MAUNGAHARURU
TANGITŪ

The Proposed Investment Framework

1 Introduction

1.1 The Crown does not require us to have an Investment Framework as part of the settlement process. However we believe it is important for the PSGE and the Hapū to be clear about what sort of investments are appropriate.

1.2 The proposed Investment Framework has been prepared with advice from PricewaterhouseCoopers. In June 2012 we sent information and a copy of the proposed Investment Framework to all registered members. We also held a hui-ā-kaumātua at Napier in July and a hui-a-hapū at Tangoio in August to discuss the Framework. Since those hui, we have made one minor amendment to the Framework. We are satisfied with the proposed Investment Framework and now ask the Hapū to approve it.

2 What is an Investment Framework?

2.1 A critical task for the PSGE will be to decide how the quantum (money received from the Crown as part of the settlement), will be invested. An Investment Framework has been developed with parameters (boundaries) to guide investment decisions. In this section we describe the proposed parameters.

3 What is an Investment Policy?

3.1 An Investment Policy is a document based on the Investment Framework. It details:

a why the PSGE is engaging in investment activities;

b the criteria for deciding what the PSGE will invest in; and

c who the PSGE will invest with.

3.2 An Investment Policy provides a long-term plan and a basis for making disciplined investment decisions over time. A written Investment Policy helps to identify objectives and constraints for investment decisions. The absence of an Investment Policy reduces decision-making to an individual event basis, and often leads to chasing short-term opportunities instead of reaching long-term goals. The presence of an Investment Policy encourages everyone to maintain their focus on the long-term nature of the policy.

4 Strategic objectives for the Investment Framework

4.1 The aspirations of the Hapū were set out in an earlier document “Information for Hapū” dated 1 September 2010. Four ‘aka’ (vines) were identified: Marae, Hapū oranga (Hapū wellbeing), Taonga (Treasures) and Whai hua (Economic base). These four aka form the strategic objectives of the Investment Framework. Below are some principles that have been developed in relation to those aka.

4.2 <u>Marae</u>

a A total of $3 million has been allocated from the settlement as a ‘Marae relocation fund’ (a $2 million on-account payment plus $1 million from the quantum).

b A percentage of investment profits may be distributed as grants to the Marae, but only after administration costs and reinvestment targets have been met.

c 10% of the valuation of the Opouahi Station (representing the 250 ha for cultural redress) will be set aside to assist with funding the Marae and cultural initiatives.

d The Marae should be able to sustain its operations (the income it receives should cover its expenses).

4.3 Hapū oranga (Hapū wellbeing)

A percentage of profits may be distributed for cultural and social (health, education, employment, recreation) purposes, including to fund Hapū advocates in those areas, but only after administration costs and reinvestment targets have been met.

4.4 Taonga (treasured places and resources) & Kaitiakitanga (guardianship)

Key taonga (including cultural redress vestings under the settlement) are to be protected and never mortgaged or sold, for example the lake beds of Opouahi, Orakai, Tūtira and Waikopiro. A percentage of profits may be distributed for kaitiakitanga purposes, including to fund Hapū advocates, but only after administration costs and reinvestment targets have been met.

4.5 Whai hua (Economy)

a Seek expert advice on investments from external, independent, advisors.

b Strategically, investments need to be low risk but capital growth is also needed so that our asset base can grow to fund our aspirations and support our growing Hapū numbers.

c No capital (principal) or accumulated capital from the settlement will be distributed. Income may be distributed, but only after administration costs and reinvestment targets have been met.

d If we obtain the Esk Forest and Opouahi Station as part of our settlement, such assets need to be commercially viable. They are commercial assets that may be sold. They are not cultural redress (like the lake beds) that must be kept.

5 The proposed Investment Framework

5.1 The following statements comprise the proposed Investment Framework.

5.2 Risk profile and Rate of Return

a Mixed, low risk strategy that grows assets over time and generates sufficient income to fund administration costs and distributions as outlined in the distribution policy.

b Protecting capital and accumulated capital is paramount.

5.3 Liquidity and Cash Flow Distribution / Reinvestment

a The operational costs of the PSGE and other Trust Entities in the Hapū Group must be funded.

b Distributions may be made for cultural, social (health, education, employment, recreation) and kaitiakitanga purposes, including to fund Hapū advocates in those areas, but only after administration costs and reinvestment targets have been met.

c Annual income must be reinvested to grow the asset base.

d 10% of the valuation of the Opouahi Station (representing the 250 ha for cultural redress) will be set aside to help with funding the Marae and cultural initiatives.

5.4 Direct and indirect business investment strategy

a All investments will be considered on a case by case basis with appropriate due diligence undertaken by expert, external, independent advisors.

b Appropriate advice will be obtained to minimise the risks of ownership and ensuring appropriate governance representation on any direct investments (being investments where the Hapū have majority or sole ownership).

5.5 Overseas Investment

Overseas investment will be considered on a case by case basis.

5.6 Debt Levels

a No leveraging (borrowing against assets) in the first 3 years of receiving the settlement assets.

b Thereafter, borrowing may be permitted, but at a low risk percentage of the total market value of the overall investment portfolio.

c Cultural redress properties will not be mortgaged.

5.7 ‘No go’ areas

a Only ethical investments will be made. ‘Ethical investments’ are investments in entities that have a proven track record of strong employment relations and environmental practices.

b ‘No go’ areas are investments in entities involved in the gambling, alcohol, tobacco and weapons industries.

5.8 Employment creation vs financial returns

a Financial return is the key priority.

b Employment creation may be an extra benefit of investment, but it is not our focus.

5.9 Culturally significant investments

a Property received through cultural redress will not be sold or mortgaged. These properties include the lake beds of Opouahi, Orakai, Tūtira and Waikopiro.

b Commercial investments must be financially viable and be able to be bought and sold.

5.10 Risk profile

Seek expert, external, independent, advice on a suitable investment portfolio structure based on the guidelines outlined in the Investment Framework and the Investment Policy.