

Hon Andrew Little

Minister of Health
Minister for Treaty of Waitangi Negotiations
Lead Coordination Minister for the Government's Response to the Royal Commission's Report
into the Terrorist Attack on the Christchurch Mosques
Minister Responsible for the NZSIS
Minister Responsible for the GCSB
Minister Responsible for Pike River Re-entry



05 JUL 2021

Sir Brian Roche
Establishment Chair
Tupu Tonu - Ngāpuhi Investment Fund Limited

By email: [REDACTED]

Tēnā koe Sir Brian

LETTER OF EXPECTATIONS FOR TUPU TONU

I am writing on behalf of the Minister of Finance and myself as shareholding Ministers to outline our expectations for the inaugural year of Tupu Tonu - Ngāpuhi Investment Fund Limited (Tupu Tonu).

Supporting the journey towards restoring the Crown's relationship with ngā hapū o Ngāpuhi

The ability to engage in meaningful negotiations for commercial redress is an important part of restoring the Crown's relationship with ngā hapū o Ngāpuhi. Our ambition is that Tupu Tonu can help set a platform for long-term growth in prosperity for ngā hapū o Ngāpuhi.

While Tupu Tonu is an independent Crown-owned company, it has been established to support the Crown's negotiations with ngā hapū o Ngāpuhi. As such, we expect the Crown's Treaty of Waitangi responsibilities and the importance of the Māori-Crown relationship to be reflected in Tupu Tonu's operations.

Specific expectations for Tupu Tonu

Tupu Tonu objectives

Tupu Tonu will acquire and manage a portfolio of assets that collectively:

- support any future agreements that may be entered into by the Crown in relation to the historical Treaty of Waitangi claims of ngā hapū o Ngāpuhi; and
- grow the value of its investment portfolio.

A dual portfolio structure

To reflect the dual objectives outlined above, our expectation is that Tupu Tonu investments are separated into two portfolios:

- a primary investment portfolio for the acquisition of non-listed commercial assets in Northland; and
- a secondary investment portfolio comprising investments such as public shares, bonds, managed funds and direct investments outside Northland.

We expect your main focus will be the primary investment portfolio, and that investments in the secondary portfolio will be exceptional and rare.

Solvency and use of fund capital

Tupu Tonu has entered into a subscription agreement and funding agreement with the Crown to access its capital and operating funding.

To support the solvency of Tupu Tonu, we have not placed a formal restriction on the use of share capital or investment returns for operating costs. This reflects the anticipation that where investment management and transaction costs, such as due diligence and documentation costs, are related to a specific investment or class of investments, those costs will be funded from the fund capital and netted off the returns of that investment.

However, it is our expectation that general Tupu Tonu operating expenditure will not exceed the amounts outlined in the funding agreement schedules, which reflect the amounts set out in the Vote Treaty Negotiations operating appropriation. We expect the Board to notify the monitor, the Office for Māori Crown Relations – Te Arawhiti, as soon as practicable if it becomes aware that Tupu Tonu is likely to exceed the appropriated operating funding in any particular year.

This approach balances a level of discretion for the Board to manage its finances, whilst reflecting our expectation that Tupu Tonu will not use its capital or investment returns to cover general operating expenditure.

Nonetheless, we recognise this is a new company and the full extent and nature of its ongoing costs will only become clear after a period of operations. We expect to discuss the viability of the current funding approach with the Board in approximately twelve months, or sooner if required.

Investment decisions

The Board may receive investment proposals from Ngāpuhi groups, individuals, and other parties. We expect the Board to make investment decisions independently, on the basis of how well any given investment opportunity aligns with Tupu Tonu's purpose and investment objectives.

We acknowledge there is an inherent volatility in the performance of investment funds, especially in the short-term, and understand the potential for negative returns in any given year. However, we expect the Board to manage Tupu Tonu towards medium- to long-term growth.

As a Crown-owned company, we expect Tupu Tonu to exemplify responsible investment in a Treaty of Waitangi context. For example, when Tupu Tonu considers investing in a direct asset outside Northland, we expect Tupu Tonu to proactively consult with and explore partnership opportunities with local iwi with relevant interests.

For avoidance of doubt, Tupu Tonu may invest in areas of overlapping interests in Northland, however such assets will not be transferred to Ngāpuhi until overlapping interests are addressed to the satisfaction of the Crown. Tupu Tonu may invest in non-listed commercial assets outside Northland, however such assets must be held in the secondary portfolio. Such investments will be undertaken with the intent of growing the value of the Fund only, and will not be available to Ngāpuhi as redress.

As set out in its constitution, Tupu Tonu is not to invest in any securities, assets or investments where the primary listing, registration, place of incorporation or location is outside of New Zealand.

As an exemplary responsible investor, we expect Tupu Tonu, at a minimum, to ensure environmental, social, and governance (ESG) factors are embedded into Tupu Tonu's strategic framework and investment selection criteria.

We expect Tupu Tonu to maintain robust ethical investment policies which are reviewed regularly and reflect best practice standards both here in New Zealand and internationally. We expect Tupu Tonu to ensure potential investee company policies meet the same ethical standards when carrying out due diligence before investing in such companies. Should the Board become aware of any instance which would bring Tupu Tonu's reputation as a responsible investor into question, we expect the Board to notify the monitor, Te Arawhiti, as soon as practicable.

Ngāpuhi engagement

We expect Tupu Tonu will remain independent of negotiations. We expect Tupu Tonu and Te Arawhiti to enter into a relationship agreement to facilitate appropriate and effective information sharing.

The views of ngā hapū o Ngāpuhi are important to inform the company's work. There are challenges in directly ascertaining these views, especially without clearly mandated representatives.

At this stage, the Crown is supporting regional hapū groupings to achieve mandate recognition. We do not want to predetermine how Tupu Tonu may relate to ngā hapū o Ngāpuhi during the negotiations period. We expect the Board to outline how it will engage with ngā hapū o Ngāpuhi in its first Statement of Intent (see below).

Timing of strategic planning documents

Under the Public Finance Act 1989 (section 45OA), stated sections of the Crown Entities Act 2004 apply to Tupu Tonu as a Schedule 4A Crown company. Two of these sections relate to the need to produce a Statement of Intent (SOI) every three years and an annual Statement of Performance Expectations (SPE). For new entities, shareholding Ministers set the timeline for the preparation of these critical strategic documents in the year of establishment.

We expect to receive by **16 July 2021**:

- a draft SOI, covering the strategic objectives of Tupu Tonu for the period 2021/22 to 2024/25; and
- a draft SPE for the 2021/22 financial year.

Prior to the finalisation of both documents, we may direct Tupu Tonu on any matters normally captured in those documents under sections 140(3) and 149D(3) of the Crown Entities Act 2004.

Disbursements

Cabinet has agreed a small portion of Tupu Tonu's cash investment return on capital will be disbursed regularly, from mid-2022, for Ngāpuhi social development and governance capability. Our officials are undertaking further work on the disbursements model design and will consult with the Board on this in late-2021. We expect the disbursements model not to distract from the core investment objectives of Tupu Tonu.

Whether responsibility for disbursements will sit with Tupu Tonu or the Crown, the mechanism for disbursements, and what community engagement might precede decisions on the disbursements model, are questions for discussion between officials, the Board, and shareholding Ministers.

Information security

We expect Tupu Tonu to seek independent assurance of its website and electronic information and communication systems to ensure they meet the Government Chief Information Security Officer and Government Chief Digital Officer expectations of public sector agencies and entities. These expectations are set out in the Protective Security Requirements and National Information Security Manual authored by the Government Communications Security Bureau and the New Zealand Security Intelligence Service.

In the event of any security, privacy or information breach of Tupu Tonu systems, we expect the Board will notify Te Arawhiti immediately.

Monitoring arrangements

Te Arawhiti is the primary monitor of Tupu Tonu. It is responsible for supporting shareholding Ministers and will be your primary point of contact on matters such as policy, strategy, reporting, and accountability.

The Treasury is a secondary monitor and will support Te Arawhiti in the technical monitoring of Tupu Tonu.

I look forward to your contribution to the Crown's efforts to restore its relationship with ngā hapū o Ngāpuhi and help meet their economic aspirations for the future.

Nāku noa, nā



Hon Andrew Little
Minister for Treaty of Waitangi Negotiations

For and on behalf of shareholding Ministers

cc: Tania Heyrick, Interim Chief Executive Tupu Tonu - Ngāpuhi Investment Fund Limited,
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