

25 August 2021



Dear [REDACTED]

## REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your Official Information Act 1982 ("OIA") request to the Guardians of New Zealand Superannuation ("Guardians"), as manager and administrator of the New Zealand Superannuation Fund ("NZ Super Fund"), which we received on 2 August 2021.

Clarification of the scope of your request was sought on 5 August 2021 by Catherine Etheredge, Head of Communications. This phone conversation was followed up in writing by Catherine on the same day. On 6 August 2021, you clarified the scope of your request as set out below.

### Your Request

You have requested the following information:

1. Copies of Timberlands Investments Limited board minutes held by NZSF and or by Megan Glen for the 2020 and 2021 years to date.
2. Copies of communications between the Guardians (as manager of NZSF) and Timberlands Investments Limited and its other shareholders that relate to the decision by Timberlands Limited to let the configuration of the forest move backwards by planting, not pruning of the trees in the Kaingaroa Forest Estate Glen.
3. All correspondence between Megan Glen and PSP representatives on the issue of pruning/not pruning Kaingaroa Timberlands during 2020 and 2021 to date.
4. All correspondence between the Guardians (as manager of the NZ Super Fund) and Kakano Investments on the issue of pruning/not pruning Kaingaroa Timberlands over the 12 months to 1 August 2021.

You agreed to limit the response to material correspondence only, and to exclude drafts from consideration.

You confirmed that you were specifically interested in whether management flagged the implications of the pruning issues to shareholders, and what discussions shareholders and management had about this.

### Background

The NZ Super Fund is a long-term, significant minority investor in Kaingaroa Timberlands, having first invested in 2006. The investment has been a successful one, generating strong returns over a sustained period.

We are comfortable that the Fund's investment is being managed in line with the Guardians' Responsible Investment Framework. We are also satisfied that Timberlands is managing the forest in keeping with international best practice for the forestry sector. We do not agree with your assertion that the decision to stop pruning has "let the configuration of the forest move backwards". In our view, the asset is being managed sustainably and with a long-term perspective on decision-making.

Decisions about silviculture regimes for the forest, including pruning, are important long-term decisions for how the forest is managed and are considered in depth at Timberlands Board level. It is the Guardians' expectation as an investor that these decisions are assessed not only from a commercial valuation standpoint but always considering the wider second and third order impacts for the business (including with regard to the community, workforce, health and safety and supply chain).

The decision to stop pruning was made by the Timberlands' Board in 2015, after careful consideration and detailed assessments by management, including environmental, social and supply chain considerations. The decision, which took effect progressively over a number of years, was clearly signalled to industry at the time. In 2018 the Board reconfirmed the decision to cease pruning following a comprehensive reassessment of the pros and cons by management.

Timberlands is not alone in stopping pruning. It is widely considered as not being economically viable for most large scale New Zealand forestry companies, and in recent years has become significantly less common domestically.

Timberlands remains focused on the issue and, as agreed with the Board, will periodically review the decision to cease pruning. This includes undertaking work to refresh Timberlands' view of the premium required from customers for the investment in pruning to be viable, and ongoing industry engagement. For further information we suggest you contact Timberlands' CEO Ryan Cavanagh (Ryan.Cavanagh@tll.co.nz) directly.

By way of background, we note that:

- Kaingaroa Timberlands has been Forest Stewardship Council (FSC) certified since 2003 and Responsible Wood (also NZS AS 4708:2014 and endorsed to PEFC) certified since 2017.
- Timberlands makes a strong social contribution to the region in which it operates through the direct and indirect employment of over 1,200 people and operating costs of \$250 million annually, mostly paid to local businesses.
- Rental payments of over \$30 million per year benefit 16 local iwi.
- Timberlands has also made a significant commitment to supplying local processing. 66% of Timberlands' sales are to domestic customers, compared to a national average of approximately 50%.
- Six local iwi – Ngati Rangitahi, Ngati Whakaue Assets and Te Arawa Iwi Limited River Partnership, Ngati Whare, Raukawa, Te Arawa Goup Holdings and Tuwharetoa - are investors in the forest via Kakano Investment Limited Partnership and have enjoyed strong returns on that investment since it was completed in 2014.

## **Our Response**

- 1. Copies of Timberlands Investments Limited board minutes held by NZSF and or by Megan Glen for the 2020 and 2021 years to date.**

We are refusing your request under section 18(g) of the OIA. We have undertaken appropriate searches and this information is not held by the Guardians. Timberlands' Board minutes over this timeframe are held by Timberlands which is not subject to the Official Information Act since it is not controlled by Guardians. While Ms Glen has access to these minutes in her capacity as a Board member of Timberlands, she does not hold them in her capacity as a Guardians' staff member.

- 2. Copies of communications between the Guardians (as manager of NZSF) and Timberlands Investments Limited and its other shareholders that relate to the decision by Timberlands Limited to let the configuration of the forest move backwards by only doing planting, not pruning of the trees in the Kaingaroa Forest Estate Glen [not time limited].**

The pruning/not pruning issue was discussed in detail at Timberlands' Board meetings in 2014, 2015 and 2018. Indeed, the decision on whether and how much to prune has been discussed at a forestry management level as part of operational planning since I joined the Guardians in 2008. The decision to stop pruning, which was made at a 2015 meeting, was reassessed and reconfirmed in 2018.

We have identified that we hold emails containing Board papers and minutes associated with these meetings. We have decided to withhold these documents on the basis that we have a number of good reasons for doing so under the section 9 of the OIA. We have considered whether the public interest in favour of disclosure outweighs our reasons for withholding the information and concluded that it does not. The main grounds on which we are withholding these documents are as follows:

- *Section 9(2)(ba)(i) – to protect information which is subject to an obligation of confidence 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*
- *Section 9(2)(b)(ii) – to 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 (in this case, Timberlands)*
- *Section 9(2)(i) – to enable ... any ... organisation (in this case, the Guardians) holding the information to carry out, without prejudice or disadvantage, commercial activities*
- *Section 9(2)(g) – to maintain the effective conduct of public affairs through free and frank expression of opinions.*

The Guardians invests the NZ Super Fund, on a commercial basis, for the long-term benefit of New Zealanders. Effective governance of the companies the NZ Super Fund invests in is critical to its success, as is our ability to protect the commercially sensitive, confidential material that is provided to us by our investee companies. Given the importance of the NZ\$58 billion NZ Super Fund to the nation's wealth, it is in the public interest that this information is protected and that we can maintain the highest standards of confidentiality and commercial sensitivity with those we work with.

To explain, the Timberlands' Board papers and minutes that we identified we hold and which are captured by your request were provided to us under an expectation that they would remain confidential. Failure to uphold the confidentiality of this information would create a very real risk that the supply of such information, not just from Timberlands but also in respect of the many other companies in which the NZ Super Fund invests, will be jeopardised. When we invest we compete in a global market for access to the best investments, and we seek to partner with the best possible co-investors on the best possible terms. These investee companies and co-investors will not wish to work with us if we are unable to uphold the confidentiality of the sensitive information they provide to us as a shareholder, and our position in negotiations will be weakened as a result.

Furthermore, we note that the information requested contains confidential commercial information about Timberlands' pricing, budgets and other financial and operational metrics, information and analyses. If released, this information would unreasonably prejudice Timberlands' commercial position both in respect of competitors and in relation to ongoing commercial negotiations with its suppliers and customers. Timberlands is a commercial entity operating in a highly competitive market. It would be put at a significant commercial disadvantage, relative to other forestry companies, and in respect of possible future negotiations, if this information were to be released. Timberlands is not itself subject to the OIA.

It is also critical to effective governance that investee company management and board members are able to participate in board meetings with complete frankness and candour. Releasing the board papers and board minutes of a private company such as Timberlands would in our view have a chilling effect on the dynamics of not just Timberlands but other investee company boards in which the Guardians is represented.

We also note that, to enable us to undertake our commercial activities effectively, we need to obtain information and reports from investee companies. Such information and reports will often contain information that is commercially sensitive. If we were to disclose sensitive information such as board papers and minutes, we believe there is a risk this would seriously undermine our ability to receive the information we need to oversee our investments as effectively as possible and therefore undertake our commercial activities.

In summary, failing to protect this information would be highly detrimental to our ability to manage the NZ Super Fund and effectively oversee our investments. The NZ Super Fund invests for the benefit of New Zealand taxpayers. It is therefore not in the public interest for this information to be released.

We understand this issue has been discussed in other Board meetings between 2018 and 2020, but based on our searches we do not hold any related correspondence.

**3. All correspondence between Megan Glen and PSP representatives on the issue of pruning/not pruning Kaingaroa Timberlands during 2020 and 2021 to date.**

We are refusing your request under section 18(e) of the OIA because the requested correspondence does not exist. We have undertaken reasonable searches / enquiries and have not identified any material correspondence on this issue during that timeframe.

**4. All correspondence between the Guardians (as manager of the NZ Super Fund) and Kakano Investments on the issue of pruning/not pruning Kaingaroa Timberlands over the 12 months to 1 August 2021.**


We are refusing your request under section 18(e) of the OIA because the requested correspondence does not exist. We have undertaken reasonable searches / enquiries and have not identified any material correspondence on this issue during that timeframe.

**General**

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

Please note that we may choose to publish our response to your request on our website at [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz).

Yours sincerely,



**Matt Whineray**  
**Chief Executive Officer**