

TĀTAU TĀTAU O TE WAIROA COMMERCIAL LIMITED

STATEMENT OF INVESTMENT PRINCIPLES AND OBJECTIVES

Version: 3.0

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Accountable: Chairperson Tātau Tātau o Te Wairoa Commercial Limited

1. Introduction

- 1.1. This investment statement serves as the foundational document for Tātau Tātau o Te Wairoa Commercial Limited (Commercial). Commercial is responsible for the prudent investment and management of funds, acting on behalf of the Trustees of Tātau Tātau o Te Wairoa (Trust), as well as current and future member of the Iwi and Hapū of Te Rohe o Te Wairoa.
- 1.2. This policy is applicable to all people affiliated with Tātau Tātau o Te Wairoa's Commercial entities including but not limited to Board members, Directors, committee members, employees, and contractors. The scope of this policy encompasses the following entities:
 - a) Tātau Tātau o Te Wairoa Commercial Limited Partnership
 - b) Tātau Tātau o Te Wairoa Commercial Limited
 - c) Tātau Tātau Horticulture GP Limited
 - d) Tātau Tātau Housing GP Limited
 - e) Any other present or future Commercial entities established under the limited partnership
- 1.3. This document must be read in conjunction with the following documents, and confirm the most recent version, as they may be updated or changed periodically
 - a) Deed of Settlement of Historical Claims (26 November 2016)
 - b) Restated Trust Deed (Revised Version November 2018)
 - c) Constitution of Tātau Tātau o Te Wairoa Commercial Limited
 - d) Limited Partnership Agreement Tātau Tātau o Te Wairoa Commercial Limited, Tātau Tātau o Te Wairoa Trustee Limited, Tātau Tātau Commercial Limited Partnership
 - e) Investment Evaluation Process
 - f) Investment Scorecard
 - g) Tātau Tātau o Te Wairoa Trustee Limited Annual Letter of Expectation
 - h) Tātau Tātau o Te Wairoa Trustee Limited and Tātau Tātau o Te Wairoa Commercial Limited Strategic and Annual Plans
 - i) Tātau Tātau o Te Wairoa Commercial Limited Board Manual
 - j) Tātau Tātau o Te Wairoa Group Policies and Guidance
 - k) Regulatory and legislated obligations

2. Roles and Responsibilities

- 2.1. Trust duties concerning this policy are to:
 - a) Ensure the use of formal criteria and benchmarks to select, monitor, and evaluate, the investment performance results achieved and the overall portfolio.

- b) Make certain that the approval or rejection of Commercial investment proposals align with the risk tolerance, expectations, objectives, and investment guidelines.
- c) Guarantee that the asset portfolio is constructed based on an asset allocation strategy that aim for appropriate returns, ensures balance, and upholds prudent standards.

2.2. The Commercial Board duties concerning this policy are to:

- a) Maintain strict compliance with policy principles, policies, and objectives throughout the investment management process.
- b) Construct an asset portfolio grounded in a strategic asset allocation approach, targeting suitable returns, fostering balance, and adhering to prudent investment standards.
- c) Regularly review the performance of each investment, promptly addressing any issues that arise to ensure continuous portfolio optimization.
- d) Uphold clear and consistent communication and reporting about the investment portfolio status to provide Trust with comprehensive insights.
- e) Liquid Investments, such as listed bonds, equities, and other securities that can be liquidated within five working days
 - i. Implementing strategic asset allocation and supervising investment and divestment activities.
 - ii. Providing Fund Managers with clear instructions for executing fund transactions.
 - iii. Conducting a thorough evaluation process for Independent Investment Advisors and Fund Managers, with continuous performance monitoring. Decisions on appointing or terminating Fund Managers must be made with careful consideration. Additionally, custodial arrangements must be subject to regular assessment to ensure their effectiveness.
- f) Unlisted and illiquid investments
 - i. Strategic advice on asset allocation must be provided, ensuring all investments are prudent and commercially viable.
 - ii. Due diligence must be thorough, aligning with the strategic rationale and effectively mitigating potential risks.

- iii. Investment decisions must consider key criteria including internal rate return hurdles, return on investment, Net Present Value, economic benefits, risk rated return, without overexposing the business to risk.
- iv. An effective management structure must be in place to oversee these investments.
- v. Ensure Commercial terms that safeguard Trust's interests, including risk warranties and decision-making rights to prevent negative repercussions on the investment.

g) Reporting and management

- i. Ensure submission of all reports, business cases, investment reports, and related decision-support documents to the Trust at least five business days prior to the scheduled Trust Board meeting.
- ii. Conduct a biannual assessment of investment performance, ensuring alignment with predefined benchmarks and strategic objectives.
- iii. Generate a comprehensive annual report detailing total expenses, tax contributions, and a synopsis of the investment portfolio's performance.
- iv. Provide a monthly snapshot of Commercial performance and highlights of activities.
- v. Provide a comprehensive quarterly report to the trust on performance and activities including a presentation to Kāhui and members.
- vi. Commercial must provide an annual report to Trust detailing the comprehensive cost structure of Fund Manager service delivery. This report should include a breakdown of:
 - a. Administration and Custodial Reporting Fees
 - b. Management Expense Ratios for Managed Fund Investments
 - c. Advisory Fees
 - d. any additional Brokerage or related Fees incurred

3. Guiding Principles

- 3.1. To manage the assets on behalf of and for the benefit of the Iwi and Hapū commercial, cultural, and social advancement.
- 3.2. To employ a level of care, diligence, skill and ethics that align with the standards of a prudent businessperson overseeing a comparable enterprise.

- 3.3. To implement a robust asset allocation strategy that diversifies investments across a varied portfolio, balancing returns, asset types, return duration, sector and single asset exposure, growth, income, liquidity, taxation, environmental considerations, geographic exposure, and other relevant factors. This strategy will undergo a comprehensive review at least biennially.
- 3.4. To assess and engage in investments across various assets, examining their Commercial viability, and their social, cultural, environmental, value and impact as well as potential for member employment opportunities.
- 3.5. To perform thorough due diligence to determine the investment's suitability and relevance. All significant risks will be systematically identified, monitored, and mitigated with the option to consult expert advisors if needed.
- 3.6. To manage assets prudently, aiming to minimise the risk of capital depletion and future generational burden, while maintaining a mokopuna investment (20 year) perspective on asset returns.
- 3.7. To avoid any investment that could potentially harm or conflict with the integrity and values of Trust.
- 3.8. To avoid any investment in specific 'no go zones'. No go zones include entities that are wholly engaged in the alcohol, tobacco, weapons, fossil fuel exploration, and gambling sectors, as well as entities with negative environmental, labour, or human rights practices.
- 3.9. To prioritise the hiring of local whānau who demonstrate potential to be or are suitably qualified or experienced.

4. Objectives

- 4.1. Align returns with risk levels: Regularly assess and calibrate returns to be commensurate with the risk profile of assets, ensuring both capital preservation and growth over an extended period.
- 4.2. Capital growth target: Aim for a real-term capital increase, setting a benchmark annual return across three-year rolling periods in agreement with the Trust.
- 4.3. Portfolio alignment with distribution policy: Structure the investment portfolio to consistently support the distribution strategy of Trust, as periodically ratified.
- 4.4. Risk diversification: Broaden the investment spectrum of Commercial to mitigate significant losses in any single asset category, investment type, industry sector, or geographic region, thus safeguarding the Trust's ability to meet both immediate and future goals.

- 4.5. Interest rate risk mitigation: Strategically plan investment maturity dates to reduce exposure to interest rate fluctuations.
- 4.6. Asset management for Iwi and Hapū progress: To foster the strategic advancement of Iwi cultural, social, and environmental Pou.

5. Investment Strategy and Risk Profile

- 5.1. The Trust have adopted a risk profile ranging from moderate to open, with a target asset allocation strategy that reflects this stance. This includes an amendment to accommodate mokopuna investments which necessitate a long term perspective on risk and a return profile that emphasises social benefit. In accordance with the Trust's strategy, the balance of returns may prioritise social outcome over commercial gains.
- 5.2. It is important to note that gross yields encompass both the cash yield and any changes in the investment's underlying value. Cash yields are presented pre-tax, excluding distributions from managed funds and port shares, which are taxed at the source, with imputation credits accessible to Trust.

6. Investment Decision Making Framework

- 6.1. Ensure all investments are rigorously assessed through the Investment Evaluation Process, using the Investment Scorecard.
- 6.2. Evaluate each proposed investment's alignment with the four Pou—Tangata, Mana Māori, Taiao, Te Pātaka—and the contribution to the goals as set forth in the Strategic Plan and Annual Plans.
- 6.3. Regularly review the Investment Evaluation Process and Investment Scorecard annually to align with this Investment Policy Statement, Strategic Plan, and Letter of Expectation.
- 6.4. Secure the Trust's authorisation prior to the sale or acquisition of any land, whether general title or whenua Māori, and any assets within the designated area of interest.

7. Financial Delegations

- 7.1. Financial delegations must be employed as a key control mechanism to improve the management of risk across Commercial. They must cover all transactions undertaken by Commercial, inclusive of both on and off-balance sheet activities, across all investment channels, asset categories, and in the context of debt acquisition. This is to ensure that financial practices are robust and consistent and support the overarching goals.

7.2. The trust has particular interest in any investments made within our area of interest as defined in the settlement. Formal APPROVAL in advance must be obtained for all investments that occur or may be relevant to our area of interest regardless of amount.

7.3. The actions required by Commercial to obtain approval for financial spend are:

>\$25 million	
Approval Level Required from Trust	Commercial must substantiate each proposal with:
APPROVAL by SPECIAL RESOLUTION of registered adult members in advance	• A business case inclusive of opportunity overview, option analysis, benefit quantification, alignment with strategy objectives, impact on overall investment portfolio, budget, implementation strategy, risk management • Investment Report inclusive of detailed analysis, strategy, pricing, due diligence, market and risk analysis, commercial returns, management capability, benefits, exit strategy, expected returns and recommendations • Risk mitigation strategy for risks identified by independent external advisors and internally • Potential Commercial return must justify the associated risks • Specific contribution to Strategic Plan, Annual Plan and pou. • Cashflow forecast for total asset allocations over a period relative to the investment proposal

\$5 to \$25 million	
Approval Level Required from Trust	Commercial must substantiate each proposal with:
Formal APPROVAL in advance	• A business case inclusive of opportunity overview, option analysis, benefit quantification, alignment with strategy objectives, impact on overall investment portfolio, budget, implementation strategy, risk management • Investment Report inclusive of detailed analysis, strategy, pricing, due diligence, market and risk analysis, Commercial returns, management capability, benefits, exit strategy, expected returns and recommendations

\$5 to \$25 million	
Approval Level Required from Trust	Commercial must substantiate each proposal with:
	• Risk mitigation strategy for risks identified by independent external advisors and internally • Potential Commercial return must justify the associated risks • Specific contribution to Strategic Plan, Annual Plan and pou. • Cashflow forecast for total asset allocations over a period relative to the investment proposal

\$3 to \$5 million	
Approval Level Required from Trust	Commercial must substantiate each proposal with:
Formally CONSULTED in advance	• Investment Report inclusive of detailed analysis, strategy, pricing, due diligence, market and risk analysis, Commercial returns, management capability, benefits, exit strategy, expected returns and recommendations • A business case, when requested by Trust, inclusive of opportunity overview, option analysis, benefit quantification, alignment with strategy objectives, impact on overall investment portfolio, budget, implementation strategy, risk management • Cashflow forecast for total asset allocations over a period relative to the investment proposal

<\$3 million	
Approval Level Required from Trust	Commercial must substantiate each proposal with:
Formally INFORMED in advance	• A business case or an independent assessment conducted by an external consultant A business case inclusive of opportunity overview, option analysis, benefit quantification, alignment with strategy objectives, impact on overall investment portfolio, budget, implementation strategy, risk management • Cashflow forecast for total asset allocations over a period relative to the investment proposal

- 7.4. NOTE: These financial delegation levels do not apply for the rollover of bank deposits or managed funds. Commercial must formally INFORM Trust of the rollover of bank deposits or managed funds.

8. Policy

- 8.1. Commercial and all subsidiaries must meet all regulatory and legal obligations.
- 8.2. Trust's distribution strategy is integral to its long-term cash flow projections, which include allocations for Kāhui, social initiatives funding, and operational expenses. Distribution amounts are determined annually based on several factors:
- a) the available profit and cash for distribution
 - b) compliance with the investment objectives outlined in the Investment Strategy especially the need for reinvestment to foster portfolio growth
 - c) the agreement on the distribution of Trust's net profits (excluding any unrealised gains and losses) to Kāhui
- 8.3. Kāhui may opt for independence from the Trust. Upon such a decision, the Trust is must promptly inform Commercial of the request for independence, specifying the fulfilment date. It is crucial for Commercial to anticipate such requests and manage the associated risks as part of the overall asset investment strategy. Furthermore, Commercial is required to guarantee that assets are prepared to carry out the requisite value payment or asset transfer on the agreed date.
- 8.4. Cash investments must be made with registered banks in New Zealand that hold a minimum AA- rating.
- a) For term deposits over \$20 million, funds should be distributed among at least three banks.
 - b) If the deposits are between \$10 million and \$20 million, they should be distributed across at least two banks.
 - c) Deposits of \$10 million or less can be placed with one or more banks.
- 8.5. A minimum of 25% of the portfolio must be in liquid assets, based on the fair market value.
- 8.6. New direct investments in real property, or through a subsidiary, must be backed by a registered valuer's assessment and thorough due diligence by a qualified advisor, with conservative debt levels to mitigate value fluctuations and avoid financial distress.

- 8.7. Investments in bonds must involve entities with investment-grade credit ratings or those listed on the NZX or ASX,
- a) ensuring tradability on a listed stock exchange
 - b) limiting exposure to any single non-government entity to 15% of the investment portfolio's market value.
- 8.8. Equity investments may include shares listed in New Zealand and abroad,
- a) adhering to established "no go zones"
 - b) capping any single company holding to 5% of the portfolio's total market value at the time of investment.
- 8.9. Direct business investments must
- a) Have due diligence from a qualified advisor, including:
 - iv. Valuation for unlisted investments.
 - v. Financial analysis demonstrating a positive net present value, aligned with the business's weighted average cost of capital.
 - vi. Comprehensive review of the business's governance, management, models, systems, and processes.
 - b) Be supported by a business case that aligns with the Trust Strategy Investment goals and includes an evaluation based on the Investment Decision Making Framework.
 - c) Include a well-defined exit strategy.
 - d) Communication and consultation with Trust when investments impact Iwi or hapū within their rohe.
- 8.10. The investment portfolio's terms are managed to ensure:
- a) Diversification of repayment and interest rate schedules across various maturities, mitigating the risk of negative impacts from interest rate fluctuations at any specific time or date.
 - b) Consideration of anticipated funding needs and flexibility.
 - c) Focused oversight on long-term fixed interest investments, mindful of the possibility for market price fluctuations and interest rate variations.

- d) Preservation of short-term liquidity, ensuring that projected liabilities for the upcoming year are met or surpassed by the expected income within the same timeframe.

8.11. Investment Portfolio Conditions:

- a) Hedging instruments may be employed by Commercial to offset potential risks arising from significant foreign currency fluctuations within the investment portfolio.
- b) Engaging in foreign investment opportunities necessitates enhanced due diligence, which must be conducted by an advisor with the appropriate qualifications to ensure thorough scrutiny.

8.12. Commercial adopts an unleveraged investment approach, avoiding debt usage. However, if leveraging is deemed necessary and judicious, it will be subject to strict conditions:

- a) Commercial's total debt must not surpass 30% of the total market value of its investment assets.
- b) for direct investments involving debt, it is imperative to confine the debt within the subsidiary entity. Guarantees should not risk more than 10% of the company's assets and must align with those of other partners in the subsidiary, with appropriate guaranteed fees applied when relevant.

9. Performance Measurement

- 9.1. The Trust recognise that the securities markets are marked by fluctuating rates of return, especially over brief periods, leading to performance variability. They are committed to assessing investment performance with mokopuna investment perspective.
- 9.2. Continual review and analysis of investment assets are crucial, paralleling the importance of the initial due diligence. Asset performance must be consistently monitored, with a comprehensive evaluation at least every quarter. Commercial can replace a Fund Manager or Investment Advisor, whenever necessary to safeguard the business's interests.
- 9.3. The Trust and Commercial must meet annually to ensure investment assets align with the criteria set out in this document, including:
 - a) Maintaining asset allocation levels with rebalancing conducted within set parameters and timelines.
 - b) Conducting a comprehensive review of assets, alongside evaluating the short to medium-term cash returns and needs for all Commercial entities against the targeted cash distributions for Kāhui and the Trust
 - c) Upholding the agreed investment philosophy and limitations.

- d) Ensuring individual investments comply with investment guidelines.
- e) Noting shifts in investment options, organisational structure, investment philosophy, or personnel.
- f) Monitoring any legal or regulatory proceedings impacting investment choices.
- g) Meeting the reporting requirements set out in the Deed, Constitution, Board Manual, or other relevant policies and guidance or as requested by Trust.

9.4. For each investment asset and managed fund, as well as the entire investment portfolio, specific performance objectives must be set. The performance of investment assets, excluding real assets like property, must be assessed against a suitable market index or mandated objective for the product. These specific performance objectives must be formally agreed between Trust, and Commercial.

9.5. Market conditions can impact the attainment of the desired asset allocation, particularly if a certain asset class underperforms. To address this, a strategic plan outlining specific objectives, metrics, and timelines will be established in consultation with the Trust.

9.6. Expected returns for an asset class are:

Asset Class	Investment Type	Sector	Benchmark
Cash & Fixed Interest	Cash	Cash and Short Term Deposits	NZX NZ 90-Day Bank Bill
	Fixed Interest	New Zealand Fixed Interest Securities	Bloomberg NZBond Composite 0+ Yr
Listed Equities	Listed Equities	Listed NZ Equities	S&P/NZX 50
	Listed Equities	NZ Property	S&P/NZX All Real Estate
	Listed Equities	Listed AUS securities	S&P/ASX 200
	Listed Equities	Other International Equities	MSCI ACWI
Alternative Assets	Private Equity	Private Equity and Venture Capital	9%
	Real Assets	Forestry	5%

Asset Class	Investment Type	Sector	Benchmark
	Real Assets	Investment Property	Morningstar NZ OE Unlisted and Direct Property - NZ Non-PIE
	Real Assets	Agri Business	5%

- a) The expected returns for these asset classes are indicative and may vary due to market forces. For the formal review processes, updated benchmarks agreed with the Trust must be used.

9.7. Commercial must initiate a comprehensive review and place an Investment Advisor, Fund Manager, or direct investment on a watch list when:

- a) Their performance is below the median of their peers over one, three, or five-year spans.
- b) The three-year risk-adjusted return is lower than the median for their peer group.
- c) There is a change in the key personnel overseeing the investment.
- d) The investment or manager deviates from their declared investment style or strategy.
- e) Fees and expenses are increased.
- f) An exceptional event arises that could impact the investment or the manager's judicious handling of the assets.

9.8. Performance management is delegated to the Fund Manager, Investment Advisor and/or a nominated third party and they will report to Commercial at least annually.

9.9. The overall delivery costs of the portfolio must be fair and reasonable. It is essential that the selected Investment Advisor and Fund Managers provide a service based solely on fees, ensuring that any commissions are redirected back to Commercial.

10. Audit and Verification

- 10.1. Adherence to this Policy is subject to evaluation by both internal and external auditing bodies.
- 10.2. Any deviation from the stipulated policy will be deemed a breach, potentially leading to disciplinary action.