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## Exemption for relevant government enterprise from the definition of non-NZ government investor

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Read this decision carefully - you must comply with all the conditions. If you do not, we may revoke your exemption.

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### Decision

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**Decision date:** 25 October 2021

#### Decision

An exemption is **granted** under section 20AA of the Overseas Investment Act 2005 to the following relevant government enterprises.

<b>Case number</b>	202100522
<b>Exemption Holder</b>	Phaunos Timber Limited (a Guernsey incorporated company, registration number 45564) We will also refer to the Exemption Holder as <b>you</b> .
<b>Exemption</b>	The Exemption Holder is exempt from the definition of 'non-NZ government investor' in section 6(1) of the Act for the purposes of section 20A(1)(a) and (b). <sup>1</sup>
<b>Timeframe</b>	The Exemption continues in force until 24 October 2026.

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### Conditions

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Your Exemption 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 we may amend or revoke your Exemption.

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

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### Definitions

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**Act** means the Overseas Investment Act 2005.

**Government** has the same meaning as in regulation 64D(3) of the Regulations.

**Regulations** means the Overseas Investment Regulations 2005.

**SIT VIII Fund** means Stafford International Timberland Fund VIII, and all the entities that comprise it.

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### Special Conditions

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<sup>1</sup> For the avoidance of doubt, the Exemption Holder is not exempt from sections 20(1)(c)-(e).

You must comply with the following **special conditions**.

Details	Required date
<b>Special Condition 1: beneficial ownership of the Exemption Holder</b>	
This exemption will cease to apply if:	
1. relevant government enterprises, including [two United Kingdom pension funds (details of which are withheld under section 9(2)9b)(ii) of the Official Information Act 1982)], connected with the government of the United Kingdom collectively have more than 75% of SIT VIII Fund.	At any time.
2. Phaunos Timber Limited becomes a relevant government enterprise other than due to indirect ownership by relevant government enterprises connected with the government of the United Kingdom.	At any time.
<b>Special Condition 2: control of the Exemption Holder</b>	
This exemption will cease to apply if:	
1. any person other Stafford Capital Partners Limited, or a 100% subsidiary of Stafford Capital Partners Limited: <ul style="list-style-type: none"> <li>a. has the right to exercise or control the exercise of more than 25% of the voting power at a meeting of Phaunos Timber Limited</li> <li>b. acts as manager of SIT VIII Fund.</li> </ul>	At any time.
2. the general partners of all entities comprising the SIT VIII Fund are not 100% subsidiaries of Stafford Capital Partners Limited.	At any time.
<b>Special Condition 3: notify the OIO</b>	
1. notify the OIO of a change in general partner of any limited partnership entity comprising the SIT VIII Fund.	Within 20 working days of the change.
2. notify the OIO of a change to the management arrangements of Phaunos Timber Limited and/or the SIT VIII Fund.	Within 20 working days of the change.

If you do not, Standard Condition 2 will apply and we may revoke your exemption.

## Standard Conditions

You must also comply with the **standard conditions** set out below.

Details	Required date
<b>Standard Condition 1: tell us about changes that affect you, the people who control you, or people you control</b>	
<p>You must tell us in writing if any of the following events happens to any of the Exemption Holder:</p> <ol style="list-style-type: none"><li>1. you cease to be an overseas person;</li><li>2. you cease to be a relevant government enterprise;</li><li>3. you, any person that controls you, or any person you control:<ol style="list-style-type: none"><li>a) becomes bankrupt or insolvent</li><li>b) has an administrator, receiver, liquidator, statutory manager, mortgagee's or chargee's agent appointed, or</li><li>c) becomes subject to any form of external administration.</li></ol></li></ol>	Within 20 working days after the change.
<b>Standard Condition 2: amend or revoke your exemption</b>	
<p>The ownership and control structure you submitted as part of your application for exemption was key to the decision to grant an exemption.</p> <p>If we consider you have failed to comply with one of the Special Conditions listed above in a material way, we may amend or revoke your condition.</p> <p>If all or part of this Standard Condition 2 applies to a special condition, we have said so in that condition.</p> <p>We will give you written notice if we are revoking your exemption.</p>	At all times.

## Reporting Conditions

If requested in writing by the OIO, the Exemption Holder 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 made or submitted in support of the application for Exemption;  
or
- (b) the conditions of the Exemption.

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## Reasons for exemption

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Kakariki JV, an unincorporated joint venture between Kakariki Pine Investments Limited (**KPIL**) and Matariki Forests (**Matariki**), is partially beneficially owned through KPIL by two United Kingdom pension funds. The two pension funds [details of which are withheld under section 9(2)(b)(ii) of the Official Information Act 1982] are deemed to be 'non-NZ government investors' under the Overseas Investment Act 2005 (**the Act**).

The two pension funds have invested through an investment fund managed by Stafford Capital Partners Limited, a United Kingdom based fund manager. The fund in turn has invested in the Kakariki JV through Phaunos Timber Limited (**Phaunos**).

Because the two pension funds are non-NZ Government investors, applications for consent under the Act by Kakariki JV are considered to be 'transactions of national interest' and require a national interest assessment under section 20A of the Act.

Section 20AA of the Overseas Investment Act provides for exemptions from the definition of non-NZ government investor. Section 20AA(2) of the Act and Regulation 64D of the Overseas Investment Regulations 2005 set out the criteria for granting such exemptions.

The criteria are met in this case.

- The Government of the United Kingdom does not have the right to exercise or control the exercise of more than 25% of the voting power at a meeting of Phaunos.
- No government has an ability to control or influence the investment or management decisions of Phaunos, or influence any individual investment decisions or the management of any individual investments, other than on a commercial basis.
- No earlier use of influence by a government in respect of Phaunos was identified.
- An exemption is appropriate and desirable given the low risk resulting from indirect investments of this nature and the significant costs associated with undertaking national interest assessments.
- The exemption is no broader than reasonably necessary.