

The Treasury

Project Korimako - Release of advice

December 2022

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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Rodger Finlay
Chair
New Zealand Post Limited
[23]

Dear Rodger

Proposed retention of funds from KGH divestment

I am writing on behalf of shareholding Ministers to set out our expectations in relation to New Zealand Post Limited's (NZ Post's) proposal to pay a special dividend from the proceeds of any sale of NZ Post's shareholding in Kiwi Group Holdings Limited (KGH).

We acknowledge the Board's position that NZ Post retaining [25], [26], [38] of the proceeds from the potential sale of KGH would best support NZ Post's transformation programme and the creation of shareholder value from its proposed capital investment programme. We also understand the Board's view that it is essential that NZ Post maintains an investment grade credit rating, particularly as the company enters a significant period of transition during a time of ongoing economic uncertainty. We welcome the Board's proposal to pay a special dividend with the proceeds from any sale of your ownership stake in KGH.

We also acknowledge the Board's commitment to demonstrate the shareholder value that is created from the retention and the planned capital investment programme. We encourage the Board to maintain prudent decision making in respect of capital expenditure, including ensuring new investments progress through a robust business case process. We expect that you will inform us of any proposed investments not contemplated in NZ Post's current business plan and that NZ Post will work closely with Treasury officials in demonstrating the value and return on these investments.

[25]

We understand that there are still several matters to be worked through that will enable a more robust view of NZ Post's capital structure to be considered. Including engagement with credit rating agencies, auditors, lenders and other stakeholders on their views of NZ Post's risk profile following any divestment of NZ Post's shareholding in KGH.

Further, we understand that if the Board accepts an offer for the purchase of its shares in KGH, this will likely constitute a 'major transaction' under Section 129 of the Companies Act 1993, requiring approval of shareholding Ministers. We consider it is important to have certainty around the steps and process for periodic review and engagement of NZ Post's capital structure before Ministers consider approval of any major transaction.

Yours sincerely

Hon Dr Megan Woods
Acting Minister for State Owned Enterprises
for and on behalf of shareholding Ministers

cc David Walsh, Chief Executive Officer, [23]