

1 April 2021

[REDACTED]

Dear [REDACTED]

REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your request to the Guardians of New Zealand Superannuation (“Guardians”), dated 9 March 2021 and clarified on 12 March 2021, made pursuant to the Official Information Act 1982 (“OIA”).

Your Request

You have requested the following information:

1. Analysis on the correlation of the New Zealand residential property market with other asset classes in New Zealand and overseas;
2. The diversification benefits to NZ Super Fund of obtaining exposure to the New Zealand residential property asset class, and any disadvantages of such exposure; and
3. The strategy (if any) of the NZ Super Fund to obtain such exposure.

Thank you for agreeing to narrow the scope of your request, it has been a significant help in assisting us to process your request promptly. You have confined your request in respect of the above to:

- Only documents dating from 1 January 2018;
- Only documents addressing the issue directly; and
- Only documents that are the latest version, which reflect what the NZ Super Fund is following or implementing.

Our Response

Details of the information we have identified as being within the scope of your request, and our response in respect of that request, are set out in **Table 1 below**. The information we are releasing can be found **attached**, at **Appendix 1**.

Where we have withheld information, we have good reasons for doing so under section 9 of the OIA. We have considered whether the public interest in favour of disclosing the information contained in these documents outweighs our reasons for withholding it, and we have concluded that it does not. We note, for example, that there is a strong public interest in ensuring that we are able to invest in NZ real estate transactions on commercially favourable terms (and not limiting our ability to invest domestically).

To give you a sense of our rationale, the general bases on which it is necessary for us to withhold the information, and the grounds under the OIA that we refer to, are as follows. Please note that a number of the rationale for different grounds overlap and where this is the case we have included them under one ground only (but they should be considered to apply to all grounds, as relevant).

A. Section 9(2)(a) – *Protect the privacy of natural persons.*

Names of individuals have been withheld in order to protect the privacy of natural persons. We note that the names of staff appear in the context of specific advice and investment processes undertaken – i.e. the names appear in context which constitutes a privacy interest. We do not see any public interest in, nor public benefit from, the release of this information. The relevant information is not required for the purposes of transparency and accountability of the Guardians' activities. There is no good reason why these individuals in particular should be subjected to potential public scrutiny.

B. Section 9(2)(b)(ii) – *Protect information where the making available of the information would be likely to unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.*

We carry out commercial activities in relation to the Fund. In investing the Fund we compete in a global market for access to the best investment managers, co-investors, and investment opportunities, as well as competing for a variety of commercial partners.

Our partners operate in their own highly competitive markets and are concerned about protecting information related to prospective investment opportunities. We believe it is in the public interest that we are able to maintain the highest standards of commercial sensitivity with those we work with, as there is a chance they may choose not to work with us if we cannot uphold the sensitivity of this information.

We also note that certain of the materials contained strategic information in respect of potential areas of interest relating to real estate more generally. Disclosing this information would significantly prejudice our commercial position by providing potential counterparties and competitors with insights on our strategies. There is a strong public interest that we do not release this information, since it may have a negative impact on our commercial position.

C. Section 9(2)(ba)(i) – *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.*

Due diligence and negotiations relating to prospective investment opportunities are conducted on a confidential basis and may be the subject of a Non-Disclosure Agreement (NDA). We are not able to properly evaluate prospective investment opportunities without receiving this confidential information.

We operate in a competitive market and if we cannot uphold the confidentiality of commercially sensitive information provided to enable us to evaluate investments, the future supply of such information will be jeopardised.

If the Guardians was to disclose confidential information to the public, it is likely that other entities in which the Guardians may wish to invest (or other parties with which the Guardians may wish to contract) or enter into a substantive commercial arrangement with will be reluctant to engage with the Guardians because of the risk of disclosure of their confidential information.

It is in the public interest that we can maintain the highest standards of confidentiality and commercial sensitivity with those we work with, in order to compete on a level playing field with other investors and maximise returns to the Fund.

D. Section 9(2)(i) – Enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities.

Certain information concerning our approach to New Zealand residential property is highly commercially sensitive. This includes information about our investment proxies, hurdles, investment evaluation processes and strategies. If disclosed, this information could materially compromise our ability to successfully execute future investments. This is because:

- It prejudices our negotiating position on potential future investments if information was disclosed that gives potential future counterparties insights into the areas in which Guardians may be seeking to invest and the basis on which the Guardians is prepared to transact, including pricing expectations and what concessions or trade-offs the Guardians may be prepared to accept in order to secure an investment opportunity.
- If our competitors obtain details on the basis on which we determine the investment hurdles, cost of capital, anticipated returns and methodologies for evaluating investments in the New Zealand real estate sector, they will be able to ascertain what investments we are likely to prioritise and the price we may be willing to pay for them.

E. Section 9(2)(j) – Enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

At any given time we may be engaged in live investment transactions or ongoing negotiations. In the course of these transactions or negotiations, we will need to engage with third parties including prospective vendors, investee companies, co-investors, investment managers, advisors, and other suppliers. The effectiveness of such negotiations will be undermined if certain information relating to our analysis of prospective investments, including the basis on which we are prepared to transact and our likely financial hurdles for the investment, was disclosed.

F. Section 9(2)(k) – Prevent the disclosure or use of official information for improper gain or improper advantage.

Withholding certain information about our New Zealand residential property strategy in respect of, for example, details of anticipated returns and the cost of capital, and methodologies for evaluating investments, is necessary to prevent that information being used for improper gain or improper advantage.

Disclosure of this information would enable competitors and counterparties of the Guardians to obtain an improper advantage in circumstances where similar information about those competitors and counterparties is not available to the public.

Further, disclosure of information contained in investment papers would provide other parties, who might wish to explore opportunities to invest in New Zealand residential property, the benefit of the substantial work undertaken by the Guardians. This would give other parties an

improper gain or advantage, in that they would receive the benefit of this work without having had to contribute towards its cost.

Table 1

No.	Document Reference	Document Date	Document Title	Relevant request	Status	Main withholding grounds
1	#2614306	07/03/2019	Land Investment Beta	(1), (3)	Partially released	Section 9(2)(a) Section 9(2)(b)(ii) Section 9(2)(ba)(i) Section 9(2)(i) Section 9(2)(j) Section ((2)(k)
2	#2639258	4/06/2019	Document Title withheld	(1), (3)	Withheld in full	Section 9(2)(a) Section 9(2)(b)(ii) Section 9(2)(ba)(i) Section 9(2)(i) Section 9(2)(j) Section ((2)(k)
3	#2753454	5/02/2020	Beachlands proxy and Hurdle	(1), (3)	Partially released	Section 9(2)(a) Section 9(2)(b)(ii) Section 9(2)(ba)(i) Section 9(2)(i) Section 9(2)(k)
4	#2637830	30/05/2019	Direct Investments: Real Estate Access Point Strategy	(3)	Partially released	Section 9(2)(i) Section 9(2)(k)
5	#3159653	11/03/2021	Real Estate Strategy Review	(3)	Relevant extract partially released	Section 9(2)(i) Section 9(2)(k)

General

You have the right to seek a review by the Ombudsmen's Office of our response to your request.

Please note that we may choose to publish our response to your request on our website at www.nzsuperfund.nz.

Yours sincerely



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Guardians of New Zealand Superannuation