



Ngāti Rārua
Te Rūnanga o Ngāti Rārua

TE AKA TŌNUI

OHAOHA 2040

STRATEGY

February 2022

Lifting the economic prosperity of Ngāti Rārua

As we look forward into a future of rapid change and disruption, it is timely for us to re-envision the future, thrive and prosper.

The Ngāti Rārua strategic plan for 2020-2040, Kia Pai Te Noho, sets out to lift the social, cultural, environmental and economic prosperity of the people of Ngāti Rārua and wellbeing of the environment. The Kia Pai Te Noho strategy flows through and informs our economic strategy, Ohaoha 2040.

Aotearoa's economy has experienced significant growth in a number of key sectors such as agriculture, tourism, and construction. However, it continues to face a number of long-term challenges, including low productivity and wages, skills shortages, shallow domestic capital markets, and under investment in infrastructure. Worsening water quality in our rivers and lakes shows that economic growth has often come at the expense of te taiao.

Facing up to these challenges, we sought an economic strategy that takes a holistic approach and considers a broader definition of what economic success looks like. Our economic strategy, Ohaoha 2040, seeks to empower whānau by rejuvenating the Ngāti Rārua economy, while generating social, cultural and environmental outcomes. This will deliver true prosperity and resilience to rapid external change.



Our approach to building Ohaoha 2040

KPMG was engaged to facilitate a process to support the Investment Committee of Te Runanga o Ngāti Rārua to design a new economic strategy that contributes towards the overarching ambition and goals of the Kia Pai Te Noho strategy.

The key questions that focused our thinking:



What is our investment philosophy and which commercial opportunities align with Ngāti Rārua capabilities?



What are the nature of the commercial opportunities that Ngāti Rārua would be willing to invest into?



How will we identify, evaluate, and execute into the right commercial opportunities to achieve our ambitions?

How we developed this strategy

We undertook a three-stage approach, which combined market insights and collaborative strategy design. Through a series of wānanga and hui, the Investment Committee explored and determined the economic ambition, investing goals, and commercial opportunities that best aligned with Kia Pai Te Noho. This mahi involved:

- Identifying and understanding the commercial opportunities that are potentially available.
- Prioritising and validating the commercial opportunities that are most aligned with the capacity and capability of Ngāti Rārua through research and data analysis.
- Developing an economic strategy and implementation plan that will deliver on the objectives of the Ngāti Rārua 2040 strategic plan including 5-year flight path and high level budget.

Ohaoha 2040 | strategy overview

TE WAWATA

OUR VISION

Whakamana te puna mauri ora o Ngāti Rārua kia kaha pupuri ai nga hekenga a muri ake tonu

Realise the wellspring of vital identity that is Ngāti Rārua, to strengthen all the migrations yet to come

OHAOHA TE MAKITE

OUR ECONOMIC MISSION

A high performing and resilient investment portfolio valued at \$260m by 2040 that rejuvenates the Ngāti Rārua economy and improves the prosperity and wellbeing of our people

KIA PAI TE NOHO

OUR AMBITION

Kia tu katoa rā, te Mauri Ora, me te Ohaoha, me te Hononga, me te Taiao o Ngāti Rārua, a te tau 2040

By 2040, a viable Ngāti Rārua Culture, Economy, Society and Environment

NGĀ UARA

OUR VALUES

Pono / Whakakotahi / Whakamana / Manaakitanga

NGĀ ARONGA

OUR INVESTMENT FOCUS



MANAAKI ECONOMY

Authentic high quality manuhiri experiences that attract high value guests to Te Tau Ihu and Aotearoa, building a resilience and sustainable tourism industry.



PROPERTY & INFRASTRUCTURE

Business ventures that provide solutions to critical challenges across the value chain in the property and infrastructure sector.



AGRIBUSINESS

Business ventures that create valuable IP and enables production of high value food and fibre products.

NGĀ WHĀINGA

OUR ECONOMIC GOALS



SUSTAINABLE BUSINESS

Our investments will prioritise sustainability and living in harmony with te taiao, actively seeking to protect, restore, and enhance our wai and whenua.



WHĀNAU PROSPERITY

Our investments will support whānau, marae, and iwi in achieving social outcomes including providing opportunities to uplift their quality of life.



CULTURAL PROSPERITY

Our investments will support our people in reclaiming and revitalizing our Ngāti Rāruatanga and reconnect with each other as whānau.



VALUE CREATION

Our investments will deliver:

1. \$260m investment portfolio by 2040
2. A annual cash profit of \$xx by 2040
3. 8.5% return on asset

NGĀ WHANONGA PONO

OUR INVESTMENT PRINCIPLES



Embrace technology & innovation



Educate and enhance capability



Go green

Our financial focus

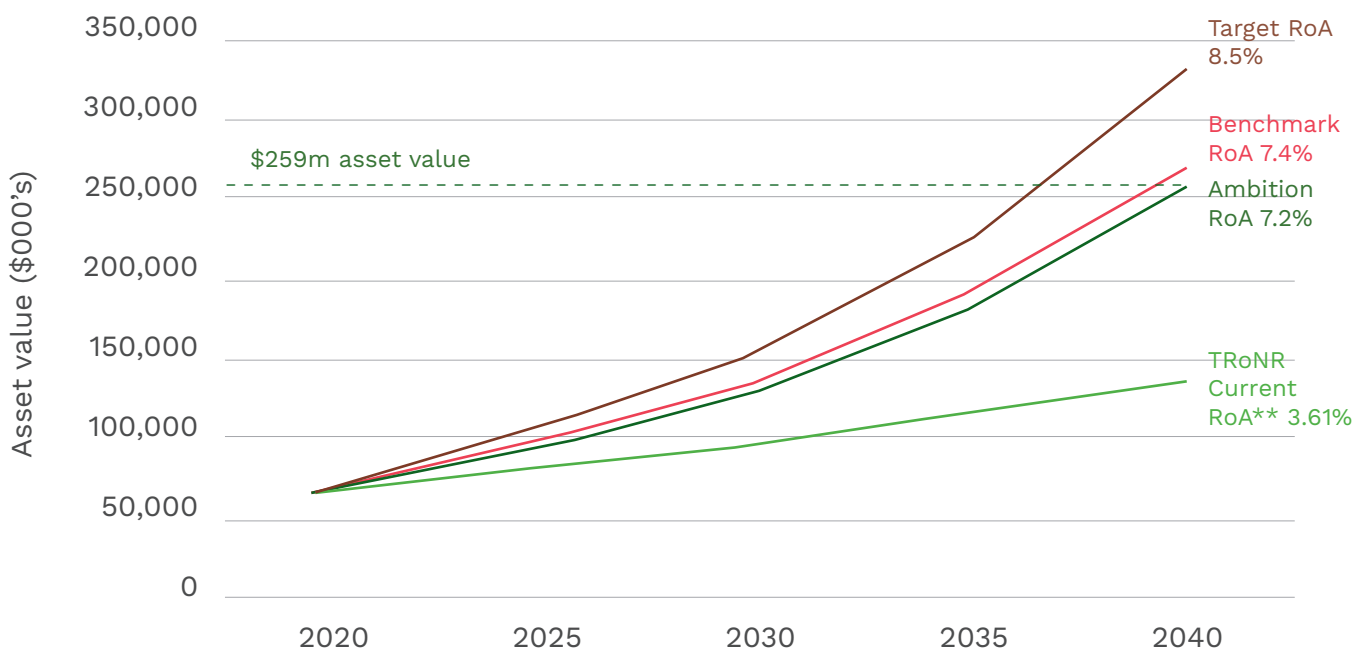
We aim to increase the value of TRoNR assets by 2040, in accordance with our vision, values and mission in Kia Pai Te Noho.

Benchmark analysis* shows that Ngāti Rārua has potential to improve performance of our investment portfolio by improving the Return on Asset ratio (RoA). This financial ratio measures how hard our assets are working for us.

We can achieve our ambition of \$260m in asset value by 2040 by ensuring our investment portfolio is delivering at least 7.2% RoA. If we deliver our target RoA of 8.5%, we will achieve our \$260m ambition sooner.

To achieve improvement in the performance of our assets, we will diversify our portfolio with a balance of new and existing investments into current and new sectors.

Return on Assets Forecast to 2040



*The benchmark group was provided in the Iwi Investment Report, 2020 as a comparative benchmark.

**TRoNR Current RoA of 3.61% was calculated from TRoNR's consolidated financial reports for the financial years ending 2019, 2020 and 2021 provided in Spotlight reporting.

Our financial forecast

Scope

On the basis of the information provided we have compiled, in accordance with our engagement letter the forecast assumptions of Te Runanga o Ngāti Rārua (“The Iwi”) for the 5 year period ending 31 March 2026. This information has been prepared for the Iwi’s business planning purposes.

Responsibilities

The forecast assumptions are based on the key cost and revenue drivers of the Iwi and has been prepared based on information and assumptions provided by the Iwi. The Iwi is solely responsible for the information contained in the forecast Profit and Loss, Cash Flow and Balance Sheet and the underlying assumptions.

COVID-19

This report was prepared during the global COVID -19 pandemic based on information available at the date indicated below. The effects of the pandemic on the New Zealand economy (and particular business sectors) are not yet clear. In any forecasting exercise actual results may vary from the forecast data. However, the risk of a material variance in the current climate is significantly higher and regard should be had to that risk when reading our report.

Disclaimer of liability

We have compiled following forecast assumptions in accordance with the limited procedures agreed in our letter of engagement.

As part of our engagement, the Company have provided records, information, documents and explanations on which we have relied. Our procedures do not involve verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed. We do not accept any responsibility for the accuracy and completeness of the accounting records and other information the Company has supplied to us or for the reliability, accuracy and completeness of the financial information compiled on the basis of those records and information. We also do not accept any responsibility for the maintenance of adequate accounting records, an adequate internal control structure and the selection and application of appropriate accounting policies within your organisation.

Our obligations are owed solely to our client, the Iwi, in accordance with our engagement letter. KPMG accepts no liability or responsibility to any third party to whom this report is provided. Any such party relies upon this report at their own risk.

Sources of information

The following information is based on the consolidated Spotlight reporting titled “Ngāti Rārua” The base budget figures provided for the 2022 financial year have been carried across the 5 year reporting period April 2021 – March 2026.

Please note the initial forecast does not include any income earned by the future investments and does not included any anticipated balance sheet movement. Actuals have been brought in for the April 2021 to September 2021 period as provided by the same Spotlight reporting consolidation “Ngāti Rārua.”

Forecast assumptions

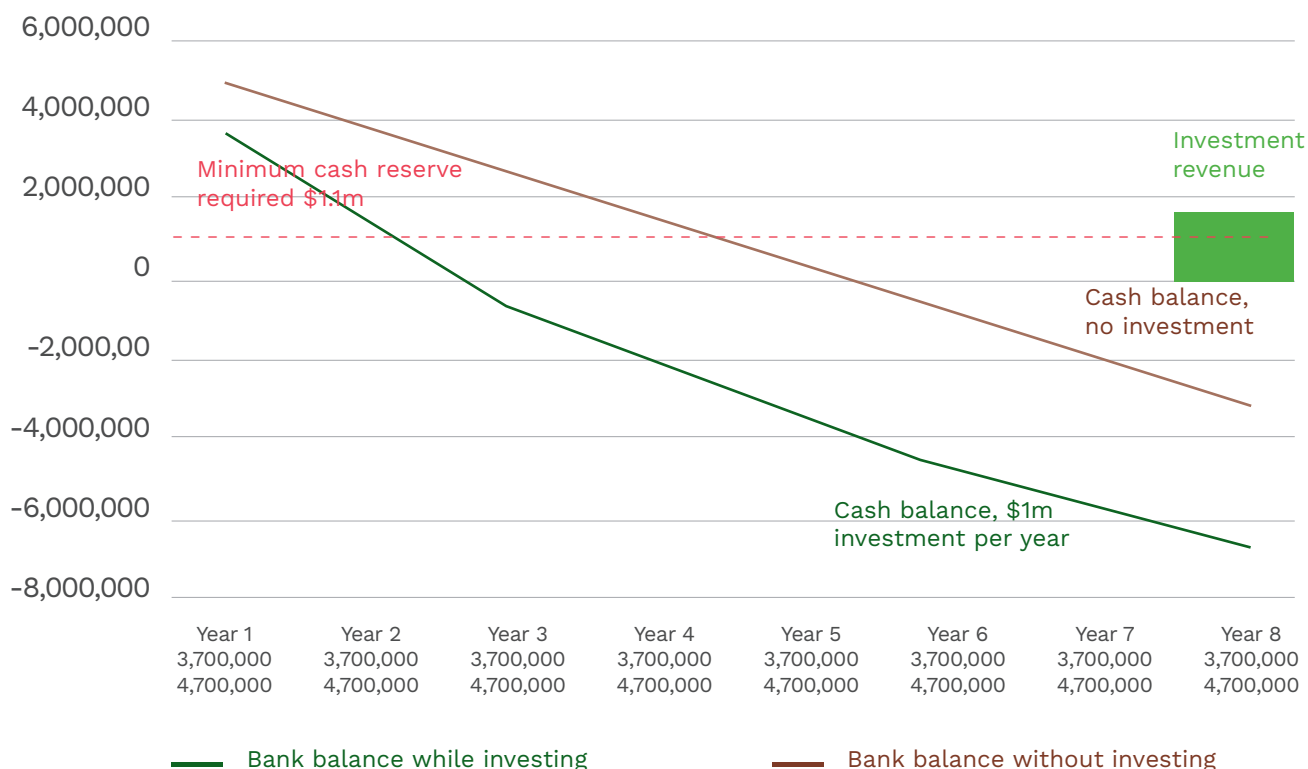
- Based on the initial Spotlight reporting, budget trading is currently at a \$1.1 million dollar loss per year. This has been reflected as the Minimum Cash Level in the following assumptions to ensure funds are available to cover annual costs and losses.
- Due to nil budgeted balance sheet movement the only current forecasted additional movement is in relation to GST.
-
- Whānau or iwi related activity have been treated as ‘distributions’ in calculations. We assume this expenditure of \$240,000 annually will remain constant.

Financial forecast prepared by KPMG New Zealand

Scenario 1

Business as usual

+ investing \$1m per year



Scenario 1 assumptions:

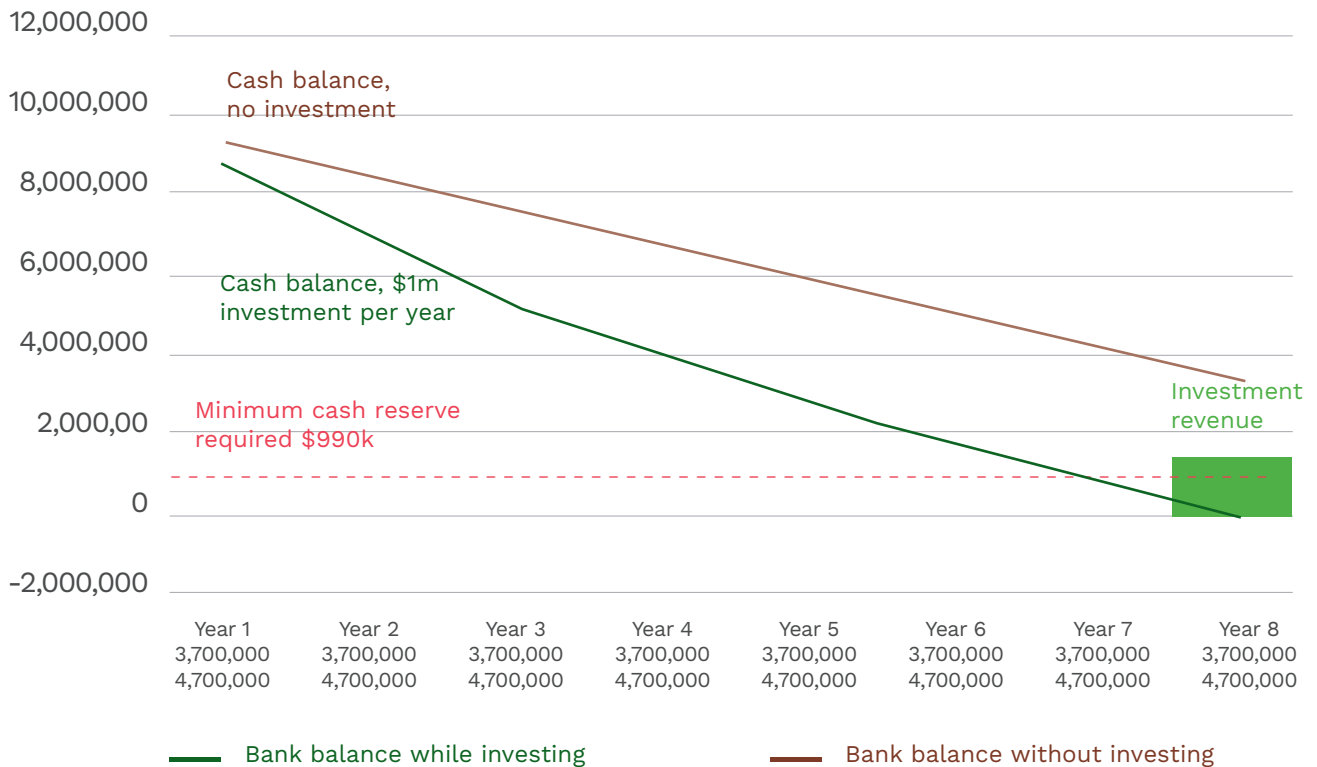
- Continued 2022 budgeted yearly loss of \$1.1 million (Minimum cash reserve required)
- \$1 million dollar investment per year
- 15% Return on assets by Year 4
- No draw down from Term Deposit

Scenario 1 reflections:

- Cash balance falls below minimum cash balance required in Year 3
- \$1.35m revenue generated from investment by end of Year 5
- By Year 8 revenue from investment will exceed operating losses, with total investment \$8m required.
- Minimum cash reserve is exceeded with or without investment

Scenario 2

25% of Term Deposit available + investing \$1m per year



Scenario 2 assumptions:

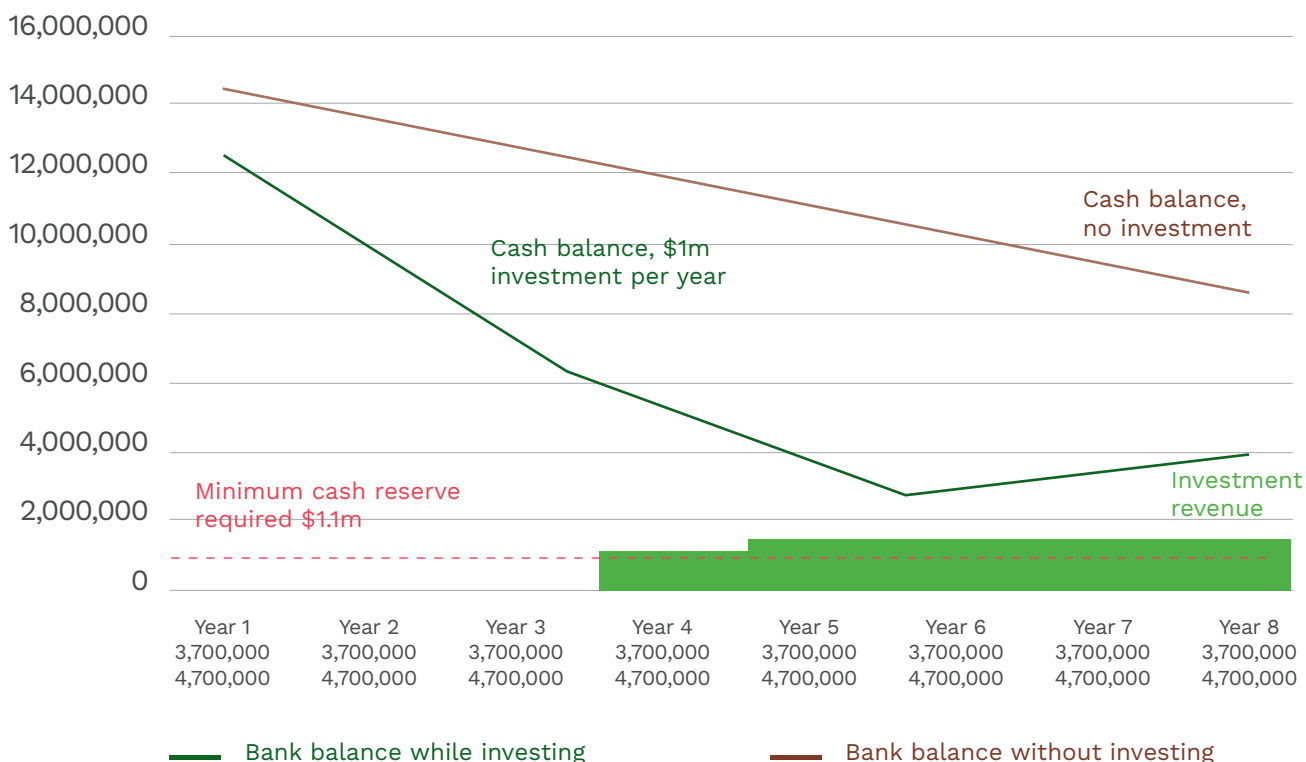
- Reduce annual loss by 10% (Minimum cash reserve required)
- \$1 million investment per year (total \$5m by Year 5)
- 15% Return on assets by Year 4
- 25% of Term Deposit value drawn down (value of \$4,750,000)

Scenario 2 reflections:

- With investment, cash balance remains above minimum required
- \$1.35m revenue generated from investment by end of Year 5
- By Year 7 revenue from investment will exceed operating losses, with total investment \$7m required
- In the absence of improvements to current profitability, minimum cash reserve is at greater risk

Scenario 3

50% of Term Deposit available + investing \$2m per year



Scenario 3 assumptions:

- Reduce annual loss by 10% (Minimum cash reserve required)
- 2 million dollar investment per year (total \$10m by Year 5)
- 15% Return on assets by Year 4
- 50% Term deposit draw down to the value of \$9,500,000

Scenario 3 reflections:

- With investment, cash balance remains above minimum required
- \$2.7m revenue generated from investment by end of Year 5
- By Year 4 revenue from investment will exceed operating losses, with total investment \$8m required
- Cash surpluses are generated from year 4 onwards, which are available for further investment or distribution

Assuming the current \$19m term deposit is returning an RoA of 2%, there is potential to improve the the RoA to 8.5% by moving \$8m from the term deposit to an active investment generating 15% RoA. This does not take into account potential RoA improvements in other assets within the existing investment portfolio. To understand the RoA across all Ngāti Rārua assets, full detailed analysis of the other assets should be undertaken.




Our investment focus

Ohaoha 2040 takes a thematic investing approach to reach our target ambitions. Thematic investing will see us focus on identifying and investing in long term trends that will affect the economy and key sectors, and which are aligned with our values. After evaluating 30 industries and sectors, we identified 3 key sectors and 3 key investment themes.

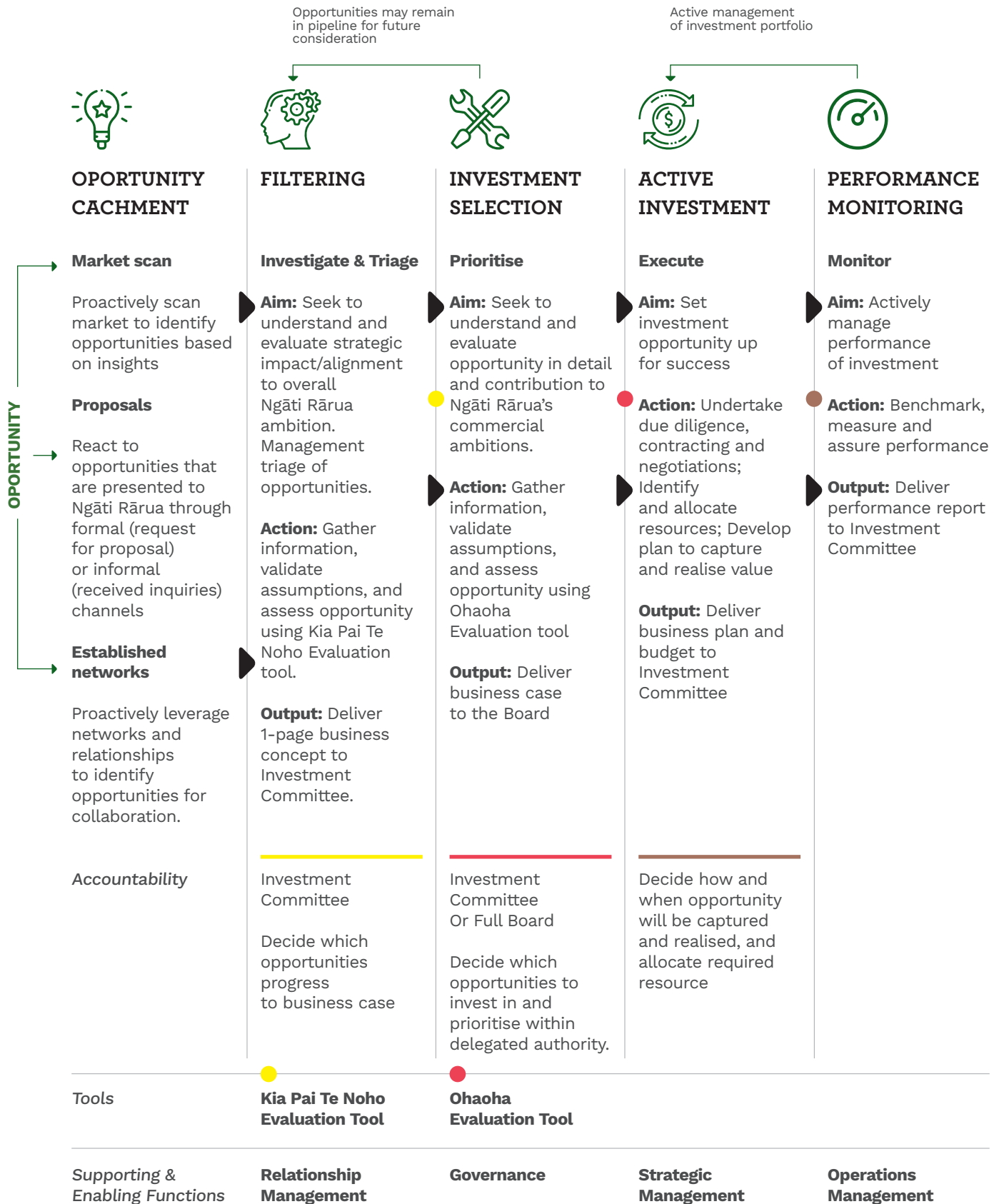
KEY SECTORS

- **Manaaki Economy:** We will look to contribute to a post-Covid19 ‘new look’ resilient and sustainable tourism industry that prioritises unique and authentic experiences that attract high value manuhiri, while also protecting and enhancing our environmental and cultural taonga.
- **Property & Infrastructure:** Opportunities across the full value chain in both residential and commercial property, as well as supporting infrastructure.
- **Agribusiness:** Opportunities across the full value chain with particular interest in aquaculture and horticulture.

EXAMPLES OF THEMATIC INVESTING

Themes	Sectors		
	Manuhiri Economy	Property & Infrastructure	Agribusiness
 <p>Embrace technology & innovation</p>	<p>Internet of things (IoT) visitor-controlled appliances via apps; personal item tracking devices; Host virtual assistants; immersive tourism through augmented reality</p>	<p>All phases of property procurement can be powered by IoT where relevant information is provided to users quickly.</p> <p>Intelligent robots providing investor analysis.</p>	<p>Web-based soil-intelligence systems driven by IoT where semi-automated systems are used to solve issues.</p>
 <p>Educate and enhance capability</p>	<p>Developing platforms for personal learning and development journeys in each of the industries that challenges current practices. Technology is leveraged to deploy resources when required to create learner flexibility which can allow for “just-intime” learning to resolve operational issues as they happen. Identify and invest in commercial opportunities which support our iwi entrepreneurial and innovation capability. Connect uri to higher education and employment opportunities as part of longer term capability development of Ngāti Rārua</p>		
 <p>Go green</p>	<p>Technologies and processes that support environmentally-responsible activities. Opportunities leverage the development of technology, but with a specific purpose of aligning with Ngāti Rārua values around te taiao. Examples include investing in electric powered vehicles or vessels as core ‘fleet’ to increase supply chain capacity.</p>		

Our investment framework



This framework has been designed to assist Ngāti Rārua in capturing the right investment opportunities to realise the expected benefits of our Ohaoha 2040 ambition. It provides a robust process that will support us in identifying, evaluating and implementing new opportunities in a efficient and effective manner. Within the framework are two evaluation tools that capture the criteria by which we will evaluate investment opportunities. These tools will ensure that investment opportunities are aligned to our strategy and contribute towards achievement of our goals.



***Kia Pai Te Noho
Evaluation Tool***



***Ohaoha
Evaluation Tool***

A consistent and transparent approach to investment decisions will ensure we increase the probability of capturing the right opportunities to achieve our ambitions while minimising resource waste (time, energy, money), and mitigating risk.



Kia Pai Te Noho evaluation tool

The Kia Pai Te Noho Tool is used to support initial high level evaluation of investment opportunities against Ngāti Rarua’s overarching strategy.

Each opportunity will be evaluated based on alignment against Kia Pai Te Noho strategic pou, by way of a “yes or no” assessment.

To progress to the Investment Selection stage, an opportunity must meet a minimum of 3 Ohaoha criteria and 70% of all criteria.

A concept note with the results card and recommended next steps will be produced from this evaluation. Refer to the table for the full criteria.

OHAOHA	TAIAO	MAURI ORA	HONONGA
The business model is scalable because capabilities, structure, market, product, customers, revenue, and operating model appears to be strong.	Contributes to protection or improvement of our waterways.	There is a cultural fit and values alignment between TRoNR and the investment.	Commitment to good workplace culture reputation, high standards of employment.
Provides employment or business opportunities for Ngāti Rārua whānau.	Contributes to the protection or improvement of our whenua and crops	Supports revitalisation of Ngāti Rāruatanga and/or te reo Māori	Contributes a positive difference to whānau through social programmes or initiatives.
Generates positive, sustained economic opportunities for Ngāti Rārua.	Has a robust environmental plan that is alignment with Sustainable Development Goals or other widely accepted standards.	Supports protection and celebration of Māori histories and traditions.	Has a social development agenda.
Provides opportunities for rohe-based whānau to upskill	Supports environmental advocacy		Commitment to equity and fairness, improving whānau quality of life.
Potential for collaboration with other Māori entities			Ngati Rarua leadership are able to take an active role in the investment

Ohaoha evaluation tool (1 of 2)

The Ohaoha Tool is used to detailed evaluation of investment opportunities.

Each opportunity will be evaluated against detailed criteria set on a scale of 0 to 5. A score card and business case will be produced.

Each criteria has been weighted to reflect its relative importance to TRoNR's strategic ambition.

	Criteria	Description	Weighting
Ohaoha	Return on investment	The forecasted rate of returns that this opportunity will generate, based on capital invested.	4
	Debt ratio	The ratio of debt we have compared to the value of total assets. Our acceptable debt ratio is outlined in our statement of investment policy and objectives (SIPO.)	3
	Internal rate of return	The forecasted rate of returns that this opportunity may generate over the period the investment is held, based on capital invested.	5
	Revenue growth	The increase or decrease in revenue for a chosen period, compared to the increase or decrease in revenue of a comparable period.	5
	Free cash flows	The actual cash available to distribute or invest after operating and capital expenditure. The more free cash flow we can generate, the better placed we are to pay down debt, fund iwi and whānau activity, and pursue new opportunities.	4
	Payback period	The amount of time it takes to recover the cost of an investment.	3
	Operational risk	The level of risk are we exposed to by being involved with this investment; and how well equipped are we or can we be to mitigate these risks to a satisfactory level?	3
	Strong pricing power	The effect a price change will have on demand for the product or service. Demand may remain high because there are no alternative products or services available to the consumer.	5

Ohaoha evaluation tool (2 of 2)

	Criteria	Description	Weighting
Taiao	Health and safety	The forecasted rate of returns that this opportunity will generate, based on capital invested.	3
	Commitment to the environment	The extent to which the investment complies with relevant legislation and is committed to its environmental goals.	4
Mauri Ora	Cultural health	The extent to which the investment makes a positive difference to whānau through support of cultural expression and practice, and acknowledgement of the significance of Māori culture.	5
	TRoNR Narrative	The extent to which the investment aligns with the TRoNR story, its values and its aspirations.	4
Hononga	Collaboration and transparency	The extent to which the opportunity has potential co-investment opportunity with other Māori groups, is transparent with partnerships and participants in their supply chains and is open to partnership.	5
	Social impact on TRoNR whānau and wider stakeholders' wellbeing	The extent of the direct positive social impact on TRoNR, such as through employment, staff retention, internal policies and education in order to build the long term capabilities and skill sets of TRoNR whānau.	3



Our 5-year flight path

This is a high-level view of the strategic plan to be carried out by the Investment Committee and the management of Te Runanga o Ngāti Rāua. It is intended to provide a foundation from which the Board and the Investment Committee will govern, while staff are responsible for identifying and executing operational activities (annual operating plan and 90 day action plans) that will help drive implementation of the Ohaoha 2040 strategy over the next 5 years.

	1. Optimise existing investment portfolio to achieve 7% RoA
FY2022 PREPARE FOR GROWTH	<ul style="list-style-type: none"> Review performance of existing investment portfolio and developed action plan to improve existing investment portfolio RoA Update SIPO to align with Ohaoha 2040 and investment framework as appropriate Updated Distribution Policy to align with Ohaoha 2040 as appropriate
FY2023-24 ACTIVELY INVEST	<ul style="list-style-type: none"> Implemented action plan to improve investment portfolio RoA to 5% Continue monitoring and evaluating investments on an ongoing basis to maintain adherence to performance metrics and CSR outcomes
FY2025-26 EVALUATE AND ACCELERATE	<ul style="list-style-type: none"> Implemented action plan to improve investment portfolio RoA to 5% Continue monitoring and evaluating investments on an ongoing basis to maintain adherence to performance metrics and CSR outcomes
	2. Fit-for-purpose capabilities and resources that will support sustainable growth
FY2022 PREPARE FOR GROWTH	<ul style="list-style-type: none"> Completed organizational capability and governance review to identify capability gaps and develop capability enhancement plan Put in place appropriate Delegated Authorities to support effective and efficient operation of Investment Committee to drive Ohaoha 2040 strategy. Commence implementation of capability enhancement plan to achieve target operating model including alignment of people, processes and technology to enable effective strategy execution
FY2023-24 ACTIVELY INVEST	<ul style="list-style-type: none"> Complete implementation of capability enhancement plan to achieve 'fit for purpose' optimal organizational structure and capability required to deliver on Ohaoha 2040
FY2025-26 EVALUATE AND ACCELERATE	<ul style="list-style-type: none"> Continual improvement activities to ensure required capabilities and resources are in place to support successful execution of Ohaoha 2040 strategy.
	3. Invest into new opportunities
FY2022 PREPARE FOR GROWTH	
FY2023-24 ACTIVELY INVEST	<ul style="list-style-type: none"> Actively seek out and evaluate new investment opportunities, selecting 2-3 for business case. Identify first new investment opportunity for implementation in FY2024 (business plan and budget approved)
FY2025-26 EVALUATE AND ACCELERATE	<ul style="list-style-type: none"> Monitor performance of first new investment, optimize or scale as appropriate. Identify second and third new investment opportunity for implementation in FY2026 (business plan and budget approved)

Capability matrix | A 'fit for purpose' organisation

This capability matrix outlines the key capabilities required to deliver successfully on the Ohaoha strategy.

Note that this is not a gap assessment as a review of existing capability was not undertaken as part of the scope of this work.

OUR GOALS	1. Optimise existing investment portfolio to achieve 7% RoA	2. Fit-for-purpose capabilities and resources that will support sustainable growth.	3. Invest into new opportunities
Governance lens	Experience in governing commercial investments or commercial operations. Experience in sustainable tourism, construction and infrastructure, and agribusiness sectors would be highly desirable.	Experience in developing and scaling high performing organisations and instilling a culture of high performance. Strong people leadership skills to foster trust and confidence relationships with iwi members and other key stakeholders.	Experience in governing commercial investments or commercial operations. Experience in sustainable tourism, construction and infrastructure, and agribusiness sectors would be highly desirable.
Business management lens	Experience managing active investment portfolios, extracting maximum returns while growing asset value.	Experience in developing and managing high performing teams across multiple business units	Experience identifying and developing new commercial opportunities from ideas through to implementation (ideas generation, feasibility studies, business casing, strategy, standing up new commercial venture).
Systems & Processes lens	Robust finance function that capture, analyses, and reports financial performance in a timely manner to support efficient and effective governance and management decision-making.	Experienced investment committee supported by robust investment and distribution policies. Robust risk management framework and policies.	Robust investment framework and supporting tools to support pipeline management of investment opportunities from ideas through to implementation. (Ohaoha Investment Framework)

Disclaimers

Inherent Limitations

This report has been prepared by KPMG in accordance with our Engagement Letter dated 10 June 2021. The services provided under our engagement letter ('Services') have not been undertaken in accordance with any auditing, review or assurance standards. The term "Audit/Review" used in this report does not relate to an Audit/Review as defined under professional assurance standards.

The information presented in this report is based on [that made available to us in the course of our work and publicly available information and information provided by Te Rūnanga o Ngāti Rārua. We have indicated within this report the sources of the information provided. Unless otherwise stated in this report, we have relied upon the truth, accuracy and completeness of any information provided or made available to us in connection with the Services without independently verifying it.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, Te Rūnanga o Ngāti Rārua consulted as part of the process.

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Third Party Reliance

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Ngā mihi

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