

# 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
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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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SE-1-3-22

Date: 21 April 2022

To: Minister of Finance (Hon Grant Robertson)  
Associate Minister of Finance (Hon David Parker)

Deadline: None

## Project Korimako – Update on Discussions with Shareholders

This note updates you on the status of our discussions with Kiwi Group Holdings Limited's (KGH's) shareholders, the Accident Compensation Corporation (ACC), New Zealand Post Limited (NZ Post) and the New Zealand Superannuation Fund (NZSF).

[38]

### Indicative Timeline

A two-phase approach to discussions is being followed where more intensive work is commenced once exploratory discussions have confirmed that there is a reasonable basis to move forward with a transaction.

**Figure 1: Project Korimako – Indicative Timeline**

21 March – 26 April	<p><u>Phase 1</u></p> <p>Exploratory discussions between the Crown and KGH shareholders relating to the future ownership structure of KGH, [38]</p> <p>Discussions will include indicative price and key terms of a potential transaction.</p>
27 April – 29 June	<p><u>Phase 2</u></p> <p>The process will move into phase 2 if the Crown identifies a suitable basis [38]</p> <p>This phase would include the Crown conducting confirmatory due diligence including access to KGH information (which will require approval from KGH shareholders) and transaction documentation drafting.</p> <p>[38]</p>
30 June	Target signing of in-principle transactions.
1 July – 31 August	Completion of all outstanding matters, final long form documentation and payment.

The Treasury is focussed on meeting the indicative timeline and at present discussions are proceeding in accordance with this timeline, however we note that there are risks. Items that could impact on timing include the following:

- The current discussions are proceeding outside of the Crown Deed process. However, at any point after the phase 1 period any of the KGH shareholders could decide to initiate the process specified within the Crown Deed. This process includes several steps with specified maximum timeframes, the sum total of which would not allow completion in line with the indicative timetable as set out on the previous page.
- We have allowed for a 6-week due diligence process which prospective service providers agree is achievable if all the information they require can be furnished in a timely manner. However, we will not know how quickly KGH and the key operating subsidiaries will be able to respond until this part of the process is underway.
- Completion is likely to be delayed if the confirmatory due diligence process uncovers material issues that require further investigation and/or result in further price or terms negotiations.

We are proactively managing potential risks to the timeline but some outcomes may be outside of our control.

### **Current State of Discussions with KGH Shareholders**

We are nearing the end of the phase one period. [38]

The letters:

- [25], [26], [37] and [38]
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- [25], [26], [37] and [38]
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[38]

NZ Post reiterated its position that final consideration of a sale price for its KGH shares would be considered within the context of the amount of capital it could retain from the sale to fund its core business. We emphasised that a workstream considering NZ Post's optimal capital structure is being progressed in parallel to the KGH share purchase discussions and that the Treasury is currently engaging with NZ Post management on this workstream which requires the NZ Post 2022/23 business plan to be finalised and provided to the Treasury. We will provide you with advice on the optimal capital structure and capital retention once we have completed this work in May 2022.

In further discussions with NZSF, it has indicated that it is still considering its position in KGH [25], [37]

. We have set up another meeting with NZSF for 26 April to discuss the outcome of our discussions with ACC and NZ Post.

Phase one will conclude on 26 April. [38]

While NZSF is still considering its position we expect them to re-engage once we have progressed discussions with ACC and NZ Post. We will update you on developments in our next monthly update report in early May.

David Stanley, Principal Advisor, Commercial Performance, [39]  
Lars Piepke, Acting Manager, Commercial Performance, [39]