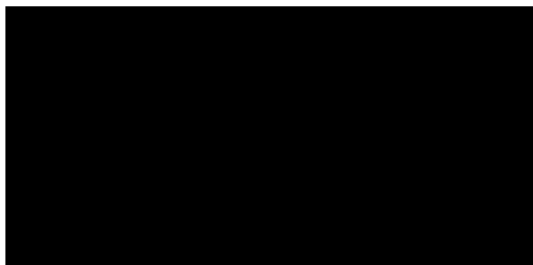


10 May 2016



REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your request dated 13 April 2016 made pursuant to the Official Information Act 1982 ("OIA").

Your Request

You have requested the following information:

- Copies of all correspondence between the NZ Super Fund and the Hon Bill English, and his staff, regarding New Zealand Post.

Our Response

Details of the information we have pertaining to your request, and our response in respect of that request, are set out below. Note: there has been no correspondence from the Minister or his office to the Guardians of New Zealand Superannuation (the manager of the NZ Super Fund), regarding New Zealand Post. All the below items are correspondence from Guardians to the Minister's office as part of its normal reporting and 'no surprises' relationship. The correspondence relates to the Fund's purchase of a stake in Datacom from New Zealand Post in 2012, and the current conditional offer to purchase a stake in Kiwi Group Holdings Limited.

Document number	Document date	Document name	Sections relevant to request	Decision	Notes
#908650 + attachment	27 April 2012	Email: NZ Super Fund – Quarterly Report to Minister of Finance for period ended 31 March 2012 and attachment: a) NZSF Quarterly Minister Report to 31 March 2012	3.4	Relevant section released in full	See Appendix 1 page 1
#806287 + attachment #804011 v2	30 October 2012	Email: Email to Minister's office: NZ Super Fund Quarterly Report – September 30 2012 and attachment: a) #804011	Section 4.2 of attached report (Datacom paragraph)	Relevant section released in full	See Appendix 1 page 2

Document number	Document date	Document name	Sections relevant to request	Decision	Notes
		Quarterly Report to 30 September 2012			
#817805	17 December 2012	Email: NZSF purchases 35% stake in Datacom and attachment: a) NZPG Datacom Media Release 171212	All	Released in full except for officials' names	See Appendix I page 3
#909149 + attachment:	30 January 2013	Email: NZSF Quarterly Report to Minister of Finance – Dec 2012 and attachment: a) NZSF MOF report to 31 Dec 2012 FINAL	Section 4.2 (Datacom paragraph) of attached report	Relevant section released in full	See Appendix I page 7
#855137 + attachment #850843 v3	29 April 2013	Email: NZ Superannuation Fund Quarterly Progress Report to 31 March 2013 and attachment: a) 850843 29-04-2013 Quarterly Report to MOF	Section 4.2 (Datacom paragraph) of attached report	Relevant section released in full	See Appendix I page 8
#1022105 + attachments	13 March 2014	Email: FW: Select Committee responses from Guardians of New Zealand Superannuation / NZ Superannuation Fund and attachments: a) 960661 vs 3 – Guardians Financial Review written questions 1-145 and appendices A, B and C	Response to question 137 of written questions (potential conflicts of interest)	Relevant portion of answer released in full	See Appendix I page 9
#1658244	8 July 2015	Email: C3 CONFIDENTIAL – NO SURPRISES	All	Released in full except for officials' names and contact details	See Appendix I page 10
#1692206 + attachment #1658365 v3	31 July 2015	Email: C3 Confidential – NZ Super Fund – quarterly report to 30 June 2015	Section 4.7 of attached report	Relevant section released in full	See Appendix I page 11

Document number	Document date	Document name	Sections relevant to request	Decision	Notes
#1756632 + attachments #1748057 v1 and #1658365 v3	30 October 2015	Email: NZ Super Fund – Quarterly Report to the MOF, September 2015 – COMMERCIAL IN CONFIDENCE	Section 4.7 of June report #1658365 v3 (duplicate of above)	Relevant section released in full	See Appendix I page 11
#1881558 and attachments: a) #1880939 b) #1862298	6 April 2016	Email: C3 confidential – Tui announcement and attachments: a) Final NZ Post Media Statement embargoed 10.30 am 6 April 2016 b) #1862298 v8Tui – Comms – Q&A	All	Email – released in full except for officials' names a) #188039 Final NZ Post media statement – released in full (already public) b) #1862298 Tui – Comms – Q&A – released in full	See Appendix I page 12
#1886908	7 April 2016	Email: FW: NZ Super – Kiwibank	All	Partially withheld - section 9(2)(a)	See Appendix I page 20

Points of Clarification

- 1) In a July 2015 email (#1658244) and our June 2015 Quarterly Report to the Minister of Finance (#1658365) we refer to commencing due diligence on Kiwi Group Holdings. This was high level due diligence undertaken to inform the development of our indicative offer for the company. As publicly announced, we are now, in conjunction with ACC, undertaking detailed due diligence on Kiwi Group Holdings.
- 2) A number of the documents released to you mention conflicts at the level of the Guardians Board in relation to New Zealand Post, Datacom and Kiwibank. Our approach to managing Board conflicts of interest is set out in our Board Code of Conduct available within the Board Charter on our website at: <https://www.nzsuperfund.co.nz/publications/policies>.
- 3) In line with good commercial practice, our approach is for Board members who have stepped down from a role that presented a potential conflict of interest to continue to be considered conflicted for a period. The relevant period will depend on the circumstances (e.g. how long

they were in the role) but may be up to two years. For example, as a Board member of New Zealand Post up until September 2013, Guardians' Board member Pip Dunphy was considered by us as conflicted in regards to Kiwibank transaction, and excused from all matters relating to it, until September 2015. This is why Pip Dunphy is noted as being non-conflicted in our Q&A (#1862298) when previous correspondence noted that Mark Tume was the only non-conflicted Board member.

Information withheld

- 1) We have chosen to withhold the names and contact details of officials, at the NZ Super Fund, The Treasury and in the Minister's office, which appear in email correspondence records. These names and contact details have been withheld under section 9 of the Official Information Act, on the basis that it is necessary to do so in order to protect the privacy of natural persons (section 9(2)(a)). We have considered whether the public interest in favour of disclosing that information outweighs our reasons for withholding it, and have concluded that it does not. We favour non-disclosure because we wish to protect the privacy of those staff whose names are in the documents and do not believe, in any case, that this information is of material relevance to your enquiry.
- 2) Parts of document #1886908 have been withheld under section 9 of the Official Information Act, on the basis that it is necessary to do so in order to protect the privacy of natural persons (section 9(2)(a)). We have considered whether the public interest in favour of disclosing that information outweighs our reasons for withholding it, and have concluded that it does not. We favour non-disclosure because we wish to protect the privacy of staff members (as per above) and a third party, whose names are in the document, and do not believe, in any case, that this information is of material relevance to your enquiry.

General

You have the right to seek a review by the Office of the Ombudsman of our response to your request. We set out the details of the Office of the Ombudsman below should you wish to contact it.

Website: www.ombudsman.parliament.nz
Email: info@ombudsman.parliament.nz
Free phone: 0800 802 602 (+64 4 473 9533)

Please note that we may choose to publish our response to your Official Information Act request on our website.

Yours sincerely



Adrian Orr
Chief Executive Officer

Appendix I

Document number	Document date	Document name	Sections relevant to request	Decision	Notes
#908650 + attachment	27 April 2012	Email: NZ Super Fund – Quarterly Report to Minister of Finance for period ended 31 March 2012 and attachment: a) NZSF Quarterly Minister Report to 31 March 2012	3.4	Relevant section released in full	See Appendix I page 1

- 3.4 NZ Post is undertaking a range of steps to ensure the probity of their process regarding the potential sale of their stake in Datacom. While they are undertaking this work we have withdrawn our Letter of Interest regarding a possible purchase. We expect NZ Post will complete this probity work in early May at which time we will reconsider our continuing interest.

Document number	Document date	Document name	Sections relevant to request	Decision
#806287 + attachment #804011 v2	30 October 2012	Email: Email to Minister's office: NZ Super Fund Quarterly Report – September 30 2012 and attachment: #804011 Quarterly Report to 30 September 2012	Section 4.2 of attached report (Datacom paragraph)	Relevant section released in full

We are also currently undertaking due diligence on **Datacom** with a view to purchasing NZ Post's 35% stake in the company. This process will be completed in November 2012.

Document number	Document date	Document name	Sections relevant to request	Decision
#817805	17 December 2012	Email: NZSF purchases 35% stake in Datacom and attachment: a) NZPG Datacom Media Release 171212	All	Released in full except for officials' names and contact details

From: [REDACTED]

Sent: Monday, 17 December 2012 8:43 a.m.

To: [REDACTED]

[REDACTED]

Cc: [REDACTED]

Subject: NZSF purchases 35% stake in Datacom

Dear all

As previously signalled, the NZ Super Fund's purchase of NZ Post's 35% stake in Datacom has been finalised and announced to the NZX. Our media release is below and NZ Post's statement attached.

Best regards

[REDACTED]

17 December 2012

Media Statement

NZSF purchases 35% stake in Datacom

The New Zealand Superannuation Fund has reached a conditional agreement to purchase New Zealand Post's 35% stake in technology services company Datacom (www.datacom.co.nz) for \$142 million.

GM Investments Matt Whineray said Datacom was a New Zealand success story with further growth potential both locally and overseas.

"Datacom's conservative balance sheet and long-term investment focus are well suited to the Fund's approach as a long-term, growth-oriented investor," Mr Whineray said.

"We have also been impressed by Datacom's strong management team, deep, long-term customer relationships and track record of earnings growth."

Mr Whineray said a wide range of investment options were open to the Fund. "It's pleasing to be able to secure a sizeable New Zealand investment that stacks up against the best in the world."

"We look forward to working with Datacom's major shareholder, the Holdsworth family, to continue Datacom's success."

The \$20 billion New Zealand Superannuation Fund, which was established to help pre-fund universal superannuation entitlements, has returned 7.6% p.a. since inception in 2003. The Fund has \$3.7 billion of its investments in New Zealand, up from \$2.4 billion as at 30 June 2009.*

Recent New Zealand investments include a 50% share of Z Energy, a one-third share in Scales Corporation and a \$110 million portfolio of rural dairy farms.

The Fund will manage its shareholding in Datacom, a privately-held company with 4,000 staff and sales of more than \$785 million annually, in-house.

The agreement is expected to become unconditional in early 2013.

ENDS

* as at 31 October 2012 and excluding cash and foreign exchange hedging instruments.

Media contact: [REDACTED]
[REDACTED]

Attachment:



NEW
ZEALAND
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MEDIA RELEASE

17 December 2012

NEW ZEALAND POST SELLS ITS SHARE IN DATACOM

New Zealand Post has signed a conditional sale and purchase agreement to divest its 35 percent shareholding in information and technology company Datacom Group Ltd (Datacom).

New Zealand Post is selling its shareholding to The Guardians of New Zealand Superannuation (NZ Super Fund) for a total purchase price of \$142 million. The transaction will result in a gain on sale of \$76.4 million.

New Zealand Post Group CEO Brian Roche said the sale of the shares in Datacom is a move out of necessity given other capital priorities within the New Zealand Post Group.

“Datacom is a tremendously successful New Zealand company which has established a strong presence here, in Australia and most recently in Asia. We have enjoyed a strong relationship with Datacom since 1990 and will continue to do so.

“However having a significant amount of capital locked up in a minority shareholding does not meet the current strategic needs of the New Zealand Post Group,” said Mr Roche.

New Zealand Post intends to utilise the proceeds from the sale for restructuring the Group’s debt position and funding strategic investments in its businesses.

“New Zealand Post has been delighted to have been part of the excellent growth and innovation of Datacom.

“However, the strategic imperatives facing New Zealand Post to position our businesses and assets for the future mean we are required to apply this capital elsewhere.

“New Zealand Post is a significant customer of Datacom and ongoing contractual relationships will continue as part of a strong business relationship,” Mr Roche said.

Mr Roche said NZ Super Fund was a highly suitable purchaser of the New Zealand Post share and the transaction would be a good outcome for the Group and the wider New Zealand business sector.

The Sale and Purchase agreement is subject to certain conditions including Australian Foreign Investment Review Board approval.

END

Contact: [REDACTED]
[REDACTED]

Document number	Document date	Document name	Sections relevant to request	Decision
#909149 + attachment:	30 January 2013	Email: NZSF Quarterly Report to Minister of Finance – Dec 2012 and attachment: a) NZSF MOF report to 31 Dec 2012 FINAL	Section 4.2 (Datacom) of attached report	Relevant section released in full

Datacom

In December 2012, following an extensive due diligence process, we announced a conditional agreement to purchase New Zealand Post's 35% stake in technology services company Datacom for \$142 million. We will manage our shareholding in Datacom directly (in-house).

We will advise your office when the transaction is complete.

Document number	Document date	Document name	Sections relevant to request	Decision
#855137 + attachment #850843 v3	29 April 2013	Email: NZ Superannuation Fund Quarterly Progress Report to 31 March 2013 and attachment: a) 850843 29-04-2013 Quarterly Report to MOF	4.2 of attached report (Datacom paragraph)	Released in full

Datacom

We settled our purchase of New Zealand Post's 35% stake in technology services company Datacom during the quarter. As previously advised to your office, we have appointed Michael Coomer and Brett Sutton as our representatives on the Datacom Board.

Document number	Document date	Document name	Sections relevant to request	Decision
#1022105 + attachments	13 March 2014	Email: FW: Select Committee responses from Guardians of New Zealand Superannuation / NZ Superannuation Fund and attachments: a) 960661 vs 3 – Guardians Financial Review written questions 1-145 and appendices A, B and C	Response to question 137 of written questions (potential conflicts of interest)	Relevant portions of answer released in full

Note: appears twice

Nature of Potential Conflict	Staff/Board Member	Contract/Policy etc. last 4 years	Value	Steps taken
NZ Post sold 35% of Datacom to NZSF. Board member a director of NZ Post.	Board member	Sale and Purchase	\$142m	Investment decisions are made by management. Board sets overarching strategies and appropriate limits. Board is not involved in investment decisions. Board member excused from all discussion/references to matter.

Document number	Document date	Document name	Sections relevant to request	Decision
#1658244	8 July 2015	Email: C3 CONFIDENTIAL – NO SURPRISES	All	Released in full except for officials' names and contact details

From: [REDACTED]
Sent: Thursday, 9 July 2015 9:50 a.m.

To: [REDACTED]

Cc: [REDACTED]
Subject: C3 CONFIDENTIAL - NO SURPRISES

Dear [REDACTED]

Confidentially (and as we understand you are aware [REDACTED]), we are currently in discussions with NZ Post regarding the potential acquisition of a minority stake in Kiwi Group Holdings (the parent company of KiwiBank) and will shortly be commencing a due diligence process. The Prime Minister and the Minister of Finance have been briefed on the matter by Brian Roche.

As this is a commercially sensitive matter, please do not discuss it with others.

We have put appropriate protocols in place to manage conflicts among our Board members. All of our Board members, except Mark Tume, are considered conflicted through involvement with either banks or NZ Post/KiwiBank.

If we receive a media enquiry on the matter we will decline to comment on the basis that we do not comment on speculation about what investment opportunities the Fund might or might not invest in.

Best regards

[REDACTED]

Document number	Document date	Document name	Sections relevant to request	Decision
#1692206 + attachment #1658365 v3	31 July 2015	Email: C3 Confidential – NZ Super Fund – quarterly report to 30 June 2015	Section 4.7 of attached report	Relevant section released in full
#1756632 + attachments #1748057 v1 and #1658365 v3	30 October 2015	Email: NZ Super Fund – Quarterly Report to the MOF, September 2015 – COMMERCIAL IN CONFIDENCE (attached September and June quarter reports)	Section 4.7 of June report #1658365 v3 (duplicate of above)	Relevant section released in full

4.7. We have commenced due diligence on Kiwi Group Holdings (the parent company of KiwiBank), with a view to acquiring a minority stake in it from New Zealand Post. We have put appropriate protocols in place to manage conflicts among our Board members. All of our Board members, except Mark Tume, are considered conflicted through involvement with either banks or NZ Post/KiwiBank.

Document number	Document date	Document name	Sections relevant to request	Decision
#1881558 including attachments: a) #1880939 v1 b) #1862298 v8	6 April 2016	Email: C3 confidential – Tui announcement and attachments: a) Final NZ Post Media Statement embargoed 10.30 am 6 April 2016 b) Tui – Comms – Q&A	All	Released in full except for officials' names and contact details

From: [REDACTED]

Sent: Wednesday, 6 April 2016 9:25 a.m.

To: [REDACTED]
[REDACTED]

Cc: [REDACTED]
[REDACTED]

Subject: C3 confidential - Tui announcement

Hi [REDACTED]

As I think you are aware, the Tui announcement is being made at 10.30 am today. Media invitations have just been sent.

NZ Post are taking the lead. We will not be making a media statement and do not plan on giving interviews. This reflects the fact that DD has not been completed and a final decision to invest has not been made. We will aim to handle any media enquiries on email. We'll review this position after 24 hours.

I have attached a copy of the Q&A that we have prepared to assist in answering questions. It is a joint Q&A with ACC.

The final version of the NZ Post media release is also attached.

Please feel free to call me if you have any questions.

Best regards

[REDACTED]



NEW
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MEDIA RELEASE

EMBARGOED till 10.30am Wednesday 6 April, 2016

Stronger circle of Crown owners proposed for Kiwibank

The Crown's two major investment funds, the New Zealand Superannuation Fund and the Accident Compensation Corporation (ACC), may soon join New Zealand Post as the owners of Kiwi Group Holdings (KGH) Limited.

New Zealand Post Group Chairman Sir Michael Cullen announced today that New Zealand Post has received an indicative offer from the NZ Super Fund and ACC to purchase 25% and 20% respectively of Kiwi Group Holdings Limited. The indicative offer, which is subject to a number of matters including due diligence, has been priced on a commercial basis, and reflects the Government's absolute position that Kiwibank must remain in public ownership. The offer is based on valuing KGH at \$1.1 billion, which would mean New Zealand Post receiving \$495 million.

KGH is the company that owns Kiwibank and its associated businesses such as Kiwi Wealth Management and Kiwi Insurance.

Sir Michael said that "no deal has been finalised yet and it will take some weeks for a process to be worked through, however we wanted to be proactive in our disclosure".

Sir Michael said: "New Zealand Post approached the Government and pursued the initiative because it considers that NZ Super Fund and ACC are strong potential shareholders for Kiwibank as a Crown-owned bank. The two investment funds hold assets of over \$60 billion between them, while New Zealand Post continues to face headwinds in its core mail business."

There are various conditions to be met before the proposed transaction can proceed including due diligence, transaction documentation, board approvals and regulatory approval. It is intended that the transaction be completed by the end of New Zealand Post Group's current financial year.

Sir Michael said the New Zealand Post Board believes that securing an agreement with these two Crown investors – both essential parts of the New Zealand fabric – would be of significant long term benefit to Kiwibank.

"The sovereign-status NZ Super Fund and ACC are proven public sector investors. Their long-term investment horizons, expertise and access to capital would complement New Zealand Post as a shareholder and support the ongoing development of Kiwibank."

Sir Michael said New Zealand Post has provided approximately \$400 million of capital to Kiwibank over its lifetime. "We believe now is the right time to broaden the bank's support base within the wider public sector, and this provides the NZ Super Fund and ACC with a rare opportunity to secure a significant minority stake in a large and well-performing unlisted New Zealand business."

The proceeds would allow New Zealand Post to invest in its core parcels, packages and letters business and pay down debt. It is anticipated that a special dividend would also be paid to the Crown, Sir Michael said.

In terms of other matters to be disclosed, it should be noted that in the process of considering the possible transaction it has become clear to the New Zealand Post Board that, in any event, the future of the New Zealand Post guarantee of Kiwibank's payment obligations will need to be addressed, he said.

"At the time of completing the transaction, New Zealand Post would give not less than three months notice to remove the guarantee. This change would not apply to obligations incurred prior to the date of termination, only future obligations."

Media contact: [REDACTED]

Fact File and Q and As

Key facts

- Kiwi Group Holdings Limited will remain 100% Crown-owned
- Kiwi Group Holdings Limited is the holding company of Kiwibank Limited, Kiwi Wealth Management (formerly GMI), The New Zealand Home Loan Company Limited, Kiwi Insurance Limited and Kiwi Capital Funding Limited
- It is proposed that NZ Post would retain 55% of Kiwi Group Holdings
- It is proposed that NZ Super Fund would own 25% of Kiwi Group Holdings
- NZ Super Fund has \$28 billion of funds currently under management
- It is proposed that ACC would own 20% of Kiwi Group Holdings
- ACC has \$32 billion of funds currently under management
- Kiwibank has been operating for more than 14 years and has a combined loan and deposit book exceeding \$38 billion
- Kiwibank has nearly a million customers, about half a million have Kiwibank as their main bank
- Kiwi Group Holdings produced a profit of \$132 million in the year to June 2015

What are the next steps?

The parties will now progress steps to advance the potential transaction, with the intention of completing transaction documentation and a sale by 30 June 2016.

What sale price has been agreed for the shareholding?

The NZ Super Fund and ACC have negotiated a purchase price with New Zealand Post based on a valuation of Kiwi Group Holdings Ltd of \$1.1 billion. This equates to a price of \$495 million for a 45% share of the company. The valuation reflects the Government's non-negotiable position that Kiwibank remains 100% owned by the Crown. The price also reflects other factors such as the minority shareholding that is proposed to be acquired. The final price is subject to a range of matters including full due diligence.

Does Kiwibank require access to alternative streams of capital?

In line with Kiwibank's existing strategy and although it self-generates capital, it is anticipated that over time the bank may require additional capital to grow its product and service offering, for example by broadening its wealth and insurance business and growing its small to medium business customer base.

Is there expected to be an impact on New Zealand Post's and Kiwibank's credit rating following this announcement?

There is no expected impact on New Zealand Post's credit rating. Kiwibank's credit rating agencies have been consulted and will be issuing statements in due course in connection with this announcement.

Standard & Poor's has indicated that following the announcement of the proposed transaction, Kiwibank's long term issuer credit rating (A+) will be placed on credit watch negative pending the proposed termination of the standing guarantee provided by NZ Post. Should the guarantee be terminated, Standard & Poor's has indicated it will result in a one notch downgrade to Kiwibank's long term issuer credit rating (from A+ to A).

Could the NZ Super Fund and ACC sell to overseas investors?

The Government's stated policy is that Kiwibank remains 100% Crown owned. Under the proposed agreement, the Government would have a pre-emptive right to buy shares that either the NZ Super Fund or ACC wished to sell. In any event, the two parties cannot sell outside the existing shareholder base within the first five years.

What are NZ Post's long-term intentions?

New Zealand Post will continue to be a Kiwibank owner and support the bank's strategy. The NZ Super Fund and ACC may become larger shareholders through capital investment over time, including the reinvestment of dividends. This would result in a dilution of the New Zealand Post shareholding.

Is this a good decision for the New Zealand Post business?

The New Zealand Post Board firmly believes the proposed transaction would be good for both New Zealand Post and Kiwibank (and its associated companies).

The NZ Super Fund and ACC have the expertise and access to capital that would complement New Zealand Post as a shareholder. New Zealand Post's provision of capital for Kiwibank has been achieved through the raising of debt, and New Zealand Post is no longer in a position to provide further capital.

A successful transaction would allow New Zealand Post to pay down debt as well as provide it with access to additional capital to invest in the long term sustainability of the mail and logistics business. It is also envisaged that a special dividend will be paid to the Government.

Is this a NZ Super Fund-ACC joint venture?

No. The NZ Super Fund and ACC have separate mandates but similar approaches to long term investment returns. They would become co-investors alongside New Zealand Post.

Initial shareholdings would be NZ Super Fund owning 25% and ACC owning 20%.

What if the NZ Super Fund and ACC are not satisfied with the results from the due diligence?

Depending on the issues that may arise, there may be a re-negotiation of price or other terms or the transaction may simply not proceed.

New Zealand Post remains a committed owner of Kiwibank regardless of the involvement of the NZ Super Fund and ACC, and will continue to support the bank's strategy.

What amount of dividend will be paid to the Crown if the transaction proceeds?

Any dividend payment to the Crown will be determined by a combination of factors including the sale price; the repayment of debt acquired by New Zealand Post for the provision of capital to Kiwibank; discussion on New Zealand Post's ongoing capital requirements and associated credit rating impact; and any proceeds that may be invested in new equity in Kiwibank.

Who initiated discussions?

Following various discussions with the NZ Super Fund and ACC, the New Zealand Post Group Chair and CEO approached the Government in 2014 for permission to explore an introduction to the bank of third party capital from within the Crown-owned entities. Active discussions were initiated by New Zealand Post in early 2015.

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NZSF and ACC Key Messages and Reactive Q&A on Tui Transaction

Key messages on transaction:

- All prospective NZ Super Fund and ACC investment decisions are assessed on a purely commercial basis.
- We operate independently and at arm's length from the Government.
- NZ Super Fund and ACC act independently of one another and have decided as part of this transaction to co-invest together, alongside NZ Post.
- A final decision to invest has not been made and remains subject to a number of conditions including satisfactory due diligence and Reserve Bank approval.

Key NZSF messages on conflicts:

- Conflicts will continue to be managed in accordance with the Board Code of Conduct which is available on our website.
- Conflicted Board members are excused from all matters relating to the conflict.
- We disclose how we manage conflicts as part of our regular Select Committee disclosures.
- A Board sub-committee of non-conflicted members is providing oversight of the transaction.

Key ACC messages on conflicts:

- Conflicts will continue to be managed in accordance with our internal policies.
- Our investment committee, which is a subcommittee of the main ACC board, plus two independent directors, has no conflicts in relation to this transaction.

Was any political pressure applied to the Guardians to enter into this investment?

Absolutely not. All prospective ACC and NZ Super Fund investments are assessed on a purely commercial basis. We operate independently and at arm's length from the Government.

Who initiated discussions?

Following various discussions with the NZ Super Fund and ACC, the New Zealand Post Group Chair and CEO approached the Government in 2014 for permission to explore an introduction to the bank of third party capital from within the Crown-owned entities. Active discussions were initiated by New Zealand Post in early 2015 and the Government formally advised in late 2015.

Why do you want to invest in Kiwibank?

A final decision to invest has not been made and remains subject to a number of conditions including satisfactory due diligence, NZ Post Board approvals and Reserve Bank approval. That said, this is a rare opportunity to purchase a significant minority stake in a large, unlisted New Zealand company. We both believe we can add value to Kiwibank through our

Document 1862298 Version 8

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access to capital and active approach to investment management. NZSF's and ACC's long investment horizons are also a good fit with Kiwibank. We are also confident that, in NZ Post, we will be working with an organisation with compatible values and a similar investment approach.

Why buy so much of the company - NZSF?

The investment is consistent with NZSF's long-standing investment strategy to target local transactions of NZ\$100m-NZ\$300m+ for a 20%-50% stake. While a large investment, it represents less than 1% of the total Fund.

Why buy so much of the company – ACC?

While a large investment, it represents less than 1% of ACC's total funds under management and is consistent with ACC's asset allocation.

What conditions need to be satisfied before the deal goes ahead?

The transaction is subject to satisfactory due diligence by the Guardians and ACC, NZ Post Board approvals and Reserve Bank approval.

What is the reason for NZSF and ACC taking different percentages in Kiwibank?

This reflects NZSF's earlier involvement in the transaction.

What investments will you sell to fund the purchase of this stake in Kiwibank?

NZSF – global equities and global bonds per the Reference Portfolio.

ACC – It is likely to come from a mix of listed debt and global equity securities.

Does this mean you can sell Kiwibank overseas?

Refer to NZ Post Q&A. We note that the agreement that has been negotiated includes safeguards in the exit provisions – e.g. the NZ Super Fund/ACC cannot sell outside the existing shareholders for five years; after that we may sell outside of existing parties, but the Government has an initial pre-emptive right.

That said, both ACC and NZSF are entering into this transaction with a view that Kiwibank is a long-term investment.

Is this privatisation by stealth?

Refer to NZ Post Q&A. We note that the agreement that has been negotiated includes safeguards in the exit provisions – e.g. the NZ Super Fund/ACC cannot sell outside the existing shareholders for five years; after that we may sell outside of existing parties, but the Government has an initial pre-emptive right.

That said both ACC and NZSF are entering into this transaction with a view that Kiwibank is a long-term investment.

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Will you put Kiwibank's lending rates up once you take ownership? (drive for higher commercial ownership over providing a competitive offering to NZers)

The question is premature. If the transaction proceeds we want to contribute to the future success of Kiwibank. Ultimately, Kiwibank's strategy has been and will continue to be a decision for the Kiwibank board. [If pressed] we acknowledge that a core feature of Kiwibank's branding and growth is offering competitive rates.

Who will you appoint to the Board?

The question is premature. If the transaction proceeds we want to contribute to the future success of Kiwibank and its related entities by appointing the best people to its Board.

Will Lindsay Wright remain on the Kiwibank Board?

Refer to Kiwibank.

Will Lindsay Wright remain on the Guardians Board?

Yes.

Is this why Catherine Savage resigned from the Kiwibank Board?

Catherine resigned from a number of Boards at the time of taking over the Chairmanship of the Guardians, due to the additional time involved in undertaking this role. Although it was early days at the time, she was also aware of the possible Kiwibank investment.

Is Catherine Savage still considered by the Guardians as conflicted on Kiwibank matters?

Yes. Good practice is to have a stand-down period of two years.

Who else is conflicted?

In addition to Lindsay Wright and Catherine Savage, Stephen Moir (BNZ) and Craig Ansley (ASB wealth committee)

Is this why Gavin Walker resigned before his term was up?

Refer to media statement.

Who from the Guardians' Board is providing the necessary oversight of this transaction?

A Board sub-committee comprised of non-conflicted Board members – Mark Tume and Pip Dunphy.

Does this transaction require Guardians' Board approval?

No, this is within the parameters of management's delegations. A Board sub-committee is providing oversight in line with our normal processes.

Document 1862298 Version 8

Document number	Document date	Document name	Sections relevant to request	Decision
#1886908	7 April 2016	Email: FW: NZ Super – Kiwibank	All	Partially withheld – section 9(2)(a)

From: [REDACTED]
Sent: Thursday, 7 April 2016 4:21 p.m.
To: [REDACTED]
Subject: FW: NZ Super - Kiwibank

Hi [REDACTED]

[REDACTED]

From: [REDACTED]
Sent: Thursday, 7 April 2016 3:28 p.m.
To: [REDACTED]
Subject: NZ Super - Kiwibank

[REDACTED]

In fact, the Super Fund was in discussions with NZ Post about Kiwibank prior to the involvement of ACC. In addition, this transaction is within the parameters of management's delegations – our Board are not the decision-makers. The bank members are conflicted and excused from the matter in accordance with our Code of Conduct. A Board sub-committee of non-conflicted members is providing oversight in line with our normal processes.

Cheers

[REDACTED]