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TE OHU KAIMOANA

Annual Plan 2014-2015

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Goal: Allocate and Transfer Settlement Assets

Benefits

By achieving this goal, we will:

- meet our statutory responsibilities under the Maori Fisheries Act (the Act) and Maori Commercial Aquaculture Claims Settlement Act (the Aquaculture Act);
- enable iwi to realise benefits from owning their fisheries assets.

Explanation

Section 34 of the Act sets out the duties Te Ohu Kaimoana must carry out in relation to the administration, allocation and transfer of fisheries assets. These activities include assisting iwi to meet the requirements for allocation, and managing their fisheries assets until those requirements are met.

Iwi gain benefits in two ways. The first is by having access to the annual catch entitlement (ACE) generated by the settlement quota we continue to hold, as long as progress towards meeting allocation requirements can be demonstrated. The second is by having the ownership of the fisheries assets in their hands – giving greater flexibility in the choices they can make about their use. Section 38 of the Aquaculture Act sets out duties that Te Ohu Kaimoana must carry out in relation to the administration, allocation and transfer of aquaculture assets including facilitating steps by iwi organisations to reach agreement about the allocation and transfer of aquaculture settlement assets.

A: Fisheries - Objectives for 2014 - 15

1. To have transferred, by 30 September 2015:
 - a. population based fisheries assets to 56 iwi;
 - b. 100% of freshwater settlement quota (eels) to North Island iwi;
 - c. 90% of coastline based settlement quota to iwi.
2. To ensure the fisheries assets we continue to hold on behalf of iwi are well managed and that they will ultimately benefit iwi.
3. Iwi can continue to meet the governance requirements of the Act.
4. To manage the April and October ACE rounds for iwi who have yet to be allocated settlement quota.

Note that we have calculated overhead recoveries for each ACE round as follows:

| | |
|---|-----------|
| April 2015 | \$123,000 |
| October 2014 | \$449,000 |
| Total overhead recovery from ACE rounds | \$572,000 |

This overhead is used to offset the costs associated with running the ACE rounds and managing the remaining quota and ACE on behalf of iwi.

Risks

- Ngati Tama (Taranaki) will not meet the requirements to become a mandated iwi organisation (MIO) and therefore fail to qualify for transfer of its population based fisheries assets (low to medium risk);
- there will be some dispute about which iwi have interests in different quota management areas (QMAs) for eels (medium for North Island; medium for South Island);
- iwi fail to reach agreement on outstanding coastline claims (low to high);
- iwi dispute our decision to allocate and transfer settlement quota using tools under the Act;
- the resourcing required to assist a high number of iwi wishing to transfer MIO status to Post Settlement Governance Entities may impede progress on other issues.

Mitigating strategies

- use of tools in the Act that create incentives on remaining iwi to meet requirements for the allocation of population and coastline based fisheries assets
- make available ACE generated from the settlement quota we continue to hold to recognised iwi organisations who are making reasonable progress towards meeting the Act's requirements
- continue to offer the services of the coastline facilitator to assist iwi to reach coastline agreements.

| Fisheries Costs | |
|-----------------------------|------------------|
| Total Expenses | 1,372,362 |
| Recoveries from sale of ACE | 1,212,803 |

B: Aquaculture – Objectives for 2014 – 15

1. To assist iwi to reach new space regional aquaculture agreements (“new space agreements”) with the Crown and regional allocation agreements (“allocation agreements”) with one another:
 - a. Before 30 June 2015 for Northland, Auckland, Waikato East, Tasman, and Marlborough;
 - b. Before 30 September 2015 for Canterbury and Southland.
2. To assist iwi to reach agreement on outstanding pre-commencement space aquaculture agreements (“pre-commencement agreements”) with the Crown and allocation agreements with one another by 30 September 2015.

Risks

Aquaculture Settlement (Risks related to both the New Space and Pre-Commencement Space settlements)

- delays in reaching agreement on allocation amongst iwi within a region causes delays in reaching new space/pre-commencement agreements with the Crown (high risk)
- ongoing delays with reaching new space/pre-commencement agreements and allocation agreements means lost opportunities and lowered returns to iwi and their members (high risk)
- the aquaculture settlement is not a priority for some iwi causing long-term delays to allocation agreements and new space/pre-commencement agreements (medium risk).

New Space Settlement

- iwi in some regions fail to reach agreement with the Crown over the level and mix of aquaculture assets and appropriate review mechanisms for new space. This may result in the Crown not extending the timeframes for agreement and only providing iwi (via Te Ohu) with the default option, which settles the Crown's obligations at least cost (medium to high risk).

Pre-Commencement Space

- Real value of Crown offers for pre-commencement space effectively reduce due to length of time to reach agreement. No earnings accrue between time of offer and agreement because the Crown offer for each region is fixed in value until a pre-commencement agreement is signed, by relevant iwi and the Crown, and the assets are transferred to Takutai Trust. The Crown may also decide to revalue the offer (low to medium risk).

Mitigating strategies

- actively assist the process for iwi to determine how they would like to reach agreements and communicate the opportunities that are lost if iwi take too long;
- provide clear and timely advice on the options for new space agreements. Identify and explain risks if agreements are not reached within a timely manner.

| Aquaculture Costs | |
|--------------------------|----------------|
| Total expenses | 773,890 |
| | |
| Recoveries from MPI | 773,890 |

Goal: Protect access to fisheries and marine space

Benefits

By achieving this goal, we will:

- meet our statutory responsibilities under the Act and the Aquaculture Act;
- ensure iwi continue to be able to realise benefits from owning their fisheries and aquaculture assets.

Explanation

The Act provides that the purpose of Te Ohu Kaimoana is to advance the interests of iwi, individually and collectively, primarily in the development of fisheries, fishing and fisheries related activities. The Act makes clear that this purpose is intended to:

- benefit the members of iwi and Maori generally;
- further the agreements made in the Deed of Settlement;
- assist the Crown to discharge its obligations under the Deed of Settlement and the Treaty of Waitangi;
- contribute to the achievement of an enduring settlement of the claims and grievances referred to in the Deed of Settlement (section 32).

Allocation aside, we have a number of additional functions set out in the Act that assist us to achieve our purpose, including “to protect and enhance the interests of iwi and Māori in relation to fisheries, fishing and fisheries-related activities” (section 35 (b)). The Settlement was a political settlement between the Crown and Maori and the allocation of fisheries assets amongst the iwi was also political. Most iwi receive too small an income from fisheries to employ fisheries specialists. This was recognised as part of the development of the allocation model and Te Ohu Kaimoana was established among other functions to be the “eyes and ears” for iwi in fisheries and wider marine management. While there are many examples of collaboration between iwi, there continues to be a need for Te Ohu Kaimoana to provide additional support through information, advocacy and facilitation.

For the Fisheries Settlement to be durable, the fisheries management system and its interaction with other statutes and activities in the marine environment must ensure that iwi can make commercial and non-commercial use of their assets. An over-arching requirement of a durable settlement must be to ensure that fisheries (and their ecosystems) are managed in a manner that is sustainable over the long-term. Te Ohu, with AFL, will better define a settlement view on sustainability and will participate in all key government programmes and proposals including Initial Position Papers (IPPs) on fish-stocks along with proposals for policy change. This will mean participating in research working groups for all key fish-stocks so that Te Ohu Kaimoana remains informed about the current status of these stocks and can advocate for science based management measures that deliver long-term sustainability.

Other forums for change include industry bodies who represent quota holders for various fish-stocks. Industry needs to invest in improved management collectively – no single quota owner or a small group can affect sufficient change by themselves. As iwi are always going to be part of the industry in future their aspirations must be articulated and heard. Management decisions should support or advance iwi interests. To influence these decisions, those who participate in industry forums, including the Deepwater Group, Fisheries Inshore New Zealand and others, need a detailed understanding of the issues facing all key fisheries.

The Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act) is new. The first decisions for applications under that Act could affect the use of fisheries assets and set the ground-rules for further applications. Te Ohu Kaimoana and industry should join in these early processes to ensure the Environmental Protection Authority (EPA) addresses iwi and industry concerns.

Te Ohu Kaimoana scrutinises government policy to ensure it does not undermine the integrity of the Fisheries Settlement. Priorities for 2014 – 15 include the Snapper 1 (SNA1) Working Group and Hauraki Gulf Spatial Plan. These have the potential to reduce catch limits, or prohibit fishing in some areas, without strong scientific or management justification. In doing so they are likely to set an unfortunate precedent. To make matters more complex, all main political parties in the election have signalled an intention to consider providing special access for recreational fishing by locking out commercial access from particular areas.

Other initiatives we expect from the Government in the coming year include a revised “Marine Protected Areas” policy that, like the example above, broadens the restrictions the Government will place on the use of fisheries and aquaculture assets.

The Takutai Trust’s broad responsibilities on behalf of iwi include ensuring that any aquaculture assets provided through settlements are able to be economically used in a sensible management system. Consistent with these responsibilities, we will represent the interests of iwi in the development of national policy, tools and processes through participation in Aquaculture New Zealand, the Regional CEOs forum involving Government departments, regional councils and industry leaders, and other taskforces and working groups.

A: Protect Fisheries - Objectives for 2014 – 15

1. To represent the overall Settlement interests of iwi in the EPA decision-making process to ensure:
 - a. the EPA understands the impact of the Chatham Rock Phosphate application on existing fisheries settlement interests
 - b. the EPA makes decisions that will not negatively affect those interests.
2. To monitor and if necessary provide information to the High Court on the implications for fisheries settlement interests of Trans-Tasman Resources Ltd’s (TTR) appeal of the EPAs refusal to grant TTR consent, with the aim that any High Court decision continues to protect those fisheries settlement interests.
3. To contribute to the Hauraki Gulf SeaChange process to protect fisheries and aquaculture settlement interests from adverse effects of spatial planning options by informing participants about the fisheries and aquaculture settlements and minimising any adverse impacts on the ability of iwi to use fisheries and aquaculture assets.
4. In relation to the Government’s marine protected areas (MPA) policy:
 - a. advocate for an MPA policy that is based on sound science and suitably protects iwi interests in the fisheries and aquaculture settlements
 - b. ensure that adequate redress is provided for any restrictions on the use of fisheries and aquaculture assets caused by the policy
 - c. provide support to iwi as the policy is implemented.
5. To contribute to the SNA1 management plan to fully inform participants about the fisheries and aquaculture settlements and to minimise adverse impacts on the ability of iwi to exercise their fishing rights while encouraging all sectors to undertake collaborative efforts for better information and nimble management.
6. To support iwi quota holders in Paua 2 (PAU2) in their discussions with other PAU2 quota holders to ensure that their interests are protected and they benefit from the subdivision proposal.
7. To represent the collective interests of iwi (both commercial and non-commercial) and where appropriate AFL in fisheries related bodies including:

- a. Deepwater Group
 - b. Fisheries Inshore New Zealand
 - c. Area 2 Fisheries Management Company
 - d. Southern Inshore Fisheries Management Company
 - e. National Rock Lobster Management Group
 - f. Seafood New Zealand
 - g. Southern Seabird Solutions
 - h. Paua 7 Management Company.
8. To recommend sensible science based management measures that achieve the long-term sustainability of fisheries and supporting ecosystems while allowing iwi to continue to benefit from the use of fisheries.
 9. To provide science based advice to iwi and AFL (where appropriate) on fisheries management proposals put forward by the Ministry for Primary Industries (MPI) during the 2014 – 15 fishing year.

Risks

- Te Ohu Kaimoana and iwi do not have sufficient resources to be able to advocate effectively in all the forums where decisions are taken that could materially affect the use of settlement assets
- EEZ decisions fail to mitigate against adverse impacts on settlement interests (medium)
- EEZ decisions will be appealed (regardless of the nature of the decision), leading to the prospect of further costs (high)
- the outcome of the Hauraki Gulf, SNA1 and MPA processes is driven by politics based on perception rather than:
 - robust science
 - good information and
 - the correct incentives for all participants to advance excellence in fisheries and marine management (medium to high).
- iwi and other PAU2 quota holders fail to agree on a subdivision plan;
- iwi Te Ohu Kaimoana and AFL do not have sufficiently clear goals to advocate the best solutions to problems - including investment in appropriate technology - to protect their interests.

Mitigating strategies

- collaborate with iwi, industry and other interested parties to present a strong case to EEZ decision-makers to ensure our limited resources enable us to protect iwi interests
- share the costs of participation in EEZ appeal processes with iwi, industry and other interested parties in order to achieve cost effective results
- collaborate with iwi and industry to ensure that robust analysis is used in the Hauraki Gulf, SNA 1 and MPA processes
- provide robust options to iwi and industry as they develop the PAU2 subdivision plan
- develop clear long-term goals and over-arching principles and values for iwi and the Te Ohu Kaimoana group to create suitable solutions to problems.

| | |
|--------------------------------|----------------|
| Protect Fisheries Costs | |
| Total Expenses | 565,025 |

B: Protect Aquaculture - Objectives for 2014 - 15

1. Influence regional councils to ensure that coastal occupation charges are applied at levels that can be accepted by iwi and industry.
2. Influence any policy proposals arising from the King Salmon decision to ensure iwi have the ability to use and develop their fisheries and aquaculture assets.
3. Collaborate with iwi, the aquaculture industry and government to address any major biosecurity problems that affect aquaculture.

Risks

- Takutai is not invited to participate in 'think tanks' at regional or national levels, or integrity of the settlement is not a factor considered in developing responses.

Mitigating strategies

- Takutai continues to have personnel who are invited to collaborate on government and regional council policy development, reflecting their broad experience and ability to identify effective solutions to problems;
- Takutai maintains and further develops positive working relationships with government officials and senior regional council staff.

| Protect Aquaculture Costs | |
|----------------------------------|----------------|
| Total Expenses | 152,250 |
| | |
| Recoveries from MPI | 152,250 |

Goal: Enhance the value iwi obtain from their fisheries assets

Benefits

By achieving this goal, we will:

- enable iwi to realise greater benefits from their fisheries assets including settlement quota and income shares;
- enable iwi, hapu and kaitiaki to exercise their customary non-commercial rights;
- develop good working relationships between iwi, hapu and kaitiaki so that kaitiaki have the support they need to manage non-commercial customary fishing.

Explanation

As noted earlier the settlement was a political allocation between iwi and the Crown and subsequently in the allocation of fisheries assets between iwi. Most iwi have received small parcels of many fish stocks in the quota management system (QMS) as part of their fisheries assets. Some of the stocks have potential to increase in value, but only if iwi work together to get the scale they need to make development worthwhile. Even then just the transaction costs for any one iwi to take the initiative to encourage other quota owners to work collaboratively are too high. Te Ohu Kaimoana is well placed to help iwi enhance the value of these stocks by helping them work together, and by involving Aotearoa Fisheries Limited (AFL) and other quota owners where appropriate. Te Ohu Kaimoana has been working with AFL and iwi in FMAs 2 and 8 to investigate whether a joint investment between AFL, those iwi and other quota owners will enhance the value of their surf clam quota.

Iwi have requested that Te Ohu Kaimoana investigate whether there are options to increase the value of low-value or small parcels of quota shares. Te Ohu Kaimoana will work with iwi and the wider Te Ohu Kaimoana group to determine whether there are opportunities through collective sales and/or reducing costs through reductions in government and industry levies to increase value.

There is concern about the broader environmental effects of fishing. Quota owners, including iwi, have been levied to fund a great deal of science to measure these impacts. However little is being done to develop techniques that would minimise these impacts. Te Ohu Kaimoana is collaborating with others in industry to collectively fund and investigate a number of options to reduce these impacts and improve industry's social licence. These options include:

- exploring whether fishers can use other methods of fishing (rather than set nets) to catch their fish in zones where Maui dolphins may be present
- developing low cost alternative nets and panels that could be used to reduce the catch of non-economic fish
- exploring whether inshore trawl nets can be modified to reduce adverse impacts by not touching the seabed, while remaining economic
- assessing the feasibility of user friendly reporting systems that reduce response times to changes in fish patterns and help fishers and quota owners make adjustments to fishing practices during the fishing season.

The ability of kaitiaki to protect their fisheries is dependent on access to good information, including levels of customary catch. Their ability to have good information is limited when they don't work together. Iwi can help their kaitiaki to improve information on customary fishing in their rohe. Te Ohu Kaimoana has invested in developing web-based tools specifically for iwi to help kaitiaki administer customary fishing authorisations, gather and analyse fishing information, and work collectively to better manage harvesting of local fishing grounds. To make gains from this system, it needs to be used by more iwi and kaitiaki.

Iwi customary non-commercial and commercial interests are typically managed separately but considerable benefit can be realised by the two interests working together. Te Ohu Kaimoana is

supporting iwi to establish and run pataka/whata programmes to allow non-commercial kaimoana to be harvested, processed and stored by commercial operators, and be made available to marae and iwi members when needed for tangi and other important occasions. Te Ohu Kaimoana is working with Sealord to provide such a system for all the iwi involved in the Ihu To Mai partnership. Central to the successful operation of a pataka/whata programme is Te Ohu Kaimoana's IkaNet customary fisheries management tool developed to manage the supply, storage and distribution of kaimoana.

Te Ohu Kaimoana is a member of National Rock Lobster Management Group (NRLMG) on behalf of iwi. In many rock lobster fisheries, the levels of recreational catch are unknown, making it difficult to effectively manage each sector's allowance within the Total Allowable Catch. In the coming year, the NRLMG will be involved in developing a multi-stakeholder management plan in one rock lobster fishery to enhance the way the fishery is managed. Given the interests iwi have in all sectors, it is critical that we support their involvement in the process.

A: Enhance Fisheries – Objectives for 2014 – 15

1. To assist iwi to develop their commercial interests in the surf clam fishery by:
 - a. assisting iwi, AFL and Cloudy Bay Clams to identify a suitable business structure for a JV on these fisheries;
 - b. facilitating the development of a business plan for that JV to operate on the surf clam fisheries in FMAs 2 and 8;
 - c. providing information to iwi.
2. Investigate options to increase the value of low-value or small parcels of quota shares through collective sales and/or reduce costs through reductions in levies.
3. Facilitate greater collaboration between iwi and kaitiaki and improve the information available to them so they can play more effective roles in fisheries management by:
 - a. implementing IkaNet in a minimum of six iwi/iwi collectives;
 - b. facilitating the development of pataka systems where need is identified by iwi;
 - c. finalising a business model for the IkaNet programme;
 - d. securing funding to implement IkaNet across all iwi.
4. To support trials of innovative techniques to allow cost effective harvesting but with reduced detrimental impacts.
5. Collaborate with members of the NRLMG, iwi, AFL, and wider fishing interests to develop a multi stakeholder fisheries plan for one rock lobster fishery.

Risks

- proposed partners on surf clams JV unable to agree on suitable structure, level of joint investment or level of payment for specialist services by the industry provider
- iwi fail to pick up the IkaNET kaitiaki system due to a lack of internal iwi resourcing
- MPI fails to agree to the establishment of further pataka systems (particularly those based on deepsea stocks)
- external funding for IkaNET can't be secured
- Waka Digital, the developers of the IkaNET software, are unable to continue maintaining the software.

Mitigating strategies

- surf clams - work through a detailed feasibility exercise that identifies the options that proposed JV partners need to consider to reach agreement on a business structure and acceptable levels of investment
- work closely with iwi who are committed to implementing IkaNET to assist them to develop low cost ways of implementing the system
- focus on transitioning iwi through the IkaNET system who are likely to do so successfully so as to provide positive working examples to others
- slow implementation of IkaNET to match funding
- MOU/JV agreement that provides conditions enabling Te Ohu Kaimoana to take over ownership of the IkaNET system from Waka Digital in the event of problems arising with that company.

| | |
|-------------------------|---------|
| Enhance Fisheries Costs | |
| Total Costs | 651,313 |

B: Capability – Facilitate increased participation within industry and related fields

Benefits

By achieving this goal, we will increase options for Maori and iwi individually and collectively to participate effectively in the fishing industry and fisheries-related activities.

Explanation

Te Ohu Kaimoana engages with iwi in much of the work we do. We will work with iwi in a way that helps them increase their ability to manage their fisheries and aquaculture assets and take part in the fishing industry, and fisheries management generally.

In addition, Te Ohu Kaimoana's scholarship programmes offer significant opportunities for Maori to learn, grow and develop skills for positions within the New Zealand fishing industry.

Capability - Objectives for 2014 – 15

1. To assist iwi to understand government and industry processes and policy, regulatory and legislative proposals through information sharing via "Help Desk", individual meetings, regional iwi forums, national forum, draft submissions, workshops, discussions, etc;
2. Building skills of iwi: Assist iwi to realise greater benefits from the Maori Commercial Aquaculture Claims Settlement by:
 - a. ensuring iwi have a good understanding of the skills needed to be successfully involved in the business of aquaculture;
 - b. holding an iwi aquaculture workshop that brings together iwi and industry to share their ideas and stories.
3. Global Fisheries Scholarship (GFS) Programme – this elite scholarship presents an opportunity for a committed, hard-working individual to spend time in Japan based at the headquarters of our Sealord Group Limited partner, Nippon Suisan Kaisha, Limited (Nissui). The objectives in respect of this scholarship are to:
 - a. Provide general support to the 2015 Scholar to ensure his and Te Ohu Kaimoana's objectives are met and the integrity of the scholarship is upheld;
 - b. Advertise for and appoint a scholar for 2016;
 - c. Provide post-scholarship opportunities and experience for GFS graduates.
4. Westport Deepsea Fishing School – Place up to 10 Maori at the school, subject to receiving income for this purpose from Te Putea Whakatupu

5. Bay of Plenty Polytechnic – Provide funding for up to 20 scholarships for Maori to complete the array of Maritime and Seafood educational programmes offered by the Polytechnic
6. Technical Industry Scholarships – Provide funding for up to 5 statutory marine scholarships in a variety of technical areas
7. Build cohesion among iwi fisheries managers and the wider Māori community through an annual Māori Fisheries Conference to be held by end of March 2015.

Risks

Building Capability of Iwi

- iwi don't read information we provide or participate when opportunities are provided
- limited capacity means we are unable to progress components of the aquaculture settlement, resulting in heavy reliance on external contractors to provide this support, (Medium Risk)
- the 50% share of scholarship funding is not provided by Te Putea Whakatupu to enable the scholarships, described in objectives 4, 5 and 6 to be funded (medium risk).

Mitigating strategies

- use all forums to engage with iwi organisations, discuss their capabilities and agree how they consider Te Ohu Kaimoana can best assist them
- engage with iwi to identify their aquaculture capability needs and develop a work programme to support these outcomes
- increase Takutai Trust's capacity to support the objectives identified
- reach an agreement with Te Putea Whakatupu to fund the scholarships.

| Capability Costs | |
|---|----------------|
| • Westport Deepsea Fishing School scholarship | 70,000 |
| • Bay of Plenty Polytechnic scholarships | 20,000 |
| • Technical industry scholarships | 4,500 |
| • Global Fisheries Scholarship | 77,000 |
| • Other | 73,949 |
| Total Expenses | 245,449 |
| | |
| Recoveries | 129,889 |
| Net Budgeted Expenditure | 115,560 |

Goal: Corporate – providing the governance, oversight and resources to enable the organisation to operate effectively

Benefits

By achieving this goal we will enable the strategic and annual plan objectives to be realised.

Explanation

The Corporate section is divided into the following service areas:

- Directors
- Governance of the Fisheries Settlement entities
- Strategy, Planning and Oversight
- Human Resources
- Effective Communication and Reporting
- Infrastructure
- Investment Income.

Each of these sections contributes a significant resource or service to enable the activities of Te Ohu Kaimoana to be achieved. The sections have been divided in a way that enables the capturing of costs and or activities of a similar nature into one area to assist with the reporting against objectives and activities. Human resources costs and infrastructure costs are allocated across all work areas recognising the focus of particular roles within the organisation.

A: Directors - set the strategic direction of Te Ohu Kaimoana, monitor the performance against the goals set and champion the organisation

Benefits

By achieving this goal we will:

- meet our responsibilities under the Act
- set the Strategic direction of the organisation for the next 5 years
- have strong champions for Te Ohu Kaimoana throughout the country
- provide appropriate governance control over Te Ohu Kaimoana's subsidiaries and associates
- meet our obligations under all relevant legislation and regulations.

Explanation

Directors provide the strategic direction and objectives of the organisation, monitor the performance of the organisation against these strategic objectives and provide governance oversight of Te Ohu Kaimoana and the subsidiary entities. Directors also represent Te Ohu Kaimoana at many varied fora throughout the country.

Directors' - Objectives for 2014 - 15

1. Strategic objectives for the next 5 year cycle will be set by 30 September 2015
2. Monitor performance of the organisation against this annual plan
3. Appoint members, as required, to the Audit & Risk and Remuneration and Appointments Committees
4. Ensure sufficient Board time is given to strategic debate, listening to external views and the opportunity for new options to generate long-term value for the beneficiaries of the settlement
5. Ensure processes are in place to mitigate risks that Te Ohu Kaimoana may be exposed to.
6. Champion Te Ohu Kaimoana amongst its stakeholders.

Risks

- failure to comply with relevant legislation or regulations, may lead to exposure to personal liability in some situations
- inability to make decisions due to lack of a quorum at meetings, or unwillingness to make key decisions without consensus
- miscommunication between directors and management that gives rise to risk exposure.

The likelihood of the above risks occurring is low although the impact of any one of them on the ability of the organisation to achieve its objectives would be high.

Mitigating strategies

- ensure information on challenges facing the fisheries and aquaculture settlements and Te Ohu Kaimoana is communicated to the Board clearly and in a timely manner to enable any preventative action to be taken
- monitor pending changes to legislation and regulations to ensure Te Ohu Kaimoana remains compliant
- significant issues identified are communicated promptly and any actions available to mitigate are taken promptly
- keep lines of communication open with all entities and stakeholders by advocating on behalf of Te Ohu Kaimoana to stakeholders and beneficiaries on a regular basis
- implement regular reviews of board performance and training programmes as required to ensure roles and accountabilities are well understood

- agree meetings at the start of each year to ensure the quorum is available for each meeting
- invite relevant experts/commentators on important issues to attend and present to the Board on a regular basis.

B: Governance of the Fisheries Settlement entities

Benefits

By achieving this goal we will:

- meet our statutory responsibilities under the Act
- monitor, approve or agree plans, appoint members and report on performance of all the Boards and associated entities
- contribute to the economic growth of the settlement assets and distribution of benefits to iwi and other beneficiaries of the settlement through appropriate governance and oversight
- facilitate completion of the 2015 Review.

Explanation

Covers the governance roles that Te Ohu Kaimoana has for the monitoring and management of the entities set up under the Act.

Governance - Objectives for 2014 - 15

1. Meet our statutory obligations under the Act in relation to the Governance of AFL, Te Wai Maori, Te Putea Whakatupu and other associated entities
2. Align strategic goals within the Te Ohu Kaimoana Group as far as practical
3. Assist members of Te Kawai Taumata perform their functions
4. Review the performance of and appoint directors to serve on subsidiary entities
5. Facilitate the completion of the 2015 review.

Risks

- no agreement on alignment between the entities and stakeholders – this is a medium to low risk depending on the entity
- non-cooperation or hostility between Te Ohu Kaimoana and the Committee of Representatives and/or the Reviewer – this is a medium to low risk of occurring however even if it did there should be little impact on achieving the completion of the review.
- non-compliance with statutes or regulations. Low likelihood of occurrence but if an instance occurred it could have a major impact.

Mitigating strategies

- regular meetings between Te Ohu Kaimoana Board and Boards of other entities and stakeholders; to discuss issues arising or matters of mutual interest and concern
- agree on mutual expectations regularly, so activities are being undertaken that meet the needs of the beneficiaries
- ensure regular communication to provide information in a timely manner
- assist the Committee of Representatives, the reviewer and the entities being reviewed, including organising and holding the special meeting to vote on the reviewer's recommendations.
- make all relevant information and assistance available to the reviewer as and when required.

C: Strategy Planning & Oversight - strategic and priority oversight of all Te Ohu Kaimoana activities and the maintenance of good relationships with all stakeholders

Benefits

By achieving this goal, the organisation will:

- meet all of its strategic and annual objectives
- be seen, by the many different stakeholders, as an effective organisation contributing to the protection and enhancement of the settlement and as an organisation that provides significant benefits through its expertise in relation to all aspects of its operations.

Explanation

A key role is to maintain and build good relationships with government, industry, iwi, subsidiaries and other stakeholders to facilitate and enable the organisation to perform its role and achieve its objectives. It is difficult to specify measurable objectives for this role, as all the objectives of the organisation are set out under other sections of this plan. The purpose of this section is to enable the identification, monitoring and management of the costs that arise from the necessary relationship activities undertaken to enable the organisation objectives to be achieved but which are not directly attributable to other sections.

Strategy Planning & Oversight - Objectives for 2014 - 15

1. Build and maintain effective relationships with all stakeholders
2. Set clear priorities so the organisation can achieve its objectives
3. Promote good relationships throughout industry, government
4. Promote Te Ohu Kaimoana as a source of expert advice and information.

Risks

- failure to maintain good working relationships with the government, industry or iwi could severely inhibit the effectiveness of Te Ohu Kaimoana carrying out its role. Based on past experience the likelihood of this risk occurring is low however the impact on the ability to attain objectives would be relatively high.

Mitigating strategies

- maintain contact with stakeholders and others to be aware of perceptions of Te Ohu Kaimoana and the goals and objectives of other agencies to ensure all are working to the best advantage of iwi
- continue to involve all staff in the activities of the organisation.

D: Human Resources – providing resources at the appropriate level to ensure organisation objectives are met

Benefits

By achieving this goal we will:

- provide a safe work environment that meets legal obligations
- be a place where people will want to come and work and be motivated and productive employees
- put in place a process to cover the succession planning of particular, at risk roles.

Explanation

The organisation relies on the quality and effectiveness of the people it employs. To ensure the resources we have can work effectively Te Ohu Kaimoana needs to provide an environment that is conducive to high achievement.

Human Resources - Objectives for 2014 – 15

1. Comply with the Health & Safety Act, including the new act currently before Parliament.
2. Complete a review of human resource policies and procedures and implement any recommendations.
3. Develop processes to mitigate possible disruption caused by the resignation of any particular individual.
4. Update individual performance and development programs where appropriate.

Risks

- failure to comply with legislation
- health and safety not taken seriously by senior management and employees
- company reputation/goodwill loss as a result of Employee conduct or comment
- knowledge loss (of senior staff).

Mitigating strategies

- dissemination of information via regular team meetings/organisation wide meetings to ensure employees are kept well informed on activities the organisation is engaged in
- review recruitment and induction process and amend where necessary
- annual performance and remuneration review
- review and upgrade if necessary the performance management process by 31 May 2015
- put in place a Health & Safety committee by 31 March 2015
- continuous upskilling of Te Ohu Kaimoana staff through continuous training and development programs both in-house and external
- have a dedicated employee that deals with HR issues.

E: Effective Communication and Reporting

Benefits

By achieving this goal, we will comply with our governing legislation and bring a number of benefits to iwi organisations and industry stakeholders. Effective communication and good reporting will ensure that:

- iwi, industry and other stakeholders are well-informed on important matters concerning the work of the Te Ohu Kaimoana Group;
- the relevance of our work to iwi and stakeholders is demonstrated accordingly;
- statutory reporting obligations are met in a timely manner.

Explanation

There is a need to provide a repository of information for both reporting purposes and as an information resource. Providing clear, concise and appropriate communications to stakeholders assists the effectiveness of the organisation in achieving all of its objectives.

Communication and Reporting - Objectives for 2014 - 15

1. Comply with responsibilities outlined within the Act.
2. Publish an Annual Plan and Annual Report within statutory timeframes.
3. Host a successful Hui-a-tau and annual Māori Fisheries Conference.
4. Provide regular updates to iwi and other stakeholders on the work of Te Ohu Kaimoana and subsidiaries.

Risks

- inadequate communication can lead to poor stakeholder perception of Te Ohu Kaimoana and reputational damage;
- Te Ohu Kaimoana not seen as relevant by iwi and stakeholders as benefits not communicated.

Mitigating strategies

- redesign Te Ohu Kaimoana website to meet user demands of accessing relevant fisheries information in a timely manner on a variety of devices; ensure the website is maintained and updated with relevant information throughout the year, including submissions, reports, articles and media releases
- organise a Māori Fisheries Conference each year for iwi and industry to network and build relationships
- organise an Annual General Meeting (Hui-a-Tau) as part of reporting to iwi
- publish at least eight iKarere newsletters
- regular monitoring of changes to iwi and other stakeholders' contact details and update the database accordingly.

F: Infrastructure - providing the ability to service the needs of the organisation

Benefits

By achieving this goal we will provide the resources and the environment to enable the organisation to meet the goals and objectives that have been agreed.

Explanation

Infrastructure refers to all of the physical assets, processes and systems, including information technology, that are used in undertaking the activities of Te Ohu Kaimoana.

Infrastructure - Objectives for 2014 - 15

1. Provide a safe working environment for staff.
2. Provide the means and tools for staff to work effectively at the office and off site.
3. Undertake reviews of contracts with suppliers to ensure supplies are economic and appropriate.

Risks

- resources fail to work due to obsolescence or failure
- cost of resources is higher than budgeted or that is available from other suppliers.

Mitigating strategies

- create a register of all software and hardware, including a plan for renewal of equipment and/or upgrades in a timely manner by 31 March 2015
- disaster recovery plan completed and in place by 31 December 2014
- ensure agreements with suppliers are current
- ensure lease documents are current and reviewed for renewal or replacement at the appropriate time
- identification, assessment and mitigation of risks that could inhibit the effective working of staff
- regularly review compliance with all relevant regulations
- training people to properly use resources and equipment
- review current processes and improve where required.

G: Investment Income and Portfolio Management

Benefits

By achieving this goal we will generate the funds necessary to pay for operational activities and maintain or grow modestly the financial investment assets of the Trust in real terms to ensure that Te Ohu Kaimoana is able to meet its objectives and the needs of its stakeholders for the foreseeable future.

Explanation

Te Ohu Kaimoana has limited sources of income from which it can draw on to pay for its operating expenditure. Apart from ACE income, which is expected to decrease to zero over the next 2 years, the income sources, in order of magnitude are:

- returns generated by the joint investment portfolio;
- AFL dividend;
- payment from MPI for services provided to Takutai Trust;
- other investment earnings from short term funds held;
- recoveries of overheads for services provided to subsidiary trusts and others.

This section deals with the costs of administering the joint investment portfolio and associated activities. The direct costs incurred in relation to the portfolio are shared on a pro rata basis between the participating trusts.

Investment Income and Portfolio - Objectives for 2014 – 15

1. Annual drawdowns for operational expenditure are targeted to be no more than an average of 4% of the trailing 12 quarters of the total portfolio investment fund attributable to Te Ohu Kaimoana.
2. Target of the portfolio is a return of 4.5% plus CPI.
3. Short term funds are managed to maximise returns, within acceptable risk parameters, for the period they are held.
4. Manage available cash flows to achieve agreed transition to new asset allocations.

Risks

- operating expenses exceed 4% of the average of the total investment fund for the trailing 12 quarters
- Investment returns fall short of target 4.5% plus CPI
- AFL dividend less than forecast.

The likelihood of the above risks occurring is medium in the short term particularly during the period of transition to the new asset allocations. The impact of either risk would be the need to draw down capital to fund operating expenses. Over the medium to longer term the portfolio asset allocation has been designed to minimise both the volatility of returns and the likelihood of the target return not being achieved. In the shorter term, while capital is being distributed to iwi and Te Wai Maori Trust, there will be periods where the amount required in a particular year is greater than the income we receive from all sources.

Mitigating strategies

- close monitoring of budgeted expenditure and particularly timing of cash flows
- monitor and review the investment managers' performance quarterly
- regular contact with investment adviser to monitor and manage the asset allocation transition
- maintaining close management of short term funds to maximise returns available
- continue upskilling Te Ohu Kaimoana staff to improve capabilities in the investments sector
- continuous monitoring of controls over investment and other fund managing processes to ensure high degree of compliance and integrity.

| Corporate Costs | |
|--|-----------|
| • Directors Fees | 418,966 |
| • Te Kawai Taumata Members Fees | 41,700 |
| • Other costs including Human Resources, Infrastructure, External Reporting and Administration | 2,113,629 |
| • TOTAL | 2,574,295 |

| TE OHU KAIMOANA BUDGET 2015 | | |
|---|--|---|
| Income Statement for the year ending 30 September 2015 | | |
| | Projected 30 Sept 2014 \$ | Budget 30 Sept 2015 \$ |
| Income | | |
| Investment Portfolio | 4,532,088 | 4,571,272 |
| ACE Income | 1,212,803 | 1,212,803 |
| AFL Dividend | - | 1,600,000 |
| Takutai Funding from MPI | 891,971 | 944,028 |
| Other | | |
| MATC's | - | 280,000 |
| Costs recovery Associated Trusts | 177,660 | 268,425 |
| Other Income | 48,147 | 27,500 |
| Income Total | 6,862,668 | 8,904,028 |
| Expenses | | |
| Quota Related Fees | 717,748 | 711,500 |
| External Consultants | 927,206 | 1,114,016 |
| Travel and Accommodation | 438,902 | 441,550 |
| Sponsorship & Scholarships | 113,554 | 173,650 |
| Corporate | | |
| Directors' Fees | 403,966 | 418,966 |
| Te Kawai Taumata Members Fees | 13,900 | 41,700 |
| External Reporting & Communication | 133,324 | 141,197 |
| Human Resources | 2,299,111 | 2,376,069 |
| Infrastructure & Administration | 797,065 | 815,935 |
| Expenses Total | 5,844,777 | 6,234,583 |
| Operating Surplus/(Deficit) | 1,017,892 | 2,669,444 |

Note: Includes Takutai Trust but excludes Charisma Development Ltd and equity accounting of AFL earnings

**TE OHU KAIMOANA
BUDGET 2015**

Balance Sheet as at 30 September 2015

| Actual 30 Sept 2013 \$ | | Projected 30 Sept 2014 \$ | Budget 30 Sept 2015 \$ |
|---------------------------------|--|------------------------------------|---------------------------------|
| | Assets | | |
| | <i>Current Assets</i> | | |
| 7,976,070 | Cash & Receivables | 7,842,006 | 7,918,492 |
| 73,319,111 | Investment Portfolio | 73,685,632 | 74,006,904 |
| 25,986,292 | Takutai - Term Deposits | 27,084,564 | 28,062,712 |
| 107,281,473 | Total Current Assets | 108,612,203 | 109,988,108 |
| | <i>Non Current Assets</i> | | |
| 42,341,896 | Quota | 42,341,896 | 21,956,761 |
| 92,384 | Fixed Assets | 22,984 | 46,482 |
| 42,434,280 | Total Non Current Assets | 42,364,880 | 22,003,243 |
| 149,715,754 | Total Assets | 150,977,082 | 131,991,351 |
| | Liabilities: | | |
| 2,304,787 | Payables, Accruals and Income received in Advance | 1,348,248 | 734,020 |
| 25,986,292 | Pre-Commencement Settlements Held in Trust - Takutai | 27,084,564 | 28,062,712 |
| 172,352 | Ministry of Primary Industries - Takutai | - | - |
| 28,463,431 | Total Liabilities | 28,432,813 | 28,796,732 |
| 121,252,323 | Net Operating Assets | 122,544,269 | 103,194,618 |
| | <i>Investments in Subsidiaries & Associates</i> | | |
| 11,798,341 | Investments in Subsidiaries | 11,798,341 | 11,798,341 |
| 86,287,810 | Investments in AFL | 86,287,810 | 85,715,058 |
| 219,338,473 | Total Funds Employed | 220,630,420 | 200,708,017 |
| | Funded By: | | |
| 159,900,340 | Trust Capital and Retained Earnings | 160,918,231 | 163,587,676 |
| 59,438,133 | Maori Fisheries Act and Other Reserves | 59,712,188 | 37,120,341 |
| 219,338,473 | | 220,630,420 | 200,708,017 |

Note: Includes Takutai Trust but excludes Charisma Development Ltd and equity accounting of AFL earnings.