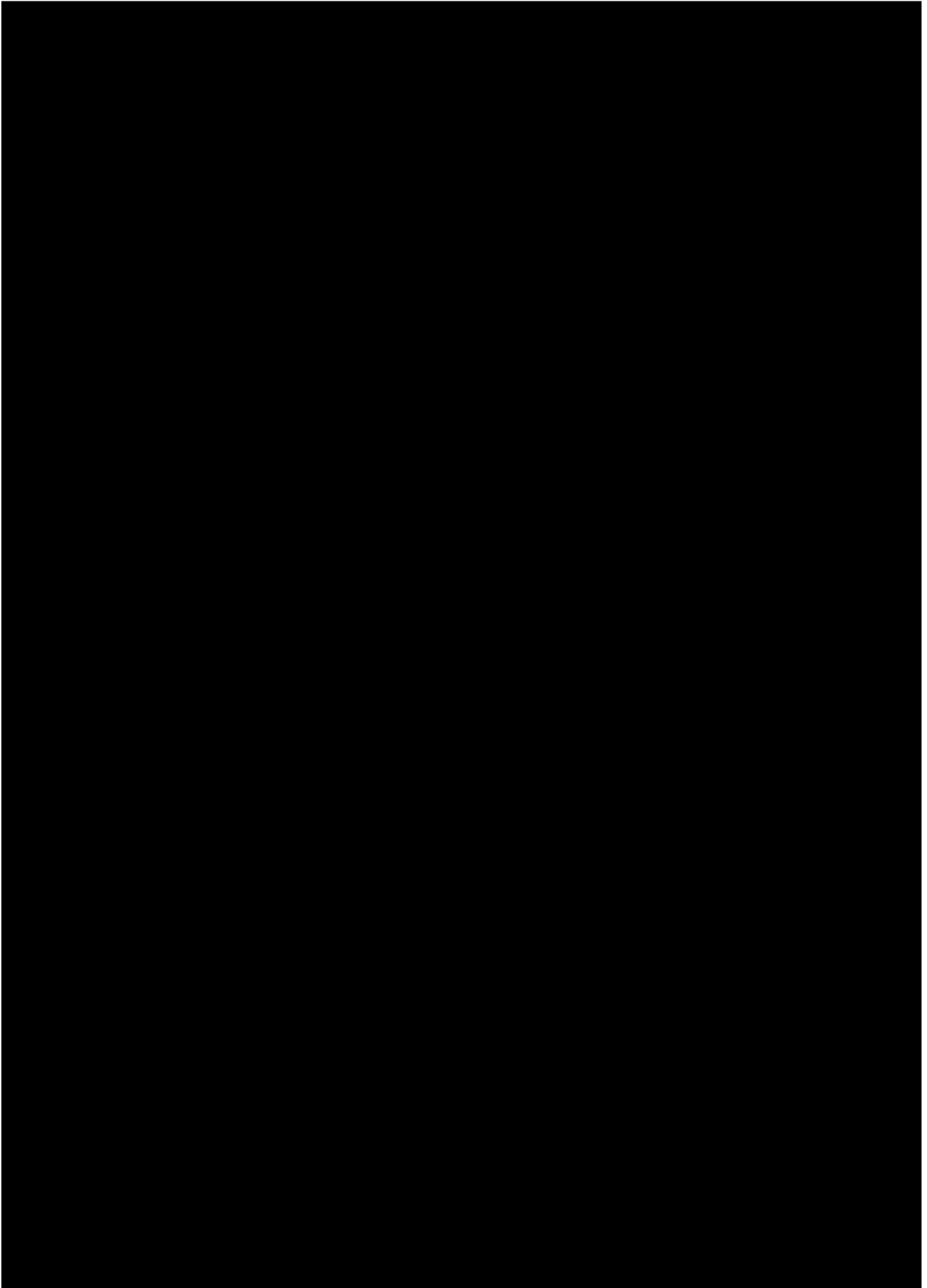
	Update / Comments
	<ul style="list-style-type: none"> • [REDACTED] • [REDACTED] • [REDACTED]
Due Diligence Progress	<ul style="list-style-type: none"> • On hold pending execution of term sheet, likely to be February at the earliest. Advisors engaged and on standby. • NZP will make the dataroom available to NZSF earlier to enable NZSF/ACC internal review of board papers and early visibility of any issues.
Upcoming Key Activities	<ul style="list-style-type: none"> • NZSF/ACC and NZ Post to further discuss board skills matrix and proceed with director search process • Treasury to submit [REDACTED] by 1 February 2016 • Parties to review and negotiate [REDACTED] • Commence due diligence • Proceed with RBNZ approval process • Rating agency discussions to understand implication of transaction • Sale & purchase and shareholders agreement • Treasury review of final agreed transaction prior to signing.
NZ Bank Committee action items	<ul style="list-style-type: none"> • Nil
Communications (External)	<ul style="list-style-type: none"> • Nil to date

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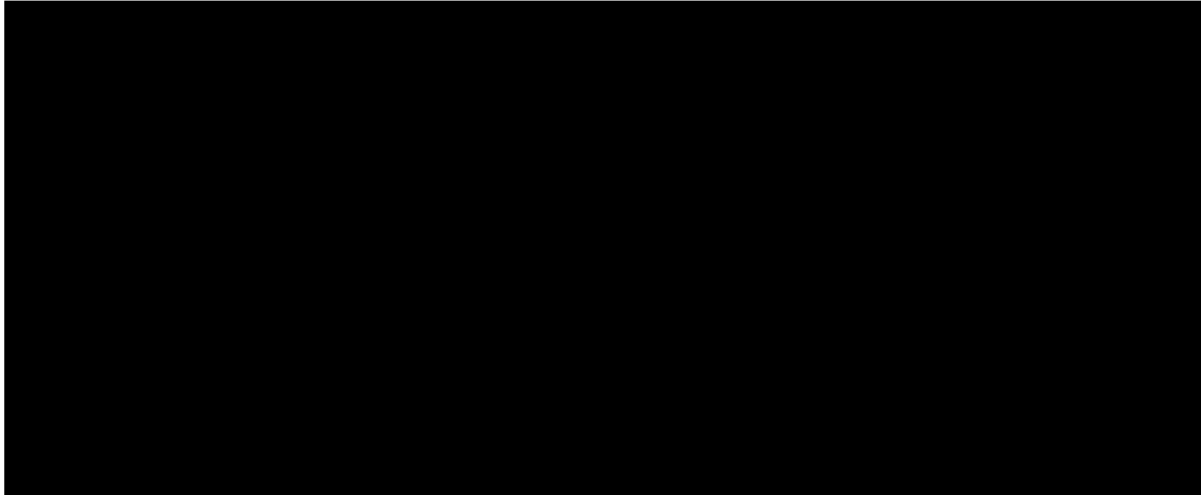
3 Due Diligence

- 3.1 As indicated in our last update we would welcome your thoughts on key areas of due diligence focus.
- 3.2 To provide you with some context we provide the following table which outlines the key issues and areas of attention that NZSF/ACC intend to focus on during the DD process.

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Recommendations:

- 1** *We recommend that the Committee:*
 - *Provides comments on the Due Diligence scope.*
 - *Otherwise notes the paper.*

Attachments:

- **Table Summary of Director Issues**
[\[Table Withheld As Per Appendix 1\]](#)

NZ Bank Committee - Update - 2016-02-16

Appendix I						
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank						
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II
6	1834289	2016-02-16	NZ Bank Committee – Update	All	Released in part A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence F: 9(2)(h) – legal privilege G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	52

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PROJECT TUI UPDATE

To: *NZ Bank Committee of the Board of the New Zealand Superannuation*

From: *Matt Whineray, [REDACTED]*

Date: *16 February 2016*

1 Purpose

1.1 For noting.

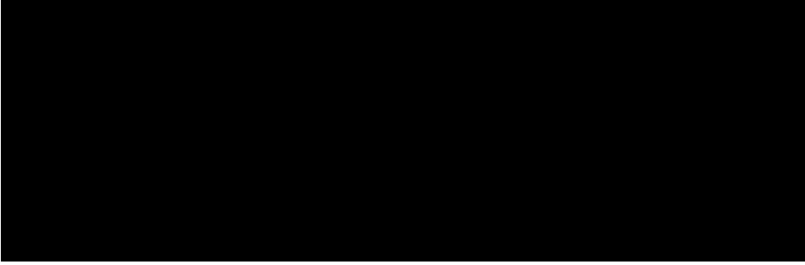


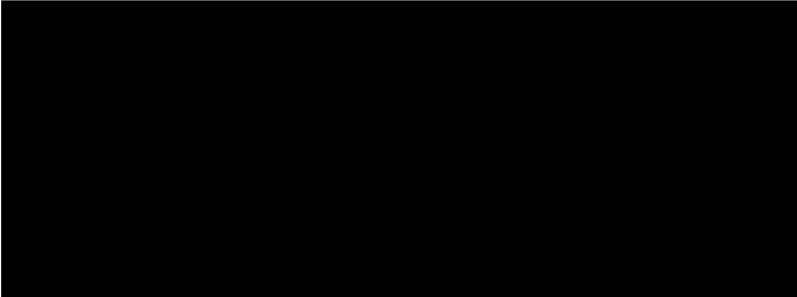



1.2 Set out in Section 2 below is an update on the current status of the Project Tui Transaction. The Committee met by telephone conference on 14 December 2015. The last Update was on 1 December 2015.

1.3 The Committee **agreed** that the next regular update would be late January and the usual 'no surprises' protocol would continue to apply. [REDACTED] and this has now been received and discussed as outlined below. At this stage we do not think it is necessary to meet to discuss this paper but if you would like to please do let us know and we will arrange. We will provide another update once outstanding issues have been resolved with Treasury.

2 Update

	Update / Comments
Key Milestones	<ul style="list-style-type: none"> • [REDACTED] • [REDACTED] • [REDACTED] • NZSF/ACC met with Treasury and their key advisers on Friday 5 February to discuss and explain respective positions.

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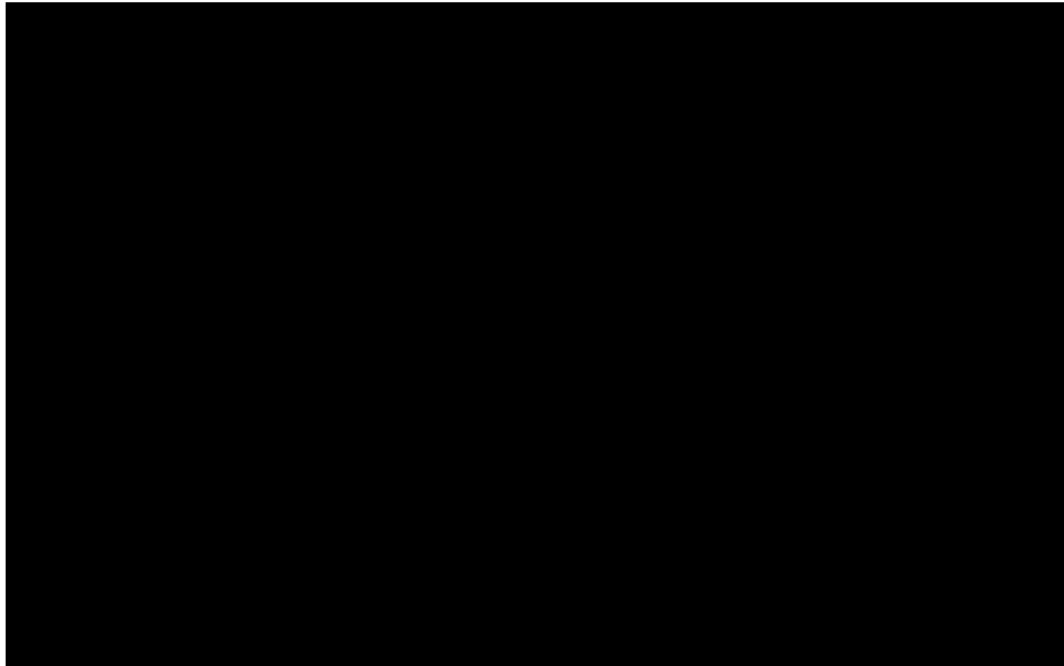
	Update / Comments
Changes to Key Terms (since last update)	<ul style="list-style-type: none"> • 
Due Diligence Progress	<ul style="list-style-type: none"> • On hold pending Treasury review process and agreement of transaction term sheet, likely to be early March at the earliest. Advisors engaged and on standby. • NZ Post has made the dataroom available to NZSF/ACC earlier to enable internal review of board papers and early visibility of any issues. • NZ Post/ACC/NZSF to meet on 16 February to discuss and progress key issues arising out of dataroom  
Upcoming Key Activities	<ul style="list-style-type: none"> •  •  •  •  • NZSF/ACC and NZ Post to further discuss board skills matrix and proceed with director search process. • Commence due diligence. • Proceed with RBNZ approval process. • Sale & purchase and shareholders agreement. • Treasury review of final agreed transaction prior to signing.
NZ Bank Committee action items	<ul style="list-style-type: none"> • Nil
Communications (External)	<ul style="list-style-type: none"> • Nil

3 Position of Directors *Legally Privileged*

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3.1

3.2



Recommendations:

- 1 We recommend that the Committee notes the paper.*

NZ Bank Subcommittee - Project Tui - March Update - 2016-03-14

Appendix I						
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank						
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II
7	1861403	2016-03-14	NZ Bank Subcommittee - Project Tui - March Update	All	Released in part A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	56

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PROJECT TUI UPDATE

To: *NZ Bank Committee of the Board of the New Zealand Superannuation*

From: *Matt Whineray, [REDACTED]*

Date: *14 March 2016*

1 Purpose

1.1 For noting.

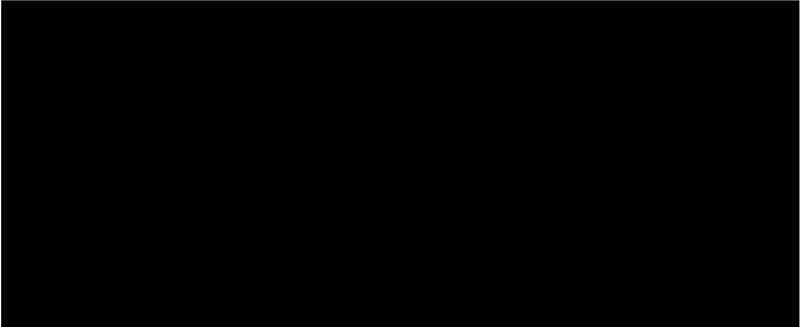
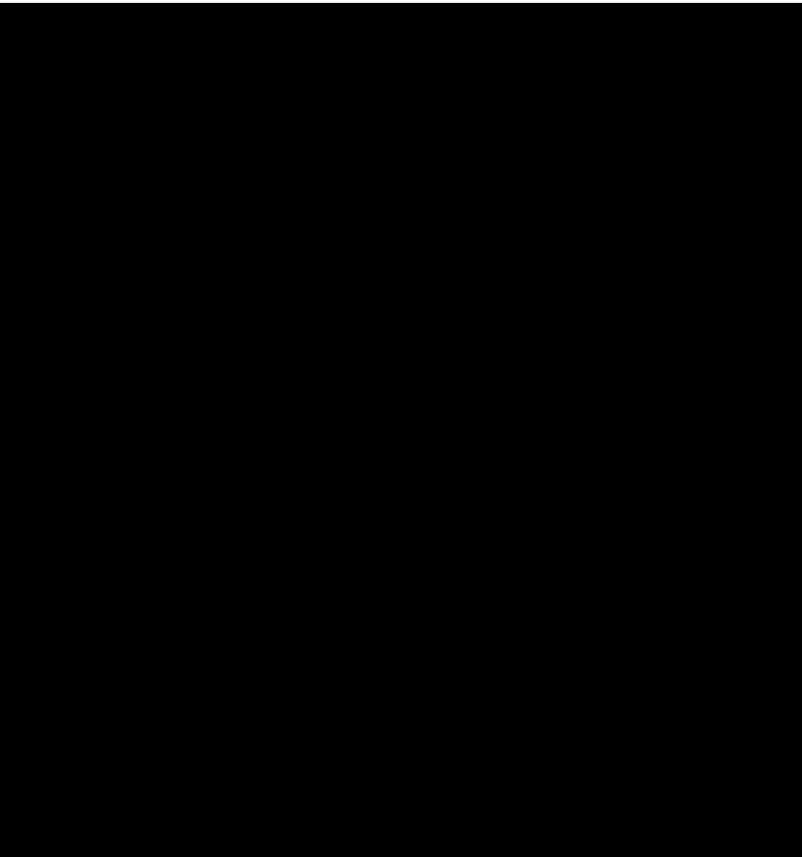
1.2 Set out in Section 2 below is an update on the current status of the Project Tui Transaction. The last Update was on 16 February 2016.

1.3 At this stage we do not think it is necessary to meet to discuss this paper but if you would like to please do let us know and we will arrange. We will provide another update once the termsheet has been agreed with NZ Post and Treasury.

2 Update

	Update / Comments
Key Milestones	<ul style="list-style-type: none"> [REDACTED] There were a number of meetings and conversations between NZSF/ACC and Treasury in February and early March to discuss and explain respective positions. Treasury briefed the Ministers on 1 March. NZ Post also attended the Ministers briefing. This was followed by another report by Treasury to the Ministers. The draft report was provided to us beforehand and our position on unresolved issues was also included. [REDACTED] NZ Post are currently updating the termsheet incorporating the terms as agreed.

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	Update / Comments
	<ul style="list-style-type: none"> •  • Note: Rhoda Phillippo was appointed as a director of Kiwibank Limited, effective 1 March 2016. This follows the resignation of Catherine Savage as a director of Kiwibank Limited, effective 31 January 2016.
<p>Changes to Key Terms (since last update)</p>	<ul style="list-style-type: none"> • 
<p>Due Diligence Progress</p>	<ul style="list-style-type: none"> • On hold pending agreement of transaction term sheet, likely to be late March. Advisors engaged and on standby. • NZ Post has made the dataroom available to NZSF/ACC earlier to enable internal review of board papers and early visibility of any issues.

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	Update / Comments
	<ul style="list-style-type: none"> NZ Post/ACC/NZSF met on 16 February and discussed key issues arising out of dataroom [REDACTED]
<p>Upcoming Key Activities</p>	<ul style="list-style-type: none"> [REDACTED] [REDACTED] NZSF/ACC and NZ Post to further discuss board skills matrix and proceed with director search process. Commence due diligence. Proceed with RBNZ approval process. Sale & purchase and shareholders agreement. Treasury review of final agreed transaction prior to signing.
<p>NZ Bank Committee action items</p>	<ul style="list-style-type: none"> Nil
<p>Communications (External)</p>	<ul style="list-style-type: none"> Nil

Recommendations:

- We recommend that the Committee notes the paper.*

NZ Bank Committee - Update - 2016-03-28

Appendix I						
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank						
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II
8	1868431	2016-03-28	NZ Bank Committee – Update	All	Released in part A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	60

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PROJECT TUI UPDATE

To: *NZ Bank Committee of the Board of the New Zealand Superannuation*

From: *Matt Whineray, [Redacted]*

Date: *28 March 2016*

1 Purpose

1.1 For noting.






1.2 Set out in Section 2 below is an update on the current status of the Project Tui Transaction. The last Update was on 14 March 2016.

1.3 At this stage we do not think it is necessary to meet to discuss this paper but if you would like to please do let us know and we will arrange. We will provide another update once the termsheet has been agreed with NZ Post and Treasury.

2 Update

	Update / Comments
Key Milestones	<ul style="list-style-type: none"> [Redacted] NZ Post provided an updated termsheet to NZSF/ACC for comment. [Redacted] [Redacted] Head of Communications for each party have agreed communication messages ahead of terms sheet signing. Whilst

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	Update / Comments
	there has been no definitive decision it's likely that the Kiwibank Board will want to disclose this transaction at the time of signing the term sheet.
Changes to Key Terms (since last update)	<ul style="list-style-type: none"> •  •  • 
Due Diligence Progress	<ul style="list-style-type: none"> • On hold pending signing of transaction term sheet by NZSF/ACC/NZP and Treasury. Advisors engaged and on standby. • NZ Post continues to make the dataroom available to NZSF/ACC to enable internal review of board papers and early visibility of any issues.
Upcoming Key Activities	<ul style="list-style-type: none"> • NZSF/ACC Investment Committee approval of revised terms and pricing on 30/31 March. • NZ Post Board approval of revised terms and pricing on 31 March. • Documentation and execution of the terms sheet   Incorporate Treasury sign off. • Continue communications planning for potential disclosure of transaction. • NZSF/ACC and NZ Post to further discuss board skills matrix and proceed with director search process. • Commence due diligence. • Proceed with RBNZ approval process. • Sale & purchase and shareholders agreement. • Treasury review of final agreed transaction prior to signing.
NZ Bank Committee action items	<ul style="list-style-type: none"> • Nil

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	Update / Comments
Communications <i>(External)</i>	<ul style="list-style-type: none">• Nil

Recommendations:

- 1** *We recommend that the Committee notes the paper.*

NZ Bank Committee - Project Tui Update - 2016-04-12

Appendix I						
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank						
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II
9	1885218	2016-04-12	NZ Bank Committee - Project Tui Update	All	Released in part A: 9(2)(a) – privacy of natural persons D: 9(2)(ba)(i) – obligation of confidence G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations	64

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PROJECT TUI UPDATE

To: *NZ Bank Committee of the Board of the New Zealand Superannuation*

From: *Matt Whineray, [REDACTED]*

Date: *12 April 2016*

1 Purpose

1.1 For noting.

1.2 Set out in Section 2 below is an update on the current status of the Project Tui Transaction. The last Update was on 31 March 2016 as supplemented by email on 1 April 2016.

1.3 At this stage we do not think it is necessary to meet to discuss this paper but if you would like to please do let us know and we will arrange. We will continue to provide fortnightly updates unless there is anything that we need to bring to the Committee's attention in the interim.

2 Update

	Update / Comments
Key Milestones	<ul style="list-style-type: none"> The term sheets have been signed by NZSF/ACC and NZ Post and are currently with the Crown for signing. Transaction was disclosed on Wednesday 30 March. Due diligence is expected to commence this week once the online data room is available. Nominations committee for Kiwibank Board directors has been formed and will start search process.
Changes to Key Terms (since last update)	<ul style="list-style-type: none"> [REDACTED] No further significant changes were made to the terms sheet prior to signing.

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	Update / Comments
Due Diligence Progress	<ul style="list-style-type: none"> • Advisors have been engaged to commence due diligence. • NZ Post in the process of activating the dataroom to all parties.
Upcoming Key Activities	<ul style="list-style-type: none"> • NZSF/ACC and NZ Post to further discuss board skills matrix and proceed with director search process. • Commence due diligence. • Proceed with RBNZ approval process. • Sale & purchase and shareholders agreement. • [REDACTED] • [REDACTED]
NZ Bank Committee action items	<ul style="list-style-type: none"> • Nil
Communications (External)	<ul style="list-style-type: none"> • Nil

Recommendations:

- 1** *We recommend that the Committee notes the paper.*

NZ Bank Committee Project Tui Update - 2016-04-20

Appendix I							
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank							
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II	
10	1889653	2016-04-20	NZ Bank Committee - Project Tui Update	All	Released in part	A: 9(2)(a) – privacy of natural persons C: 9(2)(b)(ii) – prejudice commercial position D: 9(2)(ba)(i) – obligation of confidence E: 9(2)(g)(i) – free and frank G: 9(2)(i) – commercial activities H: 9(2)(j) – negotiations I: 9(2)(k) – improper gain or advantage	67

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PROJECT TUI UPDATE

To: *NZ Bank Committee of the Board of the New Zealand Superannuation*

From: *Brad Dunstan,* [REDACTED]

Date: *20 April 2016*

1 Purpose

1.1 For noting.

1.2 Set out in Section 2 below is an update on the current status of the Project Tui Transaction. The last Update was on 12 April 2016. The next NZ Bank Committee meeting (via conference call) is scheduled for 28 April at 11.15am.

2 Update

	Update / Comments
Key Milestones	<ul style="list-style-type: none"> • The term sheets were signed on 11 and 12 April by all parties including NZSF/ACC, NZ Post and the Crown. • Due diligence commenced 11 April with the online dataroom being made available. • A full day of Kiwibank management presentations and individual Q&A sessions was held on 19 April. • Nominations committee for Kiwibank Board directors has been formed and will meet 21 April to progress. • The RBNZ transaction approval application has been drafted and will be lodged in draft with the RBNZ this week.
Changes to Key Terms (since last update)	<ul style="list-style-type: none"> • No further significant changes were made to the terms sheet prior to signing. • [REDACTED]

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	Update / Comments
	<ul style="list-style-type: none">○ [REDACTED]
Due Diligence Progress	<ul style="list-style-type: none">• Final engagement letters and scopes have been agreed with advisors:<ul style="list-style-type: none">○ KMPG – Finance, Tax, and IT○ Bell Gully - Legal○ [REDACTED] – CommercialAdvisors have confirmed they will be able to deliver their reports within the agreed timeline.• Internal resourcing requirements have been reviewed and we are satisfied that there is adequate resource available for the implementation of the Project Tui workstreams. The project is being led by [REDACTED]• The 8 week Due diligence period began Monday 11 April with the dataroom opening 12 April. Around 70% of requested documents were uploaded over the course of the first week of opening.• Advisers and NZSF/ACC project team members attended the management presentation and individual Q&A sessions on 19 April. These presentations went well with no significant new issues arising.• Key issues remain [REDACTED]<ul style="list-style-type: none">○ [REDACTED]○ [REDACTED]

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	Update / Comments
	<ul style="list-style-type: none">○ [Redacted]• [Redacted]
Upcoming Key Activities	<ul style="list-style-type: none">• NZSF/ACC and NZ Post nominations committee to meet 21 April to initiate director search process.• Progress due diligence in conjunction with advisors.• Lodge draft RBNZ application and continue to work towards final application.• Documentation of Sale & purchase and shareholders agreement. First draft is expected next week.• [Redacted]• [Redacted]

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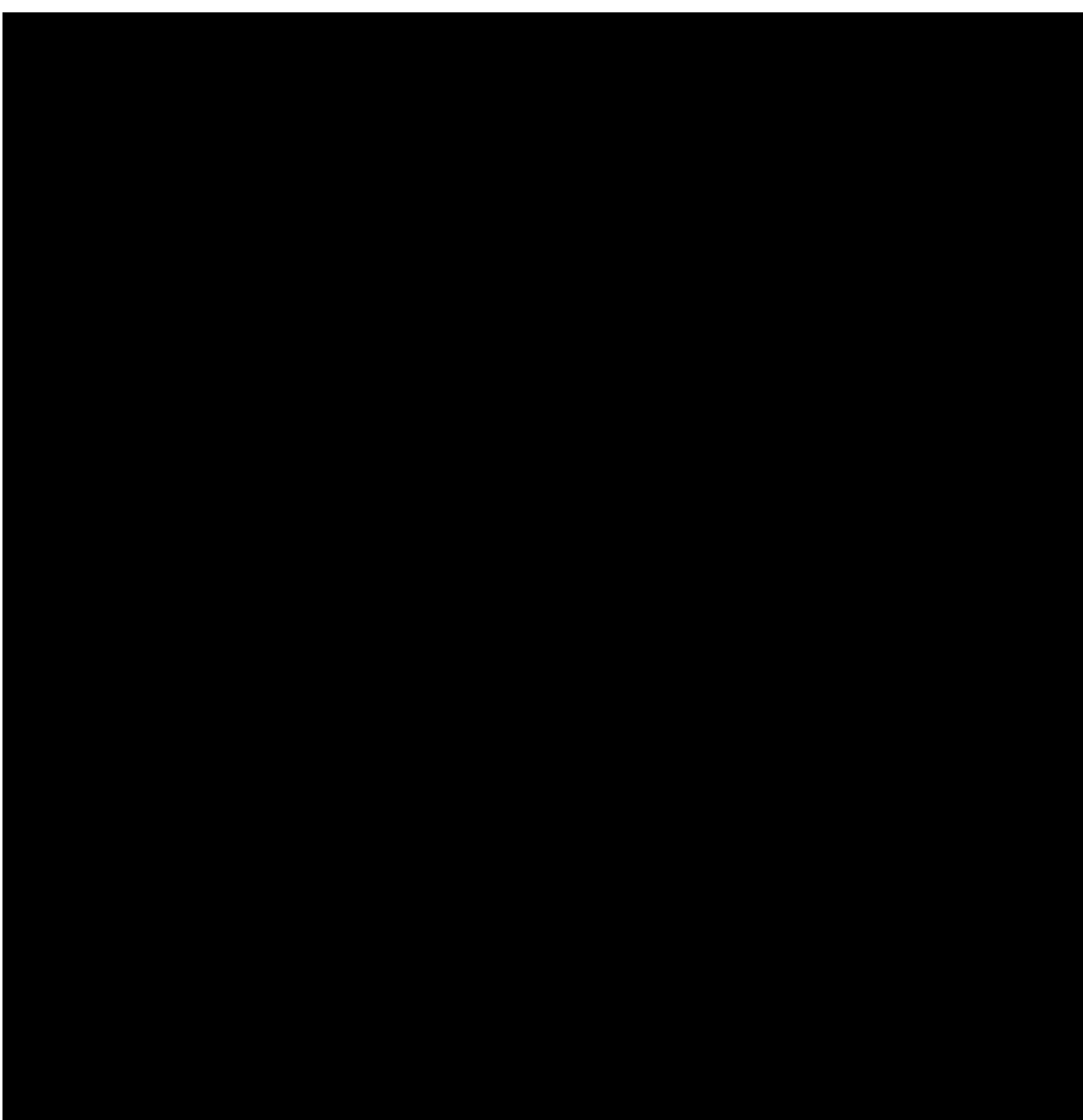
	Update / Comments
NZ Bank Committee action items	<ul style="list-style-type: none"> • Nil
Communications (External)	<ul style="list-style-type: none"> • An Official Information Act (OIA) request was received by NZ First delegate. The request relates solely to communications with Minister Bill English on Project Tui. This is not a large undertaking and the response is being co-ordinated by [REDACTED]

Recommendations:

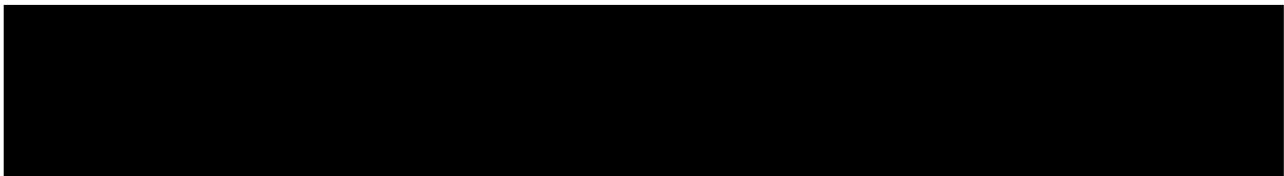
- 1** *We recommend that the Committee notes the paper.*

Excerpt from Quarterly Report to Minister of Finance - To 30 June 2015

Appendix I							
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank							
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II	
13	1658365	2015-07-31	Quarterly Report to Minister of Finance – To 30 June 2015	Section 4.7	Relevant section released in full	N/A	72



4.7. We have commenced due diligence on Kiwi Group Holdings (the parent company of KiwiBank), with a view to acquiring a minority stake in it from New Zealand Post. We have put appropriate protocols in place to manage conflicts among our Board members. All of our Board members, except Mark Tume, are considered conflicted through involvement with either banks or NZ Post/KiwiBank.



Excerpt from Quarterly Report to Minister of Finance - To 31 March 2016

Appendix I							
OIA Request – All reports prepared relating to the Super Fund’s possible investment in Kiwibank							
Document Reference	Document Date	Document Title	Sections Relevant to Request	Released	Reason/s for withholding	Ref. page in Appendix II	
14	1658365	2016-04-29	Quarterly Report to Minister of Finance – To 31 March 2016	Section 4.2.1	Relevant section released in full	N/A	74



4.2.1. **Kiwibank** – the Fund and ACC have signed a term sheet on the potential acquisition of a joint 45% in Kiwibank from NZ Post. Due diligence is underway and we are working towards closing the transaction by the end of the financial year.

