

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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Date: 29 October 2021

To: Minister of Finance (Hon Grant Robertson)

cc. Associate Minister of Finance (Hon Dr Megan Woods)
Associate Minister of Finance (Hon David Parker)

Deadline: None

Project Korimako: Next Steps Timetable

Following our 30 September 2021 Treasury Report *Project Korimako – Engagements and Next Steps* [T2021/1832 refers], you agreed that Treasury officials were to move forward with proposals for the preferred future ownership arrangements for Kiwi Group Holdings Limited (KGH):

- one set of two options is being determined through further discussions with the New Zealand Superannuation Fund (NZSF), with any arrangements needing to ensure that the Crown stays involved with KGH throughout. [34]

The
Minister of Finance also expects Treasury officials to explore with NZSF the lower bound of ownership interest it would be prepared to agree to. [33], [37], [38]
and

- the other option being one where the Crown takes full direct [33], [37], [38]
(on the understanding that NZSF would not remain a KGH shareholder if it did not gain a majority interest).

Requirements under the Crown Deed

Whichever pathway is selected as the preferred one, this will just set the parameters within which the next part of the process – formal negotiations – will be able to occur. The current owners of KGH and the Crown agreed in the Crown Deed (the Deed signed in October 2016) to follow a specific process for any share transfers.

First priority parties (KGH shareholders at the time): The Deed provides that any KGH shareholder wanting to sell shares must first offer those shares to the other shareholders.

Second priority party (the Crown): Any shares offered by the selling shareholder are only offered to the Crown after non-selling KGH shareholders have acquired as many shares as they want at the offer price (unless proportionate scaling is required as a result of oversubscriptions).

Third priority parties [33], [37], [38]

the then

residual shares can be offered to third parties.

[33], [37], [38]

- [33], [37], [38]

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[33], [37], [38]

Whatever option is pursued, it could take some time to complete the negotiations, especially if there is a wide difference of views as to acceptable price – a possibility that could arise as constraints or terms of ownership imposed on NZSF (for example) would not apply to the selling shareholders.

Current discussions with NZSF [33]

We engaged with the NZSF investment team assigned to this matter and, through the NZSF Chief Executive, the NZSF Chair was consulted. The Chair has authorised the investment team to engage in a series of three workshops with Treasury officials as NZSF develops an “in principle” proposal (or proposals) intended to be submitted to the Crown by Friday 5 November 2021. The first two workshops have already taken place.

The NZSF Guardians Board is expected to consider the in-principle proposal(s) on 24 November. Taking into account the remaining dates this calendar year at which Cabinet could consider the matter, we have prepared the timetable overleaf showing dates for next steps and key decision points.

[33]

Treasury and NZSF are working to achieve your preference to consider this matter and present a paper to Cabinet before the end of 2021.

Following Cabinet decisions, there will still be a number of steps before long-term ownership arrangements for KGH will be finalised. The nature and timing of these subsequent steps will depend on the decisions made by the Crown (and the NZSF Board). The table overleaf provides some indicative timeframes depending on the preferred pathway toward new ownership arrangements. The actual timing will depend on the time taken for any negotiations to be successfully completed.

| Date | Event |
|------------------------------|---|
| Monday 1 November | Treasury's 3 rd workshop with NZSF. |
| By Friday 5 November | NZSF's in-principle proposal/s (subject to NZSF Board approval) submitted to Crown. |
| Thursday 11 November | Preferred option advice & draft Cabinet paper submitted by Treasury to Ministers. |
| Thursday 18 November | Cabinet paper goes out for consultation. |
| Wednesday 24 November | NZSF Board consider (and hopefully approve) proposal/s. |
| Thursday 2 December | Cabinet paper lodged. |
| Wednesday 8 December | Cabinet Economic Development (DEV) Committee meeting. |
| Monday 13 December | Cabinet meeting. |
| Following Monday 13 December | Minister of Finance sends letter regarding decision on NZSF proposal to NZSF Chair. Letters sent to other KGH shareholders advising of Crown decision on its ownership preferences for KGH. |
| From Thursday 16 Dec | If the Crown has endorsed an NZSF proposal , KGH shareholders can consider when to commence negotiations (including price negotiations) on possible changes to their shareholdings [33] If the Crown's preference does not include NZSF as a majority shareholder in KGH, Treasury officials will prepare a KGH acquisition strategy for Ministers' consideration. |
| From early-2022 | If the Crown's preference does not include NZSF , negotiations between the Crown and KGH shareholders begin. [33], [37], [38] |
| Around mid-2022 | If the Crown has endorsed an NZSF proposal , it is possible that negotiations between existing KGH shareholders, and direct Crown involvement (if any) will have been completed by this time. [33], [37], [38] |
| Q3 or Q4 2022 | [33] |

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