

The Treasury

Project Korimako - Release of advice

December 2022

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- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
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- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Reference: T2021/1582 SE-2-12-4-2-3

Date: 22 June 2021

To: Minister of Finance
(Hon Grant Robertson)

Deadline: 23 June 2021 (DEV Committee)

Aide Memoire: Talking Points for Cabinet – Kiwi Group Holdings Ownership Considerations

You have agreed to take a paper to the DEV Cabinet Committee on Wednesday, 23 June 2021, informing Cabinet of work underway to determine the future ownership arrangements for Kiwi Group Holdings Limited (KGH). This Aide Memoire provides you with talking points to support your presentation at Cabinet.

Talking points for Cabinet

1. This paper informs Cabinet that I am considering future ownership arrangements for KGH, the parent company of Kiwibank.
2. KGH is currently owned 53% by New Zealand Post, 25% by New Zealand Super Fund (NZSF) and 22% by the Accident Compensation Corporation (ACC).
[25], [37]
3. A contract among the three owners prohibits the transfer of KGH shares to anyone apart from the three existing owners until 31 October 2021. From that date sales can be made to other parties, with the Crown having pre-emptive rights to buy the shares on offer.
4. The impending contractual milestone and inadequacy of the current ownership arrangement are the likely prompts for both NZSF and NZ Post having formally presented their positions – NZSF has proposed to buy NZ Post's 53% stake, while NZ Post would preferably fully divest its shares in KGH.
5. While the KGH Shareholders Agreement provides that KGH shareholders can transact shares among themselves without the consent of the Crown, two factors currently constrain NZSF from purchasing NZ Post's shares:
 - a. NZSF's governing legislation imposes a constraint on it being able to take on controlling interests in its entity investments, and
 - b. The shareholding Ministers of NZ Post have asked its Board to not divest its shares in KGH until the Government has determined its preferences for the ownership of KGH.

6. [33]
7. I have established that the Government's primary objectives for KGH include that Kiwibank, in particular, should:
- a. remain within New Zealand ownership (expressed indirectly or directly through the Crown),
 - b. [25]
 - c. be differentiated from other banks and a "disruptor" in the banking market, and
 - d. for Kiwibank to continue to act commercially for it to be a sustainable banking operation and a strong market competitor.
8. Keeping in mind these primary objectives, I intend to explore ownership options involving full and at least partly indirect Crown ownership of KGH. I will investigate the merits of:
- a. NZSF and potentially ACC maintaining or increasing their shareholdings, potentially alongside some direct Crown ownership (or full direct Crown ownership if all shareholders choose to fully divest),
 - b. [33], [37], [38]
 - c. [37]
9. I am not advancing potential options that do not enable the key objectives regarding Kiwibank as a disruptor, and it remaining within the ultimate ownership of the Crown over the longer term.
10. Following a period of further exploration, once I have reached indicative views on preferences for a narrowed set of ownership arrangements for KGH, [33]

I will seek decisions from Cabinet. The indicative timing for seeking decisions or endorsements from Cabinet on the preferred ownership configuration(s) for KGH ownership is by October 2021.

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