

Rangitāne Holdings Ltd & Rangitāne Investments Ltd



Statement of Investment Policies and Objectives

1. Introduction

This document records the investment policies and objectives for Rangitāne Holdings Limited (RHL) and Rangitāne Investments Limited (RIL), covering the following areas:

- Responsibilities of RHL/RIL and Te Rūnanga a Rangitāne o Wairau Trust (the Trust)
- Rangitāne strategic context – vision, objectives, values and strategic focus
- RHL/RIL strategic direction - purpose and long-term objectives
- Investment principles – approach and focus.
- Investment policies – target return, distribution policy, capital allocation and debt policy.
- Strategic implementation - key focus areas
- Risk management
- Investment policy and objective review

2. Responsibilities

2.1 TRUST RESPONSIBILITIES

- Approval of the strategic governance framework for RHL/RIL, being the RHL/RIL constitution and this Statement of Investment Policy and Objectives ('SIPO').
- Preparation of a Letter of Expectations (LoE) to RHL/RIL.
- Approving the Annual Plan based on recommendations from RHL/RIL.
- Monitoring the performance of the RHL/RIL Board through receipt of quarterly reports and an annual report.
- Approve any major investment decision or sale of a culturally significant asset.
- Provision of any forums, mechanisms or support required for RHL/RIL to report and communicate its performance and plans to Iwi members.

2.2 RHL/RIL RESPONSIBILITIES

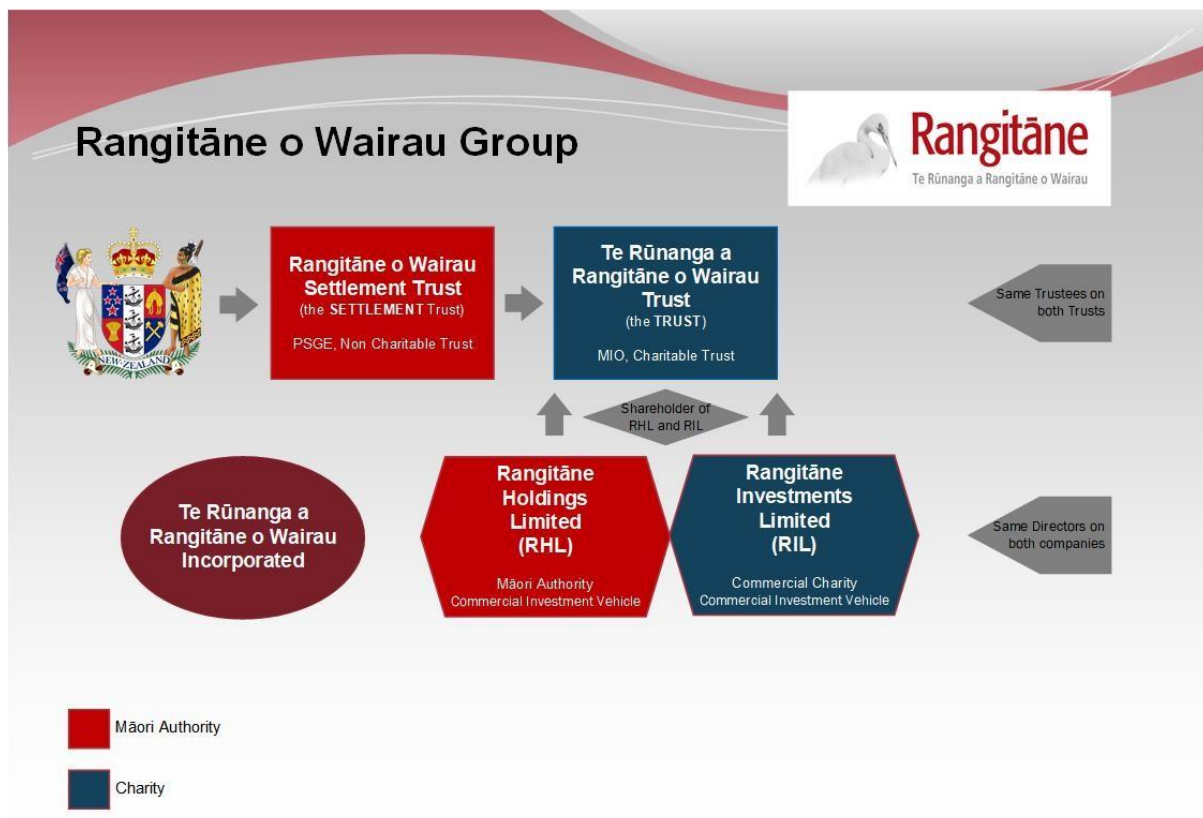
- To recognise the Letter of Expectations provided by the Trust.
- To ensure that a no surprises policy is in place so that the Trust, via the Chair and General Manager, are informed well in advance, of anything material or significant, whether it positive or negative.
- To obtain the consent and approval of the Trust for any investment that exceeds 10% of the market value of RHL/RIL assets immediately before the transaction.
- Development and ongoing maintenance of the SIPO and the Annual Plan and timely recommendation to the Trust for approval.
- Regular monitoring of the performance of RHL/RIL management, including investment performance and compliance with the SIPO.
- Identifying and assessing any investment proposals and recommending any that meet the definition of a major investment to the Trust for approval.
- Reporting to the Trust on a quarterly and annual basis.

- Reporting and communicating to Iwi members, via the Trust channels, on the performance and plans of RHL/RIL.
- Ensure that investments reflect generally recognised principles of socially responsible investment.

3. Rangitāne Strategic Context

This investment strategy and its implementation by RHL/RIL will be guided by the Rangitāne o Wairau long-term strategy outlined below.

The structure of the group is as follows:



3.1 VISION

The Rangitāne o Wairau Group vision is to be:

**United in the protection of our history and identity,
actively engaged in the social wellbeing, environmental integrity,
cultural vibrance, economic advancement, and political activity of all our people**

3.2 OBJECTIVES

The key objectives of the Rangitāne o Wairau Group are:

RANGITĀNETANGA Our Rights			
To respect our identity and history by upholding our responsibilities and obligations to protect it, by strengthening our Treaty partnership with the Crown and relationships with other iwi and key stakeholders			
TANGATA Our People	TAIAO Our Environment	AHUREA Our Culture	TAHUA Our Economy
To advance the wellbeing of our people through health, housing, education and employment opportunities	To ensure the integrity and sustainability of our environment through active relationships and sustainable management and protection processes	To build a valued cultural vibrancy where we are secure in our knowledge and practice of Rangitānetanga through cultural revitalisation	To create innovative opportunities for our economic advancement as a prosperous, thriving and commercially sound operation

3.3 VALUES

This is a Māori organisation where behaviour is shaped by Māori values.

RANGATIRATANGA Chiefly Behaviour	KOTAHITANGA Unified	KAITIAKITANGA Guardianship	MANAAKITANGA Care	WHANAUNGATANGA Relationships
We act with honesty, integrity and transparency to enhance the mana of Rangitāne.	We work with and for each other to ensure a collaborative, centralised approach.	We act responsibly to maintain, protect and enhance that, which has been left for us.	We care for and respect each other's mana and treat everyone with respect and humility.	We value our relationships and connections in pursuit of the advancement of Rangitāne.
We lead with honour, courage and humility to secure a better future for our people.	We are tolerant, patient and aspire to keep a balance of strong, enduring relationships.	Our unique identity and are steadfast in our duty to protect our tāonga for future generations.	We are generous and offer our unconditional hospitality to all those who cross our path.	We work with a collective focus on inclusion to ensure we all share a sense of belonging.

3.4 STRATEGIC FOCUS

The strategic focus areas in the Rangitāne Tahua (Economic) space are:

TAHUA Our Economy
<ul style="list-style-type: none">• Provide opportunities for our people to improve personal wealth• Improve opportunities for the employment of our people• Support the entry of our people into business• Diversify our asset portfolio to enable progression• Manage a sustainable fisheries portfolio• Create iwi prosperity through the pursuit of relationships, partnerships and joint ventures

4. RHL/RIL Strategic Direction

Guided by the strategic context above, RHL/RIL's purpose and long-term strategic objectives are set out below.

4.1 PURPOSE

The role of RHL and RIL is to proactively grow the assets of the Trust on behalf of the members of Rangitāne o Wairau wherever they reside

4.2 LONG TERM OBJECTIVES

RHL/RIL has the following long-term goals:

- **Excellence** - achieve leading sector risk-adjusted returns on investment in areas where RHL/RIL can excel
- **Growth** – achieve continual long-term asset and distribution growth via investment returns
- **Leadership** – lead and exert rangatiratanga through successful performance
- **Integrity** - enhance the reputation of Rangitāne as a responsible member of te ao Maori and the community

5. Investment Principles

5.1 DISCIPLINED PATIENT APPROACH

5.1.1 RHL/RIL will take a long-term commercially disciplined approach to its investment decisions, thus being patient in waiting for the right opportunities and will only invest where it believes it can generate appropriate risk-adjusted returns on capital.

5.2 FOCUS ON DIRECT INVESTMENT

5.2.1 Direct investment involves allocating capital directly into assets and taking a more active role in the management of asset returns. This is distinguished from investing with external fund managers who perform this investment role.

5.2.2 Direct investment will be focused on areas where RHL/RIL enjoys a competitive advantage and/or access to:

- Achieve preferential returns over utilisation of externally managed funds
- Better grow a local footprint / prominence and connect with iwi members
- Build relationships with other key entities such as the Crown and other iwi, which can contribute to the long-term success of Rangitāne.

5.2.3 Direct investment is more complex and requires capability and this will drive implementation models including use of partners and timelines for investment. The policy governing RHL/RIL's direct investment process is discussed further below.

5.3 PARTNERSHIP APPROACH

5.3.1 RHL/RIL will seek to partner with other like-minded entities, in particular iwi in Te Waipounamu, enabling access to a greater range of investment opportunities and to larger scale investments which are more likely to have the required quality of structure, governance and management.

5.4 BALANCED PORTFOLIO

5.4.1 RHL/RIL will seek a balanced portfolio that generates the necessary cash flow to sustain good practice dividends but also provides for long-term capital growth

5.5 UPHOLD RANGITĀNE LONG-TERM STRATEGY

5.5.1 RHL/RIL will uphold Rangitāne long-term strategy, including vision, objectives and values in the development and implementation of its investment strategy.

6. Investment Policies

6.1 TARGET RETURN

6.1.1 RHL/RIL has determined a long-term total investment return target of 7.0% comprising:

- Net Operating Profit before tax Return on Equity of 4.5%
- Growth in Equity (capital return) of circa 2.5%

6.2 DISTRIBUTION POLICY

6.2.1 RHL/RIL will target annual distributions of between 1.5% and 2.5% of equity market value

6.2.2 Distributions will be subject to a cap of 50% of Net Operating Profit.

6.3 ASSET ALLOCATION

6.3.1 To allow RHL/RIL to manage both its short-term distribution obligations and long-term growth return targets, asset investments are classified into the following categories:

Asset category	Asset characteristics	Asset examples
Income Assets	<ul style="list-style-type: none"> • Dependable income stream, with low volatility • Low capital growth 	<ul style="list-style-type: none"> • Cash / term deposits • Managed income funds • Seafood quota • Crown leases • High grade commercial property
Operating / Growth Assets	<ul style="list-style-type: none"> • Income has material volatility • Good capital growth 	<ul style="list-style-type: none"> • Managed growth funds • Seafood operations (eg AFL) • Tourism • Agribusiness • Property development
Long-term Growth Assets	<ul style="list-style-type: none"> • Limited income expected in short to medium term • Strong capital gain but over medium to long term 	<ul style="list-style-type: none"> • Land-banking • Managed Private Equity and Venture Capital Funds

6.3.2 RHL/RIL will seek to allocate asset investments consistent with the following overall portfolio allocation targets:

Asset category	Target Portfolio Allocation
Income Assets	40% - 60%
Growth Assets	20% - 40%
Long-term Growth Assets	10% - 20%

6.3.3 These targets will act as a 5-year guide and annual plans will be utilised to stress test and ensure the dividend is sustainable. The business case process for acquisitions will also include updating the impact on asset allocation guidelines, long run (normalised for long run expectations) net operating profit and worst case scenario testing

6.4 DIRECT INVESTMENT

6.4.1 RHL/RIL will implement rigorous investment and management processes for any direct investment ensuring it utilises appropriate skills and experience and undertakes extensive research and due diligence on the investment opportunity. This will include:

1. Developing a strong understanding of the long-term attractiveness of the sector
2. Preliminary screening of opportunities against the principles / criteria of this investment strategy / policy including strategic alignment with Rangitāne long-term strategy and values.
3. Initial high-level investigation / feasibility review of opportunity
4. Presentation of opportunity to RHL/RIL Board for approval to progress to due diligence
5. Comprehensive due diligence including:
 - valuation and assessment against hurdle return rate
 - Investment structuring
 - Robust operational management plan i.e. in-house, joint venture / partner, contracted specialist support
 - Ensure adequate experienced and expert governance and management capability
 - Risk review
 - Exit strategy or deadlock provisions (if in partnership)
6. Presentation of comprehensive business case and due diligence to RHL/RIL Board for approval

6.5 INVESTMENT IN PASSIVE INVESTMENT ASSET CLASSES

6.5.1 Investments in externally managed funds will be monitored and allocated prudently. This will include ensuring that fund managers and funds are best in class and that allocations are market condition appropriate including monitoring:

- Fund size (redemptions)
- Asset allocation
- Key management changes
- Annual performance against reference portfolio and against risk-comparable competitor funds

6.6 DEBT POLICY

6.6.1 Debt levels will be determined on an asset (or asset category) case by case basis. There is no target debt level but total debt across all underlying assets must always be below 25% of the market value of assets.

- 6.6.2 Debt cannot be utilised to invest in externally managed portfolio fund investments.
- 6.6.3 Debt can be utilised for direct investments at individual asset class level and the appropriate level of debt will be determined on a case by case basis taking account of:
 - 6.6.3.1 RHL/RIL's existing capital structure and short to medium term capital requirements
 - 6.6.3.2 Commercially appropriate debt levels for that asset class and industry
 - 6.6.3.3 Impact of asset's capital structure on RHL/RIL operating cash flow volatility and cover for distributions and interest payments
- 6.6.4 Where possible, debt will be held on a non-recourse basis, secured by specific assets

6.7 FOREIGN CURRENCY MANAGEMENT

- 6.7.1 Holdings of offshore fixed interest (bonds) are to be at least 80% hedged back to NZ dollars at all times.
- 6.7.2 Any deviation from the preferred hedging level will require the Board's approval.

7. Strategic Implementation – Key Focus Areas

7.1 BUILD PORTFOLIO OF HIGH QUALITY DIRECT INVESTMENTS

RHL/RIL's long-term goal will be to build a portfolio of c 5 – 10 high quality direct investments of up to \$10m equity value each, developed and invested on a disciplined staged basis over the coming 5 – 10 years.

7.1.1 Review and implement property opportunities

RHL/RIL will focus on the opportunity to invest in the land situated around the Woodbourne Airbase and Airport. This opportunity will be reviewed in association with other local Iwi and will likely involve a lease back to the Crown and or the Marlborough District Council. This is an example of an opportunity that should yield in excess of 7% but with potentially a low risk profile.

7.1.2 Other direct investment

RHL/RIL's initial focus on other direct opportunities will be where it has competitive access that have non-complex operating management capability requirements or where this capability can be accessed easily from partners.

7.2 DEVELOP INVESTMENT RELATIONSHIPS

- 7.2.1 RHL/RIL will develop investment industry relationships and seek to partner with other like-minded entities, enabling access to a greater range of investment opportunities and larger scale investments which are more likely to have the required quality of structure, governance and management.

7.3 BUILD CAPABILITY

7.3.1 Investment excellence

RHL/RIL is focused on investment excellence, which requires being rigorously commercial and agile, with strong, efficient processes and governance in place. To this end, RHL/RIL will continuously review its core investment and governance processes, including:

- a) Governance framework, including shareholder agreement, financial delegated authorities and board / trustee governance reporting
- b) Investment strategy and policies
- c) Treasury management
- d) Operational performance and cost efficiency – benchmarked against best practice.

8. Risk Management

- 8.1 RHL/RIL's assets are exposed to different investment risks that may lead to variations in the actual versus expected returns. RHL/RIL's overall investment risk profile is managed through portfolio diversification consistent with the asset allocation policy set out above.
- 8.2 As part of the assessment and approval of new asset investment opportunities, the impact of material investments to the overall asset portfolio allocation will be modelled to verify that sufficient asset and operating cashflow diversification is maintained to sustain distributions, including under downturn scenarios

9. Statement of Investment Policies and Objectives Review/Approval

- 9.1 This Statement of Investment Policies and Objectives has been approved and adopted by both the board of RHL/RIL and accepted by the Trust.
- 9.2 Any and all changes to this policy must be made at the request of the board of directors of RHL/RIL and agreed to by a majority decision of those Trustees present and duly entitled to vote at a constituted meeting of the Trust.
- 9.3 At a minimum the SIPO will be formally reviewed and represented for approval within three years of the later of either the last formal approval or most recent approved change
- 9.4 Any anticipated change to the SIPO will be communicated on a no surprises basis to trustees.