



To: Hon Dr Megan Woods, Associate Minister of Finance
Hon Damien O'Connor, Minister for Land Information

ASSESSMENT REPORT: EDR-H New Zealand Limited

Date	5 September 2022	Classification	IN CONFIDENCE: Commercially sensitive
OIO reference (Report reference)	202200076 (BRF23-093)	Deadline	As soon as possible Assessment Timeframe: 6 September 2022 Commercial Deadline: 24 November 2022

Purpose

We seek your decision on an application for consent to acquire an interest in sensitive land under the Overseas Investment Act 2005 (**the Act**).

Action sought

1. Review this report and consult with each other if desired.
2. Determine whether to grant consent and, if so, on what conditions.
3. Indicate your decision from page 3.

Assessment timeframe requirements

It is unlikely that Ministers will be able to decide this application within the prescribed assessment timeframe (which would require a decision to be made by 5 September 2022). The reasons for this are explained in paragraph 6 below.

OIO Contacts

Name	Position	Contact	First contact
Marcus McMillan	Manager, Applications	+6448301917	<input checked="" type="checkbox"/>
Hannah Worsley	Solicitor	+6444717353	<input type="checkbox"/>

*Why so long
to process??*

A. Summary

1. EDR-H New Zealand Limited (the **Applicant**) is seeking consent to acquire approximately 51.9706 hectares of land at 210 and 264 Cairnmuir Road, Bannockburn, Cromwell, Central Otago (the **Land**) as well as the winery business on the Land (the **Proposed Transaction**).
2. The Applicant was previously known as Rimapere Vineyards Limited. It owns and operates the Rimapere Vineyard in Marlborough.¹
3. The Applicant intends to continue operating the Land as a vineyard but will plant additional vines and upgrade the vineyard to enable the vineyard to produce 'super premium' wine.²
4. For the reasons set out in this report, our recommendation is to **grant consent**.

Key information

Applicant	EDR-H New Zealand Limited (France 100%)
Vendor	Akarua Limited (New Zealand 100%)
Land	Approximately 51.9706 hectares of land located at Cairnmuir Top Terraces Vineyard, 210 and 264 Cairnmuir Road, Bannockburn, Cromwell, Central Otago
Consideration	[s 9(2)(b)(ii)]
Sensitivity	The Land is non-urban land larger than 5 hectares
Relevant tests	Investor test: s18A Benefit to New Zealand test – farm land benefit test s16A(1C) Farm land offer test – s16(1)(f)

Timing

5. The Overseas Investment Regulations 2005 specify the total assessment timeframe for this application is 100 days, however a 30-day extension to the assessment timeframe was made to allow the OIO to consult with the Ministry for Primary Industries (**MPI**). This extension proved insufficient to conclude the consultation. This application is currently on day 129, therefore it is unlikely that a decision could be made by the due date of 6 September 2022.
6. The timeframe has been exceeded due to the time needed for consultation.³ Further detail about the consultation is discussed below at paragraph 64. The commercial deadline for the OIO condition is 24 November 2022. The Applicant has requested that the application is progressed as quickly as possible as the Applicant must order plants as soon as possible in order to secure plants for 2024, otherwise the replanting

¹ Consent was granted for the acquisition in case no. 201210105.

² The production of "premium" and "super-premium" wines are influenced or determined by a number of factors including: wine grape clones (i.e. genetics), vineyard site (soils, aspect, etc), climate and microclimate (within and between seasons), vine age (older vines are believed to provide greater complexity to wines), vine management practices (such as restricting crop load and hence yield), and importantly the skills and capability of the winemaker.

³ Which was affected by staff changes and covid-related absences for sickness.

programme will be delayed. The Applicant advised that New Zealand nurseries are currently experiencing a severe shortage of vines.⁴

B. Decision

Core tests

7. I determine that:

7.1 The 'relevant overseas person' is (collectively):

Relevant overseas person	Role
EDR-H New Zealand Limited	The Applicant and acquiring entity
Compagnie Vinicole Baron Edmond de Rothschild Société Anonyme (CVBER)	100% direct owner of the Applicant
Holding Benjamin et Edmond de Rothschild Société Anonyme (HBER)	Ultimate parent company of the Applicant
Ariane Elisabeth de Rothschild	Chairwoman of the Benjamin de Rothschild's estate, [s 9(2)(a)] [s 9(2)(a)]

7.2 The 'individuals with control of the relevant overseas person' are:

Individuals with control	Role
Ariane Elisabeth DE ROTHSCHILD	Director of HBER and CVBER
Alexis Marie Johann DE LA PALME	Director of HBER, CVBER, and the Applicant
Fabrice Jean-Michel BOURGEOIS	Director of HBER, representative of Compagnie Fermiere Benjamin et Edmond de Rothschild Société Anonyme and Société Francaise des Hotels de Montagne Société Anonyme on CVBER's Board
Alistair Rickard KING	Director of the Applicant

7.3 None of the relevant overseas persons and individuals with control of the relevant overseas person have established any of the factors contained in section 18A(4) of the Act.

8. I am satisfied that the investor test in section 18A has been met.

Hon Dr Megan Woods

Agree

Disagree

Hon Damien O'Connor

Agree

Disagree

⁴ According to the Wine enthusiast Magazine published November 2021, New Zealand is experiencing a wine supply shortage. <https://www.winemag.com/2021/11/02/new-zealand-wine-shortage/>

9. I am satisfied, in relation to the benefit to New Zealand test, that:
- 9.1 the criteria for consent in sections 16 and 16A have been met;
 - 9.2 the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders);
 - 9.3 the benefit is proportionate to the sensitivity of the land and the nature of the transaction;
 - 9.4 the benefit will be, or is likely to be, substantial in relation to one of more of the factors of high relative importance for farm land.

Hon Dr Megan Woods

Agree

Disagree

Hon Damien O'Connor

Agree

Disagree

National interest assessment

10. I note that the overseas investment in sensitive land is not a transaction of national interest under section 20A of the Act and the Minister of Finance has not notified it is a transaction of national interest under section 20B of the Act.

Hon Dr Megan Woods

Noted

Hon Damien O'Connor

Noted

Decision about whether to grant or decline consent

11. My ultimate decision is to:

Hon Dr Megan Woods

Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

Grant consent with amended conditions provided on:

Decline consent

Hon Damien O'Connor

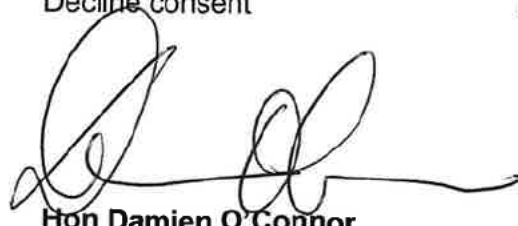
Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

Grant consent with amended conditions provided on:

Decline consent

Hon Dr Megan Woods

Date: / /



Hon Damien O'Connor

Date: 13/9/22

programme will be delayed. The Applicant advised that New Zealand nurseries are currently experiencing a severe shortage of vines.⁴

B. Decision

Core tests

7. I determine that:

7.1 The 'relevant overseas person' is (collectively):

Relevant overseas person	Role
EDR-H New Zealand Limited	The Applicant and acquiring entity
Compagnie Vinicole Baron Edmond de Rothschild Société Anonyme (CVBER)	100% direct owner of the Applicant
Holding Benjamin et Edmond de Rothschild Société Anonyme (HBER)	Ultimate parent company of the Applicant
Ariane Elisabeth de Rothschild	Chairwoman of the Benjamin de Rothschild's estate. [s 9(2)(a)]

7.2 The 'individuals with control of the relevant overseas person' are:

Individuals with control	Role
Ariane Elisabeth DE ROTHSCHILD	Director of HBER and CVBER
Alexis Marie Johann DE LA PALME	Director of HBER, CVBER, and the Applicant
Fabrice Jean-Michel BOURGEOIS	Director of HBER, representative of Compagnie Fermiere Benjamin et Edmond de Rothschild Société Anonyme and Société Francaise des Hotels de Montagne Société Anonyme on CVBER's Board
Alistair Rickard KING	Director of the Applicant

7.3 None of the relevant overseas persons and individuals with control of the relevant overseas person have established any of the factors contained in section 18A(4) of the Act.

8. I am satisfied that the investor test in section 18A has been met.

Hon Dr Megan Woods

Agree

Disagree



Hon Damien O'Connor

Agree

Disagree



⁴ According to the Wine enthusiast Magazine published November 2021, New Zealand is experiencing a wine supply shortage. <https://www.winemag.com/2021/11/02/new-zealand-wine-shortage/>

9. I am satisfied, in relation to the benefit to New Zealand test, that:
- 9.1 the criteria for consent in sections 16 and 16A have been met;
 - 9.2 the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders);
 - 9.3 the benefit is proportionate to the sensitivity of the land and the nature of the transaction;
 - 9.4 the benefit will be, or is likely to be, substantial in relation to one of more of the factors of high relative importance for farm land.

Hon Dr Megan Woods

Agree
Disagree

Hon Damien O'Connor

Agree
Disagree

National interest assessment

10. I note that the overseas investment in sensitive land is not a transaction of national interest under section 20A of the Act and the Minister of Finance has not notified it is a transaction of national interest under section 20B of the Act.

Hon Dr Megan Woods

Noted

Hon Damien O'Connor

Noted

Decision about whether to grant or decline consent

11. My ultimate decision is to:

Hon Dr Megan Woods

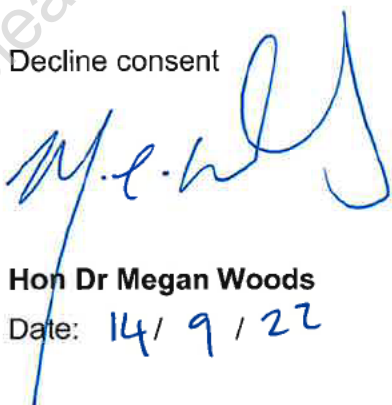
Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

Grant consent with amended conditions provided on:

Decline consent

Hon Dr Megan Woods

Date: 14 / 9 / 22



Hon Damien O'Connor

Grant consent subject to the conditions in the Proposed Decision in **Attachment 1**

Grant consent with amended conditions provided on:

Decline consent

Hon Damien O'Connor

Date: / /

Released under the Official Information Act 1982

C. Background and proposed transaction

12. The Applicant is part of the Edmond de Rothschild estate group (the **Rothschild Group**), which has been involved in the international wine industry since 1868.
13. The Applicant entered into an agreement with Akarua Limited (the **Vendor**) on 22 November 2021, whereby the Vendor agreed to sell the Land, improvements, plant and equipment, brands using the 'Akarua' name and labels, and other relevant assets (the **Assets**) to the Applicant.

Land

14. Of the 51.9706 hectares, approximately 34.5 hectares is planted in existing vines. The breakdown of the grape variety is as follows:
 - Approximately 29.7 hectares of Pinot Noir.
 - Approximately 3.7 hectares of Chardonnay.
 - Approximately 1.1 hectares of Riesling.
15. The Land also has a winery building. This winery building includes offices and houses the cellar door from which wine is sold.
16. There is approximately 15 hectares of bare land that cannot be planted due to wind exposure and elevation. There is a further 3 hectares of land, known as **Longview**, where there was an attempt to grow vines, but these vines were later removed as they struggled to establish due to wind exposure and irrigation issues.
17. There is a three-bedroom residential dwelling located on the Land which is used for worker accommodation.
18. The Land does not contain or adjoin any fresh or seawater areas.
19. An aerial photo of the Land is shown below (with the Land outlined in red):



Figure 1 – the Land

D. Application of the Act

20. The Land is sensitive because it is non-urban land over 5 ha in size,⁵ so consent is required.⁶ The following criteria for an investment in sensitive land apply to this application:⁷
- The investor test must be met.⁸
 - The benefit to New Zealand test must be met.⁹
 - The farm land must have been offered for sale on the open market¹⁰, unless exempt.¹¹
 - You must also note whether the investment is a transaction of national interest and, if so, whether the Minister of Finance has decided that the investment is contrary to New Zealand's national interest.¹²
21. In order to satisfy the benefit to New Zealand test, the decision-maker must:
- determine that the overseas investment will, or is likely to, benefit New Zealand;¹³ and
 - determine that benefit will be, or is likely to be, substantial in relation to one of more of the factors of high relative importance for farm land¹⁴ (unless the farm land benefit test is disapplied¹⁵).
22. We assess the investor test in Part E, the benefit to New Zealand test in Part F, the farm land offer test in Part G, and discuss national interest matters in Part H.

E. Applicant and investor test

23. This section describes the Applicant and assesses whether the investor test is met.

Business Activities

24. The Applicant is an existing vineyard owner and operator in New Zealand. The Applicant is part of the Rothschild Group, which is a branch of the Rothschild Family. The Rothschild Group also owns vineyards across France, South Africa, Argentina, and Spain owning around 500 hectares of vineyard over six properties. The Rothschild Group produces wine that retails up to approximately [s 9(2)(b)(ii)] per bottle, targeting the high-end market. Its distribution network currently sells to over [s 9(2)(b)(ii)] countries across the globe. The Rothschild Group partners with a number of well-known brands to promote its wine, including restaurants, hotels (such as the Four Seasons Hotel), and luxury brands.
25. The Applicant acquired the Rimapere Vineyard in Marlborough with OIO consent in August 2012.¹⁶ The Rimapere Vineyard comprises 24 hectares and predominantly produces Sauvignon Blanc. For the 2021 harvest at Rimapere Vineyard, [s 9(2)(b)(ii)] of the bottled wine was exported. Wine produced from Rimapere Vineyard is currently sold to

⁵ Table 1, Part 1, Schedule 1 of the Act.

⁶ Under sections 10(1)(a) and 12(a)(i) of the Act.

⁷ Set out in section 16(1) of the Act.

⁸ Section 18A / 16(1)(a) of the Act.

⁹ Section 16(1)(c)(ii). The alternative is the relevant overseas person or each of the individuals with control is a NZ citizen or resident, which is not applicable to the proposed investment.

¹⁰ Section 16(1)(f) of the Act.

¹¹ Section 20(1)(a) or (b) of the Act.

¹² Section 16(1)(g) of the Act.

¹³ Section 16A(1)(a) of the Act.

¹⁴ Section 16A(1C)(b) of the Act. This criterion applies because the Land is farm land over 5 ha in size.

¹⁵ Section 16A(1D) of the Act.

¹⁶ Consent 201210105.

over ^{(s 9(2)(a))} countries, with France being the largest importer. The Applicant claims that its Rimapere wine is currently the number one sauvignon blanc from New Zealand sold in South Africa through the Rothschild brand.

Ownership

26. The Applicant is an overseas person as it is a 100% subsidiary of a body corporate incorporated outside of New Zealand. The Applicant's immediate parent company is Compagnie Vinicole Baron Edmond de Rothschild Société Anonyme (**CVBER**), a French company.¹⁷
27. CVBER, and, therefore, the Applicant are ultimately owned by Holding Benjamin et Edmond de Rothschild Société Anonyme (**HBER**), a Swiss incorporated company.¹⁸ There are two intermediary French companies that act as holding companies, being:
- Compagnie Fermiere Benjamin et Edmond de Rothschild Société Anonyme (**CFBER**);¹⁹ and
 - Société Francaise des Hotels de Montagne Société Anonyme (**SFHM**).²⁰

[s 9(2)(a)]

29. A diagram of the ownership structure is in **Attachment 2**.

Control

30. The Applicant will be the entity acquiring the Land and the Assets. We consider HBER to be the ultimate parent company in this case as HBER gave the final approval for the Proposed Transaction and HBER will have final approval of divestments by the Applicant. Investment proposals are vetted by SFHM before a final approval by HBER.
31. As the immediate parent company of the Applicant, CVBER approves the Applicant's significant capital and operating expenditure.
32. The Applicant, CVBER, and HBER are controlled by their respective boards of directors.

Relevant overseas person and individuals with control

33. We, therefore, recommend that the 'relevant overseas person' is (collectively):

Relevant overseas person	Role
EDR-H New Zealand Limited	The Applicant and acquiring entity
Compagnie Vinicole Baron Edmond de Rothschild Société Anonyme (CVBER)	100% direct owner of the Applicant
Holding Benjamin et Edmond de Rothschild Société Anonyme (HBER)	Ultimate parent company of the Applicant

¹⁷ Paris company registration number 308428820.

¹⁸ Swiss registration CH-660.0.632.982-7.

¹⁹ Paris registration number 552059628.

²⁰ Paris registration number 562134510.

Relevant overseas person	Role
Ariane Elisabeth de Rothschild	Chairwoman of the Benjamin de Rothschild's estate, [s 9(2)(a)] [s 9(2)(a)]

34. As the Chairwoman and executor of Mr. de Rothschild's estate, [s 9(2)(a)] [s 9(2)(a)] we recommend that Ariane de Rothschild be considered a relevant overseas person.²¹
35. While proposals are vetted by SFHM, we have not recommended SFHM as a relevant overseas person as SFHM is essentially a holding company and both of its key directors also sit on the boards of HBER and CVBER. We have not recommended CFBER as a relevant overseas person as it is also a holding company with no active decision-making role in the business operations of the Applicant.
36. We recommend that the 'individuals with control of the relevant overseas person' (IWC)²² are:

Individuals with control	Role
Ariane Elisabeth DE ROTHSCHILD	Director of HBER and CVBER
Alexis Marie Johann DE LA PALME	Director of HBER, CVBER, and the Applicant
Fabrice Jean-Michel BOURGEOIS	Director of HBER, representative of Compagnie Fermiere Benjamin et Edmond de Rothschild Société Anonyme and Société Francaise des Hotels de Montagne Société Anonyme on CVBER's Board
Alistair Rickard KING	Director of the Applicant

Summary of investor test

37. The relevant overseas persons and individuals with control established none of the factors contained in section 18A(4) of the Act.
38. Our conclusion is that **the investor test has been met.**

F. Investment plan and benefit to NZ test

39. This section describes the proposed investment and our assessment of whether it is likely to meet the benefit criteria in the Act.

Investment plan

Vineyard improvements

40. The Applicant intends to increase the quality and quantity of the grapes grown on the Land to produce a larger quantity of premium and 'super-premium' wine. The Applicant will replant approximately 19 hectares of the existing vineyard with premium clones and rootstock. These vines will be planted with a high density, aiming for approximately

²¹ We do not consider Nadine de Rothschild to be a relevant overseas person as she is not involved in the decision-making for HBER.

²² Section 15.

4,000 vines per hectare²³. The Applicant expects that by 2031, over 97% of the vineyard will have premium plant material. Premium wine production will, therefore, increase to 59%.

41. To further support the vineyard, the Applicant intends to redevelop the irrigation and water storage for the vineyard. A more reliable water supply will result in better roots for the vines and better fruit production. Furthermore, the Applicant will install three units of frost fans to ensure adequate protection of the vines from frost damage. These upgrades will enable the Applicant to produce its premium and 'super-premium' wine. The Applicant will sell this wine through its existing export distribution and brand networks through the Rothschild Group. [s 9(2)(b)(ii)]
[s 9(2)(b)(ii)]
42. A detailed plan showing the areas that the Applicant will replant, and plant is at **Attachment 4**.
43. With the redevelopment of the irrigation and water storage, the Applicant will also plant Longview, thereby increasing the size of the planted area on the Land to approximately 36 hectares.
44. Due to the premium quality of the wine produced and its association with the Rothschild brand, the Applicants will be able to increase the price per bottle of the wine. The Applicant intends to increase the price of the wine by approximately [s 9(2)(b)(ii)] per bottle by 2032.
45. The Applicant submits it will also be able to increase the annual export receipts by raising the price per bottle and increasing the volume of premium wine produced, reaching an annual export receipt of approximately [s 9(2)(b)(ii)] per annum in 2032. The Applicant predicts the following increments in annual export receipts:

Year	Volume	Turnover	ASP
2022	[s 9(2)(b)(ii)]		
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			

Figure 3 - Value of export receipts. Note: 'ASP' means average sale price per bottle

46. The Applicant has forecasted an approximately [s 9(2)(b)(ii)] increase in turnover and a [s 9(2)(b)(ii)] increase in volume over 10 years. These increases are a result of the increased area being planted, the increased vine density and the increased price per bottle.

Winery and cellar door redevelopments

47. The Applicant has additional plans to redevelop the winery, which will include installing new temperature controls and new heating and cooling units to properly store their

²³ The current density is 2500 vines per hectare.

wine. The Applicant intends to also renovate the cellar door to enable it to communicate a luxury, premium brand. The Applicant aims to complete the redevelopments of the winery and cellar door by 31 December 2025, subject to resource consents and building consents.²⁴

48. A plan of the proposed winery and cellar door development is at **Attachment 4**.

Current state (counterfactual)

49. As part of the sale and purchase due diligence, the Applicant commissioned an independent viticultural review of the vineyard by a Dr David Jordan.²⁵

Vineyard

50. Dr Jordan noted that the vineyard is planted at low to moderate vine densities, at approximately 2,500 vines per hectare. There is a single unit of frost fan for the vineyard, which may not be adequate. The vineyard has an adequate, existing irrigation system and water storage. However, some elements of the irrigation system, such as the lateral tubing, may be nearing the end of their commercial life.
51. Dr Jordan further noted that there has been poor development of the replanted areas of the vineyard. For example, the Sandspit Block has been recently replanted, but the vines are struggling to establish.
52. Dr Jordan described the wine mainly produced by the vineyard as "entry point" level wine.²⁶ The Vendor sells a majority of its wine on the domestic market. The wine produced is currently exported for an average price of [s 9(2)(b)(ii)] per bottle. For the financial year ending July 2021, the Vendor reported [s 9(2)(b)(ii)] of export receipts.

Winery and cellar door

53. The winery was built in 1999 and is focused on large commercial operation. The cellar door is described as having an industrial look.
54. The Vendor's biggest capital expenditure in the past three years is [s 9(2)(b)(ii)] spent on upgrading their wastewater system.

Farm land benefit test

55. This investment involves the acquisition of farm land exceeding 5 hectares in area. As a result, the farm land benefit test applies unless you decide it need not be met for one of the reasons set out in the Act.²⁷
56. Accordingly, as required by the Act, we have treated the following factors as having high relative importance:²⁸
- the economic benefits factor (section 17(1)(a)) and, in particular, the creation or retention of jobs, introduction of technology or business skills, increased export receipts, and increased processing of primary products; and
 - the oversight or participation factor (section 17(1)(f)).

²⁴ The Applicant considers that resource consents and building consents are likely to be granted as the developments will be undertaken in existing buildings and the use of the buildings are not changing.

²⁵ The report was conducted by Dr David Jordan (Vine to Wine to Market wine business advisors) who is an independent viticulturalist.

²⁶ The vendor describes the wine produced by the vineyard as 'ultra-premium', however no evidence was supplied by the vendor to support this claim.

²⁷ Section 16A(1C)-(1D). You may decide not to apply the farm land benefit test if: the transaction is minor or technical; the transaction does not materially change the level of ownership or control that the relevant overseas person has over the asset; or the farm land has no or limited productive capacity as farm land and will, or is likely to, be used promptly, as a result of the overseas investment, for industrial or commercial development (for example, a supermarket) or for the construction of 1 or more buildings that, taken together, will consist of 20 or more new residential dwellings.

²⁸ Section 16A(1C)(a).

57. For the farm land benefit test to be met, the applicant must demonstrate, in relation to one or more of those factors of high relative importance, that the benefits of the investment are of a size or nature that represent a substantial benefit to New Zealand.

Summary of benefits

58. The benefits to New Zealand that are likely to result from this investment and our assessment of the relative weight to be given to each are set out in the table below.
59. Factors that we considered were either not relevant to the investment, or the benefit to New Zealand was not sufficient to be relied on, are noted in **Attachment 3**.
60. In applying the benefit to New Zealand criteria, you are required to consider each of the benefit factors, decide which of them are relevant and determine the relative importance of those relevant factors. The weight and relative importance to be given to each factor is a matter to be determined by you as the decision-maker (except where the farm land benefit test requires a factor to be given high relative importance). This report sets out our assessment to guide your consideration, however it is not determinative.

Summary assessment: benefit to NZ test

61. This table assesses the benefits to NZ likely to result from the investment and the relative weight to be given to each.

Released under the Official Information Act 2002

Relevant benefit factors	Applicant's claims: what they intend to do	Current state	OIO analysis: strength/weakness		Proposed special conditions
			Indicative strength	Summary	
Economic Factor	<p>Converting vineyard to premium vines/ increased productivity</p> <p>The Applicant will convert the vineyard to produce premium and super-premium wine. The Applicant will:</p> <ul style="list-style-type: none"> • Replant 19 hectares of vineyard with premium clones and rootstock at a cost of [s 9(2)(b)(ii)] plus GST • Replant vines at a higher density (4,000 vines per hectare where possible) • The Applicant will spend [s 9(2)(b)(ii)] plus GST redeveloping the irrigation system to improve water storage and the system. • The Applicant will spend [s 9(2)(b)(ii)] plus GST to install three frost fans. 	<p>The vendor has no plans to replace any existing vines with higher quality clones and root stock or install a new irrigation system or frost fans.</p>	Strong	<p>The investment is likely to lead to the introduction of at least [s 9(2)(b)(ii)] for replanting of vines, re-development of the irrigation system and installation of three frost fans. The replanting, irrigation redevelopment and installation of frost fans is likely to increase the quality of the grapes and enable the Applicant to produce premium and super premium wine.</p> <p>Increased density of vine planting will increase the productivity of the vineyard to an extent.</p>	<p>We propose a special condition requiring expenditure of at least [s 9(2)(b)(ii)] on:</p> <ul style="list-style-type: none"> (a) Replanting at least 16 hectares of vines; (b) Redeveloping the irrigation system; and (c) Installing three frost fans <p>By January 2033</p>

	<p>Redevelopment of winery and cellar door</p> <p>The Applicant will redevelop the winery and cellar door to increase the wine quality, premiumisation and enhance visitor experience and brand. The Applicant will achieve this by:</p> <ul style="list-style-type: none"> • Installing new temperature controls, heating and cooling units so wine can be made and stored in temperature-controlled areas, increasing the quality of the wine at a cost of [s 9(2)(b)(ii)] plus GST. • Renovating the cellar door to the Rothschild standard including large glass areas to allow customers to view the winery and barrel rooms at a cost of [s 9(2)(b)(ii)] plus GST. 	<p>The vendor has no plans to undertake development of the winery or cellar door as the assets are currently appropriate for producing a commercial grade pinot noir.</p>		<p>The investment is likely to lead to the installation of temperature controls and heating and cooling units and renovation of the cellar door. The temperature controls (heating and cooling units) will increase the quality of the wine sold. The renovation of the cellar door will allow the Applicant to communicate a luxury, premium brand.</p>	<p>We propose a special condition requiring at least [s 9(2)(b)(ii)] on:</p> <p>(a) Redevelopment of the winery by installing new temperature controls and heating a cooling units; and</p> <p>(b) Renovation of the cellar door</p>
	<p>Increased Export Receipts</p> <p>The Applicant will increase the export receipts through raising the price point per bottle and increasing the volume of wine to be exported. The Applicant will increase the price to [s 9(2)(b)(ii)]/bottle in the first year, increasing to [s 9(2)(b)(ii)]/bottle by 2032. The Applicant will increase the annual export receipts to over [s 9(2)(b)(ii)] per year.</p>	<p>The vendor is currently only exporting approximately [s 9(2)(b)(ii)] per annum.</p>		<p>The investment is likely to result in increased export receipts of [s 9(2)(b)(ii)] [s 9(2)(b)(ii)] (once the quality of the grapes increases and replanting reaches full production in 2032).</p>	<p>We propose requiring the Applicant to provide details of its export receipts as part of the reporting conditions</p>

	<p>Creation of jobs</p> <p>In addition to retaining the current jobs at the vineyard, the Applicant will create 6.8 additional full time equivalent (FTE) jobs²⁹ as a result of more intensive vineyard practices, new cellar door and sales positions. In addition, the Applicant will create 12.53 temporary FTEs for replanting and winery and cellar door development.</p>	<p>There are currently 24.4 FTEs at the vineyard.</p>		<p>The investment is likely to create more permanent and temporary (contract) FTE jobs being: 6.8 additional permanent FTE; and 12.53 temporary FTE</p>	<p>We propose a special condition requiring the Applicant to create 6 additional permanent FTE jobs.</p>
	<p>Creation of Distribution Channel</p> <p>The Applicant will sell the wine produced from the vineyard through its distribution network. The Rothschild distribution network currently sells to [s 9(2)(b)(ii)] countries across the globe. This will create access to new markets for the wine produced from the vineyard.</p>	<p>The vendor currently has a limited export distribution network and only exports approximately [s 9(2)(b)(ii)] of wine per annum.</p>		<p>The investment is likely to lead to the wine produced being exported via the Applicant's distribution network. This will expand the distribution network that the vineyard currently has access to.</p>	<p>As above, we propose requiring the Applicant to provide details of its export receipts as part of the reporting conditions.</p>

Consultation and submissions about the investment

62. No third-party submissions were sought or received in relation to this application.
63. In undertaking our assessment, we consulted with MPI.

Ministry for Primary Industries

64. In undertaking our assessment, we consulted with the Horticultural Sector Policy Team at MPI about the application and the proposed investment. The initial consultation request was made on 31 May 2022 where we sought clarification on the categorisation of wine quality ('entry point' vs 'super-premium') and on the timeframe for vine maturity following planting. We received a response on 19 July 2022. On 20 July 2022 we sought MPI comment on the Applicant's claim that its investment plan will lead to the production of premium and 'super-premium' wine and on the Applicant's claim of increased export receipts. A response was received on 2 September 2022.
65. MPI broadly supported the claims made by the Applicant as to the economic benefits to be created by the investment, particularly in regard to the conversion to premium vines and increased productivity benefit, however it was unable to provide specific comment

²⁹ For a total of 31.2 FTE jobs.

on the feasibility of the claimed export receipts, as it does not hold data on export prices of different wine styles for individual varieties.

66. MPI stated that the Applicant had sourced expert advice from an industry expert to lift the quality of the grapes and hence the wine produced from the vineyard. The application provided a credible explanation as to how both the vineyard and wine-making processes will be transitioned to enable the production of super-premium wines, including:
- the replacement of over half of the Pinot Noir plantings with different clones of Pinot Noir with the inherent genetic ability to produce high quality grapes,
 - improved vineyard management practises to produce high quality grapes (frost protection, optimum irrigation practices, etc), and
 - investment in appropriate wine-making equipment and expertise.
67. MPI stated that the application provided strong evidence, including relevant New Zealand based evidence, of the Applicant's ability to develop, market and distribute super premium wines.

Conclusion – benefit to NZ test

Key benefits

68. After considering the application, we are satisfied that the investment is likely to result in the benefits considered above. In particular, this investment is likely to provide economic benefits to New Zealand.

Proportionality

69. We have undertaken our assessment having regard to the sensitivity of the Land and the nature of the overseas investment transaction, reflecting the proportional nature of the benefit to New Zealand test. In this case, the investment consists of acquiring approximately 51.97 hectares of existing vineyard land (of which 34.5 hectares is planted) in Central Otago.
70. Even though the land already contains an existing vineyard, it is proposed that the vines will be replanted more densely and with several infrastructure improvements. A portion of the land which is suitable for planting is currently unplanted. The Applicant's claimed benefits are significant when considered with respect to the size and sensitivity of the Land. The Applicant intends to increase the size of the planted land by 1.5 hectares. The investment will result in productivity gains over and above the current productivity of the Land with a predicted [s 9(2)(b)(ii)] increase in the volume of wine produced in the 10 years following the investment. The improvements in productivity will lead to increased export receipts from the current level of over [s 9(2)(b)(ii)] to over [s 9(2)(b)(ii)] by 2032.
71. Taking into account the size of the Land and comparing the benefits under the current state compared to the investment, we consider the overseas investment is likely to benefit New Zealand.

Farm land benefit test

72. In relation to the farm land benefit test, the benefits are likely to be substantial in relation to one or more factors of high relative importance. A substantial benefit is derived from the economic benefit factor which includes the following benefits: a significant increase in premium and super-premium wine production, an increase in wine quality from the redevelopment of the winery and cellar door, an increase in export receipts of [s 9(2)(b)(ii)] an increase in FTE jobs to 31.2 FTE, and an expansion

of the vineyard's distribution network to have potential access to over 100 countries worldwide.

G. Farm land offer test

73. The Land is farm land³⁰, and was advertised for sale on the open market with the required information for a period exceeding 20 working days³¹ on the internet (Trade Me, Colliers, and Realestate.co.nz websites) and in the NZ WineGrower magazine.³²
74. We are, therefore, satisfied the regulations requiring the farm land to be offered for acquisition on the open market have been complied with.

H. Not a transaction of national interest

75. The investment does not involve a transaction of national interest under the mandatory criteria of the Act.³³ This is because the investment does not involve a non-NZ government investor, or an investment in a strategically important business (as defined in the Act).
76. We have not referred this transaction to the Minister of Finance for him to call it in for a national interest assessment on a discretionary basis.³⁴ He has therefore not declined consent to the transaction.
77. We are directed³⁵ that the starting point is the assumption that overseas investment is in New Zealand's national interest and that we should only seek the Minister of Finance to exercise his discretion for a national interest assessment if the proposed investment:
- could pose risks to New Zealand's national security or public order
 - would grant an investor significant market power within an industry or result in vertical integration of a supply chain
 - has foreign government or associated involvement that was below the 10 per cent threshold for automatic application of the national interest test, but granted that government (and/or its associates) disproportionate levels of access to or control of sensitive New Zealand assets or
 - would have outcomes that were significantly inconsistent with or would hinder the delivery of other Government objectives.
 - raises significant Treaty of Waitangi issues or
 - relates to a site of national significance (e.g. significant historic heritage).
78. We do not consider that this investment engages any of these risk factors.

I. Conclusion

79. After considering the application, our view is that:
- the investor test has been met; and

³⁰ Currently used exclusively for horticultural purposes, being grape production – see definition of farm land in s 6 of the Act.

³¹ The pre-24 November 2021 advertising rule applied because the transaction was entered into on 22 November 2021.

³² Advertisements were listed on The Colliers, Trademe and Realestate websites from 29 November 2021 until 27 January 2022 and published in the December 2021 Edition of the NZ WineGrower magazine.

³³ Under s 20A of the Act.

³⁴ Section 20B of the Act

³⁵ Supplementary Ministerial Directive Letter (8 June 2020).

- the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders); and
 - the benefit is proportionate to the sensitivity of the land and the nature of the transaction; and
 - the benefit will be, or is likely to be, substantial in relation to one or more of the factors of high relative importance for farm land;
 - The farm land advertising requirements have been met; and
 - the transaction is not considered to be a transaction of national interest.
80. Therefore, we consider that the criteria for consent in section 16 have been met and our recommendation is to **grant consent**.
81. If you agree, we refer you to **Attachment 1** to review the Proposed Decision (including consent conditions), and from page 3 of this Assessment Report to record your decision.



Marcus McMillan
Manager, Applications
Overseas Investment Office

Date: 05/09/2022

J. List of Attachments

1. Proposed Decision
2. Intended ownership structure
3. Other benefit factors
4. Photos

ATTACHMENT 1 PROPOSED DECISION

Consent for Overseas Person to Acquire Sensitive New Zealand Land

Read this consent carefully - you must comply with all the conditions. If you do not, you may be required to dispose of the land and/or be subject to fines or other penalties.

Consent

Decision date: [date]

The following people have been given the following consent:

Case	202200076
Consent	The Consent Holder may acquire the Land subject to the Conditions set out below.
Consent holder	EDR-H New Zealand Limited (Company number 3859076) We will also refer to the Consent holder as you .
Land	A Freehold Interest in 51.9706 hectares of land located at Cairnmuir Top Terraces Vineyard 210 and 264 Cairnmuir Road, contained in Record of Title 3315, 521395, OT17D/636, OT17D/640 (Otago).
Timeframe	You have until 30 September 2023 to acquire the Land.

Conditions

Your Consent is subject to the Special conditions, Standard conditions and Reporting conditions (Conditions) set out below. You must comply with them all. Be aware that if you do not comply with the Conditions you may be subject to fines or other penalties, and you may also be required to dispose of the Land.

In the Consent and the Conditions, we refer to the Overseas Investment Office as **OIO, us or we**.

Act means the Overseas Investment Act 2005.

Special conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and were considerations that particularly influenced us to give consent:

Details	Required date
Special condition 1: Replant vines, upgrade irrigation system and install frost fans	
You must:	By 1 October 2028
(a) Replant at least 8 hectares of the Land currently planted in vines with new vines.	
(b) Replant/plant a further 8 hectares of the Land currently planted in vines or unplanted with new vines.	By 1 October 2032
(c) Upgrade the irrigation system on the Land, and install three new frost fan units on the Land.	By 1 June 2028
If you do not, standard condition 6 will apply and we may require you to dispose of the Land.	
Special condition 2: Redevelop the winery and cellar door	
You must expend [s 9(2)(f)(ii)] to redevelop the winery and renovate the cellar door.	By 1 July 2026
If you do not, standard condition 6 will apply and we may require you to dispose of the Land.	
Special condition 3: Create new jobs	
You must create at least 6 permanent FTE jobs on the Land.	By 1 July 2026
If you do not, standard condition 6 will apply and we may require you to dispose of the Land.	

Standard conditions

You must also comply with the **standard conditions** set out below. These apply to all overseas people who are given consent to acquire sensitive New Zealand land, including you:

Details	Required date
Standard condition 1: acquire the Land	
<p>You must acquire the Land:</p> <ol style="list-style-type: none"> 1. by the date stated in the Consent. If you do not, your Consent will lapse or become invalid and you must not acquire the Land, and 2. using the acquisition, ownership and control structure you described in your application. <p>Note, only you – the named Consent holder – may acquire the Land, not your subsidiary, trust or other entity.</p>	As stated in the Consent
Standard condition 2: tell us when you acquire the Land	
<p>You must tell us in writing when you have acquired the Land. Include details of:</p> <ol style="list-style-type: none"> 1. the date you acquired the Land (Settlement), 2. consideration paid (plus GST if any), 3. the structure by which the acquisition was made and who acquired the Land, and 4. copies of any transfer documents and Settlement statements. 	As soon as you can, and no later than two months after Settlement
Standard condition 3: allow us to inspect the Land	
<p>Sometimes it will be helpful for us to visit the Land so we can monitor your compliance with the Conditions.</p> <p>We will give you at least two weeks' written notice if we want to do this.</p> <p>You must then:</p> <ol style="list-style-type: none"> 5. Allow a person we appoint (Inspector) to: <ol style="list-style-type: none"> (a) enter onto the Land, including any building on it, other than a dwelling, for the purpose of monitoring your compliance with the Conditions (Inspection), (b) remain there as long as is reasonably required to conduct the inspection, 	At all times

<ul style="list-style-type: none"> (c) gather information, (d) conduct surveys, inquiries, tests and measurements, (e) take photographs and video records, and (f) do all other things reasonably necessary to carry out the Inspection. <p>6. Take all reasonable steps to facilitate an Inspection including:</p> <ul style="list-style-type: none"> (a) directing your employees, agents, tenants or other occupiers to permit an Inspector to conduct an Inspection, (b) being available, or requiring your employees, agents, tenants or other occupiers to be available, at all reasonable times during an Inspection to facilitate access onto and across the Land. This includes providing transport across the Land if reasonably required. <p>7. During an Inspection:</p> <ul style="list-style-type: none"> (a) we will not compel you and your employees, agents, tenants or other occupiers to answer our questions or to let us look at, copy or take away documents, (b) our Inspector will comply with any reasonable instruction and co-operate with any reasonable health and safety policy or procedure you notify to us before the Inspection. 	
Standard condition 4: remain not unsuitable	
<p>You, and to the extent that you are not an individual, the Individuals Who Control You must remain not unsuitable to own or control the Assets in accordance with section 18A(1) of the Act.</p> <p>The Individuals Who Control You are individuals who:</p> <ul style="list-style-type: none"> (a) are members of your governing body, (b) directly or indirectly, own or control more than 25% of you or of a person who itself owns or controls more than 25% of you, and (c) are members of the governing body of the people referred to in paragraph (b) above. 	<p>At all times</p>

Standard condition 5: tell us about changes that affect you, the people who control you, or people you control

You must tell us in writing if any of the following events happens to any of the Consent holders:

Within 20 working days after the change

8. You become aware that you and/or any Individual Who Controls you establishes any of the investor test factors listed in section 18A(4) of the Act.
9. You cease to be an overseas person or dispose of all or any part of the Land.
10. Your New Zealand Service Address changes. This is the address you provided us in your application as the address which we will send any legal document we need to serve on you.

Standard condition 6: dispose of the Land if you do not comply with key special conditions

Some of the special conditions were key to the decision to give consent. If we consider you have failed to comply with one of those Special conditions in a material way we may require you to dispose of the Land.

If all or part of this standard condition 6 applies to a special condition, we have said so in that condition.

We will give you written notice if we require you to dispose of the Land. After we have given you notice, you must:

Value the Land: obtain and send us a copy of a market valuation of the Land from a New Zealand registered valuer.

Within six weeks of the date of our notice.

Market the Land: instruct a licensed real estate agent to actively market the Land for sale on the open market.

Within six weeks of the date of our notice.

Dispose of the Land: dispose of the Land to a third party who is not your associate.

Within six months of our notice.

Offer without reserve: if you have not disposed of the Land within six months of our notice, offer the Land for sale by auction or tender without a reserve price or minimum bid and dispose of the Land.

Within nine months of our notice.

<p>Report to us about marketing: tell us in writing about marketing activities undertaken and offers received for the Land.</p>	<p>By the last day of every March, June, September and December after our notice or at any other time we require.</p>
<p>Report disposal to us: send us, in writing, evidence:</p> <ul style="list-style-type: none">(a) that you have disposed of the Land,(b) of disposal (including copies of sale and purchase agreements, settlement statements and titles showing the purchaser as registered proprietor),(c) the purchaser is not your associate.	<p>Within one month after the Land has been disposed of.</p>

Released under the Official Information Act 1982

Reporting conditions

We need information from you about how your Investment Plan is tracking so we can monitor your progress against the Conditions and so we can measure the benefits you have brought to New Zealand through your investment.

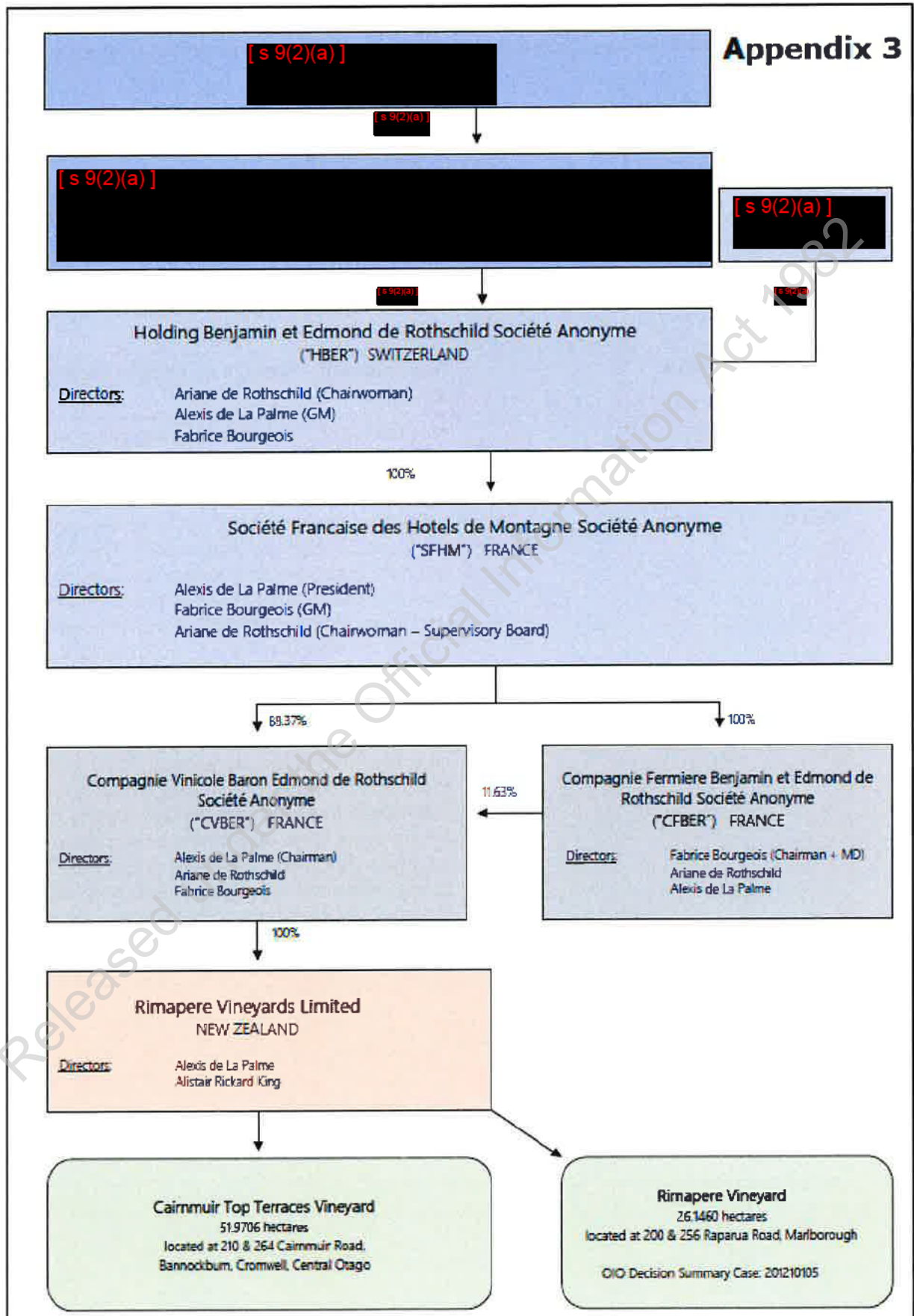
You must lodge a **report**. This must:

11. be sent to **oiomonitoring@linz.govt.nz** on the following dates:
 - (a) 1 November 2024
 - (b) 1 November 2026
 - (c) 1 November 2028.
12. contain information about:
 - (a) your progress in implementing the Special conditions;
 - (b) the number of full-time equivalent (FTE) roles associated with the Land and what these roles are. The report should contain payroll or other evidence showing the number of FTE employees/positions.
 - (c) the exports created from the use of the Land, including total wine export numbers and total export receipts.
13. follow the format of the template report published on our website (see <https://oio.linz.govt.nz/oio-consent-monitoring>).

If requested in writing by the OIO, the Consent Holder(s) must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:

- (a) the representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the consent was granted or
- (b) the conditions of this consent.

ATTACHMENT 2 – INTENDED OWNERSHIP STRUCTURE



ATTACHMENT 3 – OTHER BENEFIT FACTORS

The table below lists other factors in the Act for assessing the benefit of overseas investments.

We considered that the factors below were either not relevant to the investment, or the benefit to New Zealand was not likely or sufficient to be relied on for the purposes of our assessment.

Factor	Reason not relevant or insufficient
Environmental benefits	Not relevant – no environmental benefits are claimed as a result of the investment.
Public access	Not relevant – no public access benefits are claimed as a result of the investment.
Historic heritage	Not relevant – there is no historic heritage present on the Land
Water bottling	Not relevant – no water bottling will occur as a result of the investment.
Oversight or participation by New Zealanders	Not met - We are not satisfied that the Proposed Investment is likely to result in increased oversight or participation by New Zealanders. The Applicant submits that New Zealanders will continue to have oversight and participation in the investment, but this is not an additional benefit. From an ownership and control perspective there is no oversight and participation by New Zealanders as the Applicant is 100% overseas owned.
Consequential benefits	Insufficient claims – The Applicant claims that as a consequence of the investment, New Zealand is likely to benefit from having improved relations with individuals involved in the wine industry both in France and in other wine consuming countries and that by having a Pinot Noir marketed under the Rothschild family name this will help raise the profile of Central Otago Pinot Noir on a global stage. This benefit may eventuate, however, the Applicant has not provided sufficient detail to allow this benefit to be relied on.

ATTACHMENT 4 – PHOTOS



Figure 1 - aerial photo of the Land

Released under the Official Information Act 1982

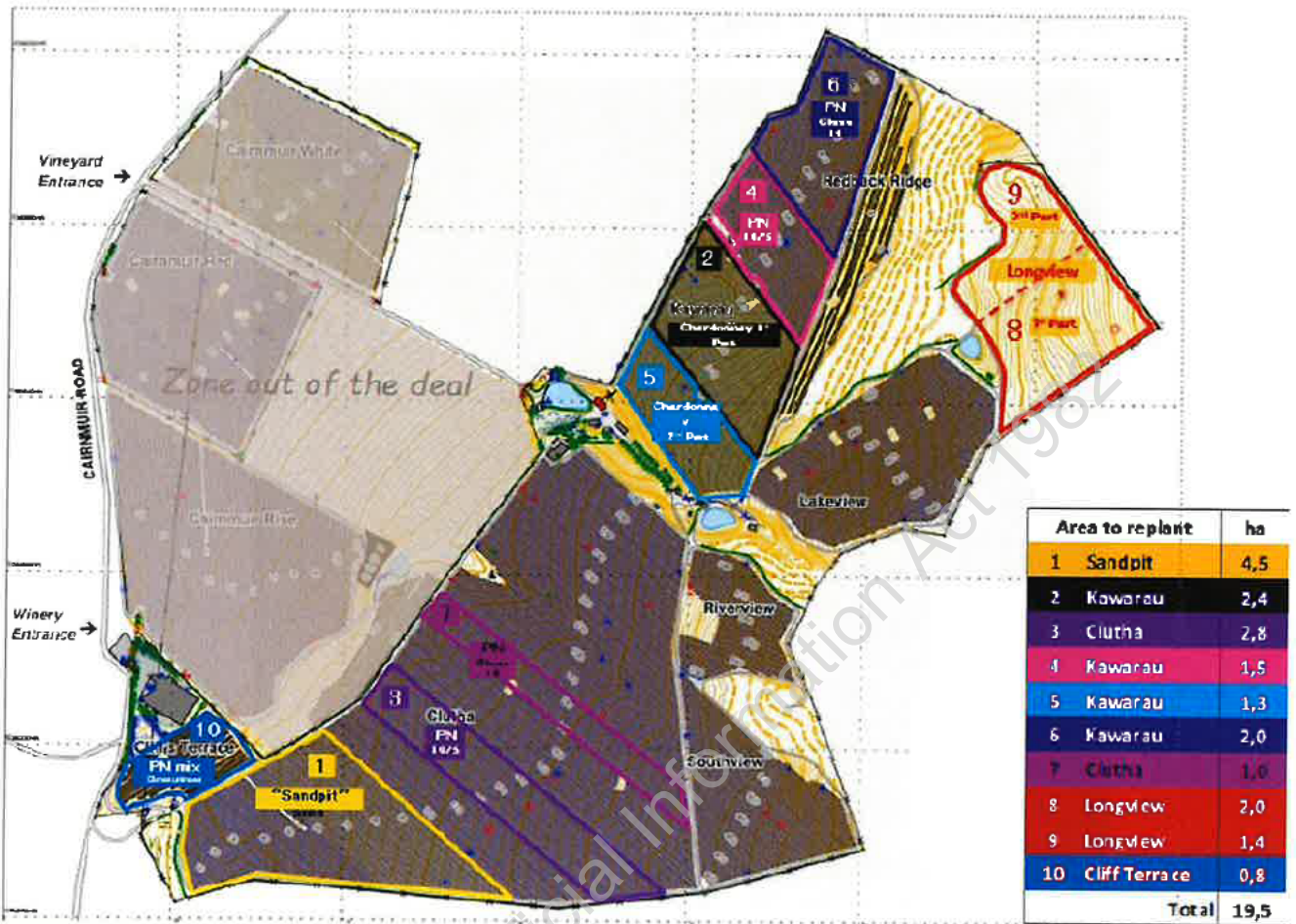


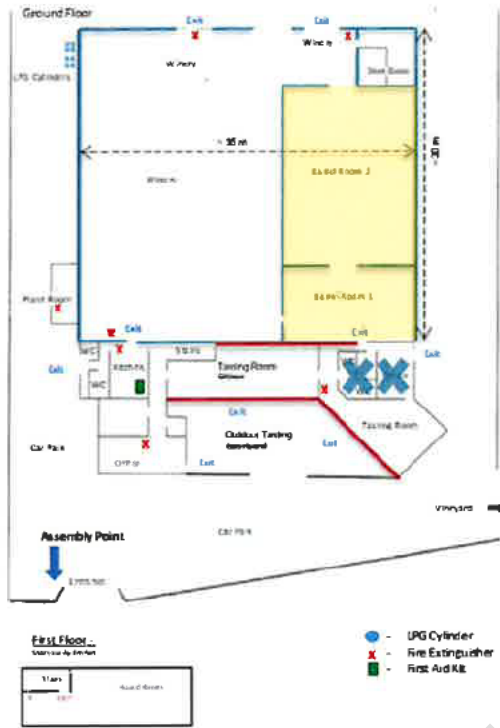
Figure 2 - Replanting and planting areas

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Cairnmuir Winery Site Redevelopment Plan

Akarua Winery – Map



Increase the public viewing without causing a Health and Safety risk area.

The front of the winery and barrel rooms will be in full length Glass frontage showing vinification area and barrel rooms

- Full Length Glass windows / doors
- Service area to be moved to other place
- Insolation roof
- Coloursteel lined & Insolation

Example Peregrine cellar door



Figure 3 - Winery redevelopment plan

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