



12 July 2018

██████████  
Office of the Leader of the Opposition  
[by email]

Dear ██████████

## REQUEST UNDER THE OFFICIAL INFORMATION ACT 1982

Thank you for your Official Information Act 1982 ("OIA") request to the Guardians of New Zealand Superannuation ("Guardians"), which we received on 2 July 2018 and clarified with you by phone and email on 3 July 2018.

### Your Request

You have requested the following information in respect of the New Zealand Superannuation Fund ("NZ Super Fund", the Fund):

- 1) **Details of the Fund's investment in Altimarloch (this is the Fund's only domestic vineyard investment) including details of relevant property purchases or shareholdings;**
- 2) **Details of the Fund's policy in respect of investment in viticulture, including details of any changes to the Fund's approach; and**
- 3) **Material documents and correspondence regarding the above.**

Thank you for agreeing to narrow the scope of your request – we appreciate your cooperation in this. It has been a significant help in assisting us to process your request promptly.

For completeness, on the basis of our discussions with you, we have excluded the following information from the scope of your request:

- general industry information that we have gathered for research purposes, such as reports and data that are already publicly available;
- information relating to any specific investment opportunities in the NZ viticulture sector that were not, ultimately, pursued; and
- technical and administrative information in relation to investment structuring, funding and completion.

In respect of the material documents and correspondence, please note that we have released the final, approved versions. Drafts and duplicate records have not been included.

We work through your questions in sequence below.

- 1) **Details of the Fund's investment in Altimarloch (this is the NZ Super Fund's only domestic vineyard investment) including details of relevant property purchases or shareholdings;**

Through the NZ Super Fund's farm manager FarmRight, in early 2018 the Fund acquired the ~200ha Altimarloch vineyard in Marlborough for ~\$33m. The vineyard is held by NZSF Rural Land Limited – a wholly-owned subsidiary of NZ Super Fund. All the grapes produced on the vineyard are sold under contract to third party winemakers.

Further details of the Fund's investment in Altimarloch, including details of relevant property purchases, can be found in a 2018 document (#2409351, Altimarloch - Memo to Chief Investment Officer - Purchase Approval) released in part at Appendix 2.

**2) Details of the Fund's policy in respect of investment in viticulture, including details of any changes to the Fund's approach; and**

The Fund's investment in the Altimarloch vineyard is part of the Guardians' Rural Strategy (#64088 – partially withheld). The rural strategy is a long-term, active investment strategy, aiming to add, on a risk-adjusted basis, value to the Fund over and above what investments in low cost, passive listed equities and bonds would achieve.

We consider investments in rural land attractive because they are useful diversifiers away from equity market risk. The investment thesis is also based on anticipated long-term increases in rural land value on the back of population growth, increasing wealth and demand for clean, safe food.

As you can see from the Rural Strategy document, the Fund has been contemplating investments in viticulture since 2010.

The value of the Fund's investments under the rural strategy is currently approximately \$500 million. As well as Altimarloch, the Fund is invested in 22 New Zealand dairy farms, 2 beef farms in New Zealand and the Palgrove beef stud & associated operations in Australia. In New Zealand, our rural portfolio is managed by FarmRight.

The NZ Super Fund is a long-term investor that operates opportunistically and, as one of the few investors of scale in New Zealand, is highly disciplined on price. Our long investment horizon means we are able to pick our entry and exit points into investment opportunities. For example, the Fund purchased a number of dairy farms between 2010 and 2013; then none for a period of 3 years during which farm prices were, in our view, overvalued. We do not have a set timeframe for exiting, and invest on the basis that we will hold the assets indefinitely, but that they are able to be sold at our discretion.

The Guardians also has a strong commitment to improving the environmental performance and general standards on the farms and other investments the Fund purchases under the rural strategy. Investing to better manage environmental and other risks, and to improve farm infrastructure, makes commercial sense, given our available capital and our long investment horizon.

There have been no changes to our policy to investing in New Zealand viticulture – it has always fitted within our rural strategy. For practical reasons our initial focus in implementing the rural strategy from 2010 was to establish a strong partnership with our manager, FarmRight, and to build a portfolio of dairy farms, an area in which we knew FarmRight had expertise. As our relationship with FarmRight has progressed we have become confident in their ability to manage rural investments outside the dairy sector, and have therefore, in recent years, taken the opportunity to diversify into New Zealand beef and viticulture when suitable investments have presented themselves to us.

We are continuing to build the Fund's rural portfolio and intend to make further investments in New Zealand and overseas, with a view to achieving further diversification.

**3) Material documents and correspondence regarding the above.**

The documents we have found which we consider to be within the scope of your request are **attached** in Appendix 1, including specific withholding grounds where applicable. The documents we have found which we are releasing to you are attached in Appendix 2.

We have withheld portions of certain documents on the basis that we have good reason for doing so under section 9 of the OIA. Where we have done so, we considered whether the public interest in favour of disclosure outweighs our reasons for withholding it and concluded that it does not.

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.

**A. Section 9(2)(a) – “protect the privacy of natural persons”**

In the interests of protecting the privacy of individuals, we have redacted the names of individuals mentioned in the documents other than the names of senior managers. We cannot see any public interest in, or public benefit from, the release of this personal information. Information regarding the identity of these individuals 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 unreasonably to 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 (including under the rural strategy) we compete in a global market for access to the best investment managers and investment opportunities, as well as competing for a variety of commercial partners, such as investment advisers, responsible investment screening agencies, custodians and, in the current instance, grape buyers.

Our business partners and commercial partners are each commercial entities in their own highly competitive markets. They are very concerned about protecting information relating to their pricing strategies, marketing strategies and other sensitive commercial information. They will not work with us if we cannot uphold the confidentiality of this truly sensitive information. We strongly believe that it is in the public interest that we can maintain the highest standards of commercial sensitivity with those we work with.

Some of the information concerning Altimarloch is commercially sensitive (such as information about Altimarloch's grape supply contracts) and was supplied specifically to enable us to consider an investment in the vineyard. Altimarloch operates in a very competitive market.

As such, non-public information that relates to its commercial position has been withheld where disclosure would diminish the value of that information or disadvantage Altimarloch by making the information known to its competitors.

Our commercial partners also operate in a competitive market and non-public information that is commercially valuable to them (such as details around grape supply arrangements) has been withheld where disclosure would diminish the value of that information or their competitive advantage.

**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 regarding our investment in Altimarloch were being conducted on a confidential basis, and information concerning Altimarloch has been provided subject to an obligation of confidence. We would not have been able to properly evaluate the investment opportunity 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 Guardians was to disclose this confidential information to the public, it is likely that other entities in which the Guardians might wish to invest (or other parties with which the Guardians might wish to contract) or enter into a substantive commercial arrangement 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”.**

Investing the Fund is a commercial activity.

Certain information concerning our rural investment strategy and the Altimarloch investment is highly sensitive, proprietary information (such as information about our investment hurdles, investment screening/evaluation processes, anticipated returns and how we determined our purchase price for the vineyard).

If disclosed, this information could seriously compromise our ability to successfully execute on our rural sector investment strategies, and also adversely impact on our investments. It would be prejudicial to our negotiating position on potential future investments for information to be disclosed that gives potential future counterparties insights into 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 of our anticipated returns, and of our investment hurdles and methodologies for screening/evaluating investments in the rural sector, they will be able to ascertain what investments we are likely to prioritise and the price that we may be willing to pay for them, which will reduce our competitiveness.

Potential future counterparties to investment transactions and suppliers will also be discouraged from dealing with the Guardians if they do not have trust in our ability to maintain the confidentiality of sensitive information provided by them to us in the course of a transaction. It is in the public interest that we can maintain the highest standards of confidentiality and commercial sensitivity with those we work with, as well as our own commercial sensitivity.

**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)”.**

As noted above, we continue to build our rural portfolio and in order to do so will need to engage with third parties including prospective rural land vendors, investee companies, co-investors, investment managers, advisers, and other suppliers in relation to obtaining and managing these prospective investments. The effectiveness of such negotiations would be undermined if certain information relating to our analysis of the Altimarloch investment, including the basis on which we were prepared to transact, was disclosed.

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

Withholding certain confidential and commercially sensitive information about Altimarloch, for example, in respect of the details of anticipated returns, methodologies for evaluating investments and details of grape contracts, is necessary to prevent that information being used for improper gain or improper advantage.

The reasons for this are the same as those set out above in respect of commercial activities and commercial prejudice. Disclosure of this information would enable competitors and counterparties of Altimarloch and 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 due diligence and investment reports prepared in respect of the Guardians' prospective investment in Altimarloch would provide to other parties, who might wish in future to explore opportunities to invest in rural land and viticulture, the benefit of the substantial work undertaken by the Guardians' various consultants and paid for by the Guardians. That would give those other parties an improper gain or advantage in that they would have the benefit of this work without having had to contribute to its cost.

### **General**

You have the right to seek a review by the Ombudsmen's Office of our decision to withhold the information. Contact details for the Ombudsmen's Office can be found at: <http://www.ombudsmen.parliament.nz>.

Please note that we may choose to publish our response to your request on our website at [www.nzsuperfund.co.nz](http://www.nzsuperfund.co.nz).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Will Goodwin', followed by a long horizontal line extending to the right.

**Will Goodwin**  
**Acting Chief Investment Officer**

## Appendix I

Pg.	Document Reference	Document Date	Document Title	Sections Relevant to Request	Status	Withholding grounds if applicable
1	64088	2010-03-11	Rural strategy – summary	All	Partially released	Section 9(2)(a) – Privacy Section 9(2)(b)(ii) – Commercial Prejudice to supplier/subject Section 9(2)(i) – Prejudice Commercial Activities by Guardians/Fund Section 9(2)(j) - Negotiations Section 9(2)(k) – Improper Gain
14	2409351	2017-01-10	Altimarloch - Memo to Chief Investment Officer - Purchase Approval	All	Partially released	Section 9(2)(a) – Privacy Section 9(2)(b)(ii) – Commercial Prejudice to supplier/subject Section 9(2)(ba)(i) – Obligation of Confidence Section 9(2)(i) – Prejudice Commercial Activities by Guardians/Fund Section 9(2)(j) - Negotiations Section 9(2)(k) – Improper Gain
32	2239333	2017-02-07	Rural Sector Screen 20170207 V3	Page 14 – NZ section Page 21 – NZ section Page 22 – section 1, bullet point 3	Relevant sections released in full	Balance of document is out of scope and in any event subject to Section 9(2)(i) – Prejudice Commercial Activities by Guardians/Fund Section 9(2)(j) - Negotiations Section 9(2)(k) – Improper Gain
33	2487847	2017-12-11	Email from adviser to Guardians: Altimarloch DD - High Level SWOT Analysis - Nick Winter Vineyard Consulting  Altimarloch Group – Vineyard SWOT Analysis	All	Partially released	Section 9(2)(a) – Privacy Section 9(2)(b)(ii) – Commercial Prejudice to supplier/subject Section 9(2)(ba)(i) – Obligation of Confidence Section 9(2)(i) – Prejudice Commercial Activities by Guardians/Fund
N/A	2532951	2017-12-18	Altimarloch - CICV Trust Report - Desktop - Market Estimate - 18 December 2017 – (valuation by Colliers International)	All	Withheld in full	Section 9(2)(a) – Privacy Section 9(2)(b)(ii) – Commercial Prejudice to supplier/subject Section 9(2)(ba)(i) – Obligation of Confidence Section 9(2)(i) – Prejudice Commercial Activities by Guardians/Fund Section 9(2)(j) - Negotiations Section 9(2)(k) – Improper Gain

Pg.	Document Reference	Document Date	Document Title	Sections Relevant to Request	Status	Withholding grounds if applicable
39	2472764	2018-03-31	NZSF Confidential Quarterly Report to the Minister of Finance, 31 March 2018	4.8	Relevant section excerpted and released in full	
40	2532945	2018-07-05	Altimarloch - Information Memorandum for NZ Superannuation Fund prepared by FarmRight Ltd	All	Partially released	Section 9(2)(a) – Privacy Section 9(2)(b)(ii) – Commercial Prejudice to supplier/subject Section 9(2)(ba)(i) – Obligation of Confidence Section 9(2)(i) – Prejudice Commercial Activities by Guardians/Fund Section 9(2)(j) - Negotiations Section 9(2)(k) – Improper Gain