

# The Treasury

## Project Korimako - Tranche Two Release of Advice

April 2023

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- [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
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**Treasury Report:** Kiwi Group Capital Limited: Update After Due Diligence for 2022 Chair Appointment & APH Documentation for Appointments 2022

<b>Date:</b>	8 September 2022	<b>Report No:</b>	T2022/1971
		<b>File Number:</b>	CM-0-2-24

**Action sought**

	<b>Action sought</b>	<b>Deadline</b>
Hon Grant Robertson <b>Minister of Finance</b>	<b>Agree</b> to the recommended appointments and (subject to consultation) to sign APH Committee documentation for submission to Cabinet Office	Monday 12 September 2022
Hon David Parker <b>Acting Minister for State Owned Enterprises</b>	<b>Agree</b> to the recommended appointments and (subject to consultation) to sign APH Committee documentation for submission to Cabinet Office	Monday 12 September 2022

**Contact for telephone discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Joy Tracey	Senior Advisor, Governance and Appointments [39]	N/A (mob)	✓
Stella Kotrotsos	Manager, Governance and Appointments	[35]	

**Minister's Office actions (if required)**

<p>If agreed, <b>commence</b> consultation by 19 September 2022, and (subject to consultation) <b>sign and lodge</b> APH documentation with Cabinet Office by 10.00am on Thursday 13 October 2022 for consideration at APH Committee on Wednesday 19 October 2022 and at Cabinet on Tuesday 25 October 2022.</p> <p><b>Return</b> the signed report to Treasury</p>
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Note any feedback on the quality of the report

**Enclosure:** Yes

# Treasury Report: Kiwi Group Capital Limited: Update After Due Diligence for 2022 Chair Appointment & APH Documentation for Appointments 2022

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## Executive Summary

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You are looking to establish the Kiwi Group Capital Limited (KGC) board before the end of October, to ensure that KGC can be incorporated in time to acquire Kiwi Group Holdings Limited (KGH) shares.

You agreed potential chair and director candidates for appointment to the KGC board [T2022/1122 refers]. The interview and the due diligence process to identify the chair for the board of KGC is now complete and you are asked to agree to the recommendations.

We recommend the appointment of Sir Brian Roche [25], [34] [25], [34]. His knowledge and experience with Crown start-up entities and his demonstrated ability to engage with a wide variety of audiences (internal and external to the organisation) [25], [34] would assist with the successful establishment of KGC.

We also recommend the appointment of Mr David McLean [25], [34] to provide a complementary skill set, share the load of the establishment phase [34]

Mr McLean’s extensive banking expertise will provide effective bank management [25]

In order to balance the board composition and meet government objectives regarding diversity, the Treasury will promptly progress to interviews and due diligence to recommend two further directors for the KGC board from the agreed potential candidates.

## Recommended Action

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We recommend that you:

- a. **agree** to appoint Sir Brian Roche [25], [34] to the board of Kiwi Group Capital Limited from 27 October 2022 to 31 October 2024.

*Agree/disagree.*  
Minister of Finance

*Agree/disagree.*  
Associate Minister of Finance

- b. **agree** to appoint David McLean [25], [34] to the board of Kiwi Group Capital Limited from 27 October 2022 to 27 October 2025.

*Agree/disagree.*  
Minister of Finance

*Agree/disagree.*  
Associate Minister of Finance

- c. **agree** (subject to consultation) to sign the attached APH committee documentation confirming the agreed appointments to Kiwi Group Capital Limited.

*Agree/disagree.*  
Minister of Finance

*Agree/disagree.*  
Associate Minister of Finance

Stella Kotrotsos  
**Manager, Governance and Appointments**

Hon Grant Robertson  
**Minister of Finance**  
          /          /2022

Hon David Parker  
**Acting Minister for State Owned Enterprises**  
          /          /2022

# Treasury Report: Kiwi Group Capital Ltd: Update After Due Diligence for 2022 Chair Appointment & APH Documentation for Appointments 2022

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## Purpose of Report

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- 1. This report seeks your agreement to appoint Sir Brian Roche [25], [34] for two years from 27 October 2022 to 31 October 2024. It also seeks your agreement to appoint Mr David McLean [25], [34] for a term of three years from 27 October 2022 – 27 October 2025.
- 2. We have attached the relevant documentation in support of these appointments in order to expediate the process.
- 3. If you agree to these appointments, this report also asks you to sign the attached APH documentation and lodge with Cabinet Office by 13 October 2022, for consideration at the APH Committee meeting on 25 October 2022.
- 4. In due course we will provide appointment letters for your signature, to take effect following confirmation through Cabinet.

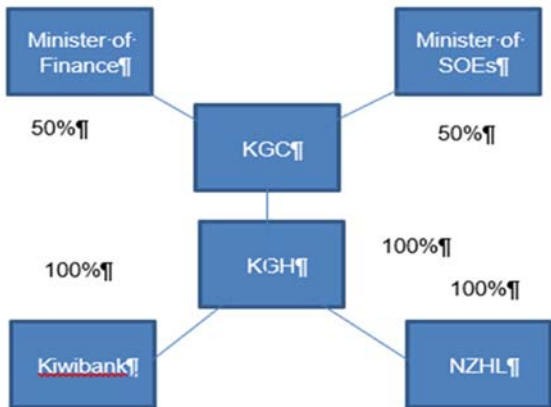
## Background

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### Entity Commentary

- 5. KGC will be a limited liability company incorporated under the Companies Act 1993, and will be listed on Schedule 4A of the Public Finance Act 1989. Its shares will be held by the Minister of Finance and the Minister for State Owned Enterprises.
- 6. KGC is being set up by the Crown to hold the Crown’s (indirect) 100% interest in Kiwibank Limited (Kiwibank) and The New Zealand Home Loan Company Limited (NZHL), as set out in Figure 1.
- 7. The purpose of KGC as a holding company will be to oversee the investment in its subsidiaries (including Kiwibank and NZHL) and, indirectly, through those subsidiaries, to carry on and develop the group’s banking and financial services business.

Figure 1: Intended ownership arrangements



8. You are looking to establish the KGC board before the end of October, to ensure that KGC can be incorporated in time to acquire KGH shares.
9. On 11 July 2022, the Minister of Finance's office commissioned the Treasury to begin work [25], [33], [37]

### **Board Commentary**

10. The board of KGC is likely to comprise 4 or 5 directors who will oversee the investment in its subsidiaries to carry on and develop the group's banking and financial services.
11. You have agreed that the priority capabilities for the board are: [T2022/1122 refers]
  - a. governance expertise
  - b. sector experience
  - c. financial literacy
  - d. transformation and innovation
  - e. Te Ao Māori, and
  - f. stakeholder management.
12. You requested Treasury compile a shortlist of potential chair candidates supplied from Ministerial nominations, previous searches for financial agencies such as the Reserve Bank of New Zealand and Guardians of New Zealand Superannuation (by recruitment firms), reviewing former directors of New Zealand banks and insurance companies, and searching the Treasury database [T2022/1122 refers].
13. The additional attributes you considered the chair should demonstrate are: [T2022/924 refers]
  - strong leadership,
  - being visionary,
  - progressive and future focused, and
  - able to establish enduring relationships with key shareholders and stakeholders.
14. The Treasury approached the first three recommended nominees for the initial chair position. Two were available and interested - Sir Brian Roche, and David McLean. The third, [23] declined to progress to interview.
15. Based on the interest of these two candidates The Treasury decided to defer approaching the remaining nominees and prioritise the chair appointment on which to anchor the selection for the balance of the board. We have prioritised securing at least one director, as one director (at a minimum) is required to complete company incorporation.
16. The Treasury now plans to approach those remaining agreed candidates for director roles to ascertain interest and availability. Consideration for appointment will meet government objectives regarding diversity in board composition without compromising skills and experience.

## Outcome of due diligence

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17. The shortlisted candidates were interviewed Tuesday 6 September 2022 - Sir Brian in person, and Mr McLean on-line due to overseas commitments. The interview panel was Chair Leilani Frew (Deputy Secretary, Financial and Commercial, the Treasury), Grant Spencer (Independent Consultant), and Treasury officials David Stanley, Stella Kotrotsos and Joy Tracey.
18. The panel considers both candidates are appointable and bring:
- a the right attitudes and behaviours to work collaboratively and constructively, with the Crown stakeholders, boards and management, in managing the challenges that will arise as KGC assumes ownership and restructuring Kiwibank
  - b an understanding and respect for the partnerships created by Te Tiriti o Waitangi
  - c the experience and mana to bring diverse communities and stakeholders on the journey
  - d track records of achieving positive change for the organisation, and bring strong attributes of taking responsibility (and demonstrating accountability) for the impacts of decisions, and
  - e high financial literacy and strong risk management awareness and skills.
19. Below is a candidate summary against the board capability profile.

<b>Capabilities</b>	<b>Sir Brian Roche</b>	<b>David McLean</b>
Governance expertise	[34]	
Chair Experience		
Sector experience		
Financial literacy		
Transformation and innovation		
Te Ao Māori		
Stakeholder management (Crown)		
Stakeholder management		
Investment and commercial acumen		
Leadership		
Risk oversight/ management		
Diversity of perspective		
Attitudes and behaviours		
Environmental, Social and Governance		

20. [25], [34]

[25], [34]



22. Sir Brian Roche from Wellington has direct experience in the establishment and operation of organisations. His roles over many years have created a skill base and perspective directly related to many of the complex financial, operational and policy issues associated with the successful establishment of the entities. He has chaired Waka Kotahi NZTA and the COVID-19 Independent Continuous Review, Improvement and Advice Group. He has over 30 years' experience at executive, director and chair level in private business and the public sector, and is familiar with central and local government processes and accountability. He is recognised as having expertise in managing and aligning competing and often conflicting interests with a strong focus on customer experience and service offerings. He has demonstrated ability to engage a wide variety of audiences (internal and external to the organisation) to position and secure change through his personal relationship skills and extensive networks. He has a strong focus on shareholder value and is respected for his negotiation for Crown Treaty settlements.

23. Sir Brian [34] He has maintained an interest in Kwibank's performance, challenges and future from his experience as CE of New Zealand Post Limited (2010-2017). [25], [33], [37]  
he has a strong understanding of the stakeholder expectations and the risks of a stand-alone bank. He is passionate about sales as a service and organisation transformation, regarding Kwibank as 'unfinished business'. His extensive chair and governance experience across multiple sectors and organisations were supported by examples.

24. His strengths in stakeholder management, private, Crown and Treaty settlements focused on his strong relationship-based model of 'steady, sure and listen well'.  
[34]

25. [25], [34]

26.

[25], [34]

28. David McLean, from Auckland, is chair of KiwiRail and New Zealand Railways Corporation. He retired from his role as Chief Executive and Managing Director at Westpac New Zealand Limited (2014-2021) after having spent 22 years with Westpac. He was previously Head of Americas from 2012-2014 at the bank's New York Branch and held several general manager roles before that. He was a member of the National Council for the Employment of Women and was previously the chair of the NZ Banker's Association, a member of the Prime Minister's Business Advisory Council, chair of the Institute of Finance Professionals NZ, and a member of the NZ Council for Infrastructure Development. [34]

29. [26], [34]  
Mr McLean's deep banking experience and sector relationships were evidenced from the examples. He has a strong lens and diverse perspective on the risks to the bank considering competitor analysis and sector behaviour. He has strong banking financial literacy.

## Appointments - Directors

30. While the intent of the interviews was to identify a board chair, the panel recommends appointing both candidates as the first two directors on this board.
31. Mr McLean's deep knowledge of banking and the sector complements Sir Brian's wide governance, strong Crown relationship and stakeholder engagement experience and his respected position in Crown Treaty settlements. [34]
32. [34]
33. The Treasury is also considering engaging the Ministers' preferred chair for a fixed term as a consultant to advise on establishment of KGC, completion of Project Korimako and governance of the KGH group, with any such engagement to expire upon any formal appointment as KGC chair.
34. We recommend proceeding swiftly with approaching other candidates from the agreed short-list [*T2022/1122 refers*] to fill the remaining vacancies. Based on the core capabilities in the table above a particular focus will be organisation innovation and transformation, Te Ao Māori, and diversity of perspective.

## Attachments

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35. Attached to this report is:
  - Annex I – CVs of candidates
  - Annex II – APH Documentation

## Next Steps

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36. If agreed, we recommend you **commence** consultation on the preferred candidate by 19 September 2022 and, subject to consultation, **sign** and **lodge** APH documentation with Cabinet Office by 10.00am on Thursday 13 October 2022 for consideration at APH Committee on Wednesday 19 October 2022 and at Cabinet on Tuesday 25 October 2022.
37. In due course we will provide appointment letters for your signature, to take effect following confirmation through Cabinet.
38. Confirmation of the inaugural chair and director will enable us to proceed with KGC's incorporation in time to enable it to complete the acquisition of shares in KGH.

**Table 2 – Timeline to confirm the appointment**

<b>CHAIR APPOINTMENT</b>	<b>DATE</b>
Due Diligence Report sent to Ministers	Thursday 8 September 2022
Ministers agree Chair Candidate	Thursday 14 September 2022
APH documentation provided to support consultation	w/c 19 September 2022
DD final background and security checks	w/c 19 September 2022
Consultation 3 weeks	completed 10 October 2022
Lodged for submission to APH 10.00am	Thursday 13 October 2022
APH Committee	Wednesday 19 October 2022
Cabinet confirms appointment	Tuesday 25 October 2022
Paperwork and appointment letters signed	Wednesday 26 October 2022
Appointment start date	Thursday 27 October 2022