

The Treasury

Project Korimako - Release of advice

December 2022

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Key to sections of the Act under which information has been withheld:

- [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
- [26] 9(2)(ba)(i) - to 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
- [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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Treasury Report: Project Korimako: Board appointments mid 2022

Date:	6 May 2022	Report No:	T2022/924
		File Number:	CM-0-2

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree to recommendations	9 May 2022
Associate Minister of Finance (Hon David Parker)	Agree to recommendations	9 May 2022

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Murray Costello	Senior Advisor, Governance and Appointments	[39]	[35]
Gael Webster	Manager, Governance and Appointments		✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Project Korimako: Board appointments mid 2022

Purpose of Report

1. You have agreed in principle to establish a new company (the Company) listed in schedule 4A of the Public Finance Act 1989 to hold the Crown's investment in Kiwi Group Holdings Limited (KGH), and to seek a chair and one director for the company without a full call for nominations and public process [T2022/707 refers].
2. This report seeks your agreement to the proposed capability profile for the Company board and to commence the search process on the basis proposed. It notes some risks and proposed risk mitigations.
3. You will shortly also receive advice [T2022/934 refers] seeking your further decisions on the Company's establishment, including its constitution, limitations on financial powers, and identity of shareholders.

Appointment process

4. We propose that the appointment process for the board will run in two stages:
 - a The immediate focus will be to identify and confirm the chair of the new board, to provide leadership for the establishment of the Company and act as a drawcard for other director candidates. A second director will also be sought in this initial process to work with the new chair on establishment matters. During the search and appointment process a high degree of confidentiality will be required until the public announcement of share transfers and formation of the Company.
 - b A second round will then occur at a later date to identify further directors to establish the full board. We recommend that additional board members be sought through a public call for nominations and advertising to ensure transparency and to allow for the widest pool of applicants.

Capability Profile for New Board

5. The purpose of the Company as a holding company is to oversee the investment in KGH and its subsidiaries and, indirectly through KGH and its subsidiaries, to carry on and develop the business of the KGH group. It is expected that some of the directors appointed to the new board will sit on the KGH board to steer and test the strategic direction of Kiwibank Limited and other operating subsidiaries of KGH.
6. The capability profile in Table 1 focuses on what is required for the board to successfully deliver the purpose of the Company. KGH's largest operating subsidiary, Kiwibank Limited, is expected to undergo significant transformation in the coming years, and the capability profile has been developed taking this and the purpose of the Company into account.
7. We would expect all directors to have leadership capabilities, and the right attitudes and behaviours. Directors should individually bring some of the other capabilities.
8. The chair should also be able to demonstrate additional capabilities, including strong leadership, being visionary, progressive and future focused, and being able to establish enduring relationships with key shareholders and stakeholders.

9. We propose the following capability profile for the whole board.

Table 1: Proposed Capability Profile

Governance expertise	Establishment experience is important in the initial phase. Directors will be expected to support board and management accountability, transparency, and a strategic approach to the execution of Company purpose/mandate. Experience in understanding governance in a public context in light of government priorities would be useful.
Sector experience	Banking sector experience at governance or senior executive level, with a high level understanding of sector regulatory framework and legal requirements. Strong understanding of the range of financial products and services that exist in the modern banking marketplace.
Financial literacy	Ability to oversee financial reporting and internal controls.
Transformation and innovation	Experience in business transformation, preferably involving cutting-edge technology and/or new financial services. Experience with cloud computing-based systems, modern customer relationship management systems, and continuing innovation within a customer-centric business environment.
Te Ao Māori	Credibility with Iwi, and an understanding of and respect for the impacts the Treaty of Waitangi has in delivery of key Government priorities. Places a value on and knows how to incorporate te ao Māori into decision making.
Stakeholder management	Experience of proactively managing and/or fronting challenging issues to various customers and other stakeholders, with good political acumen, and a demonstrated history of working to deliver government priorities.
Investment and commercial acumen	Ability to evaluate investment strategies and set the Company's risk appetite in a competitive and rapidly changing environment. Has a working knowledge of business operations, and the factors that determine the performance of the Company including people, finances, processes, and strategy.
Leadership	Demonstrated experience taking responsibility for effective operations and entity performance. Able to provide insight and guidance on key areas such as change management, strategy, and culture. Experience especially in senior positions such as CEO or GM roles.
Risk oversight/ management	Expertise to oversee the risk management of the Company (at least one board member will need to possess proven audit and risk assurance experience).
Diversity of perspective	Differing perspectives (arising from educational background, professional experience, race, ethnicity, gender, age, and culture) to support well-founded decisions that draw on a range of views.
Attitudes and behaviours	Exhibits cultural awareness and understanding, and the right attitudes and behaviours to effectively contribute to board performance.
Environmental, Social and Governance	Understands best practice approaches to non-financial objectives and can integrate them into execution of the Company's purpose.

Search process

10. For the initial search for the chair and first director, the Treasury will search its database and other confidential networks, focusing on the first six elements in the capability profile: governance expertise; sector experience; financial literacy; transformation and innovation; Te Ao Māori; and stakeholder management.
11. To maintain confidentiality as much as possible, we recommend providing a long shortlist for you to consider before we approach the candidates to determine their interest and availability. Once you have indicated your preferences the Treasury will approach candidates under confidentiality agreements with the aim of proceeding to due diligence interviews. We will then report back on preferred candidates for appointment.
12. Consideration will be given to potential conflicts of interest which would be unmanageable. At this stage we consider that current membership of another bank board, the Reserve Bank of New Zealand Board, the Financial Markets Authority, competing financial service providers, or a Kiwisaver provider board (if KiwiWealth is retained by KGH) would require a close examination of whether the conflict could be managed.

Risks

13. Some potential candidates may not be interested once we do approach them. To manage 'drop out' risk, we expect to provide a longer initial list to Ministers than usual. Further work may be needed (with time and possibly cost implications) if too many of the candidates we approach do not want to proceed.
14. There is a risk of a breach of confidentiality in commencing an appointment process prior to public notification/Cabinet approval of the Company. This risk can be reduced by approaching candidates to assess availability and interest in a directorship of an unspecified new Crown company, before entering a strict confidentiality agreement that will be continually reinforced. Response material will also be prepared in case public awareness is raised before the Company is formally announced.

Next Steps

15. Once your agreement to the capability profile and appointment process is confirmed the Treasury will commence a confidential search for suitable candidates for a chair and one director, and provide names and CVs for your consideration.

Recommended Action

16. We recommend you:

- a) **agree** to the capability profile in Table 1 for the board of the new Company

Agree/Disagree

Hon Grant Robertson
Minister of Finance

Agree/Disagree

Hon David Parker
Associate Minister of Finance

- b) **agree** to Treasury providing you with a long shortlist to consider before we approach the candidates to determine their interest and availability

Agree/Disagree

Agree/Disagree

Hon Grant Robertson
Minister of Finance

Hon David Parker
Associate Minister of Finance

- c) **agree** to a public search for additional directors following the Government's announcement of the Company

Agree/Disagree

Agree/Disagree

Hon Grant Robertson
Minister of Finance

Hon David Parker
Associate Minister of Finance

- d) **indicate** any potential candidate/s for the chair role below:

- e) **indicate** any potential candidate/s for the initial director role below:

- f) **refer** this report to Hon Dr Megan Woods for her information.

Yes/No

Hon Grant Robertson
Minister of Finance

Gael Webster
Manager, Governance and Appointments

Hon Grant Robertson
Minister of Finance

Hon David Parker
Associate Minister of Finance

_____/ May / 2022

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