
Statement of Intent

1 July 2016 - 30 June 2020

*with you for
generations
to come*



From the Board

Under the Public Trust Act 2001, our principal objective is to operate as an effective business. To this end we need to:

- be as efficient as comparable businesses that are not owned by the Crown;
- prudently manage our assets and liabilities;
- maintain financial viability in the long term;
- be a good employer; and
- be an organisation that exhibits a sense of social responsibility by having regard to the interests of the communities in which we operate.

This Statement of Intent meets the requirements of section 139 of the Crown Entities Act 2004. It sets out the scope of activities and overall operating intentions of Public Trust from 1 July 2016 to 30 June 2020. It should be read in conjunction with the Statement of Performance Expectations 2016 – 2017.

On behalf of the Board of Public Trust:

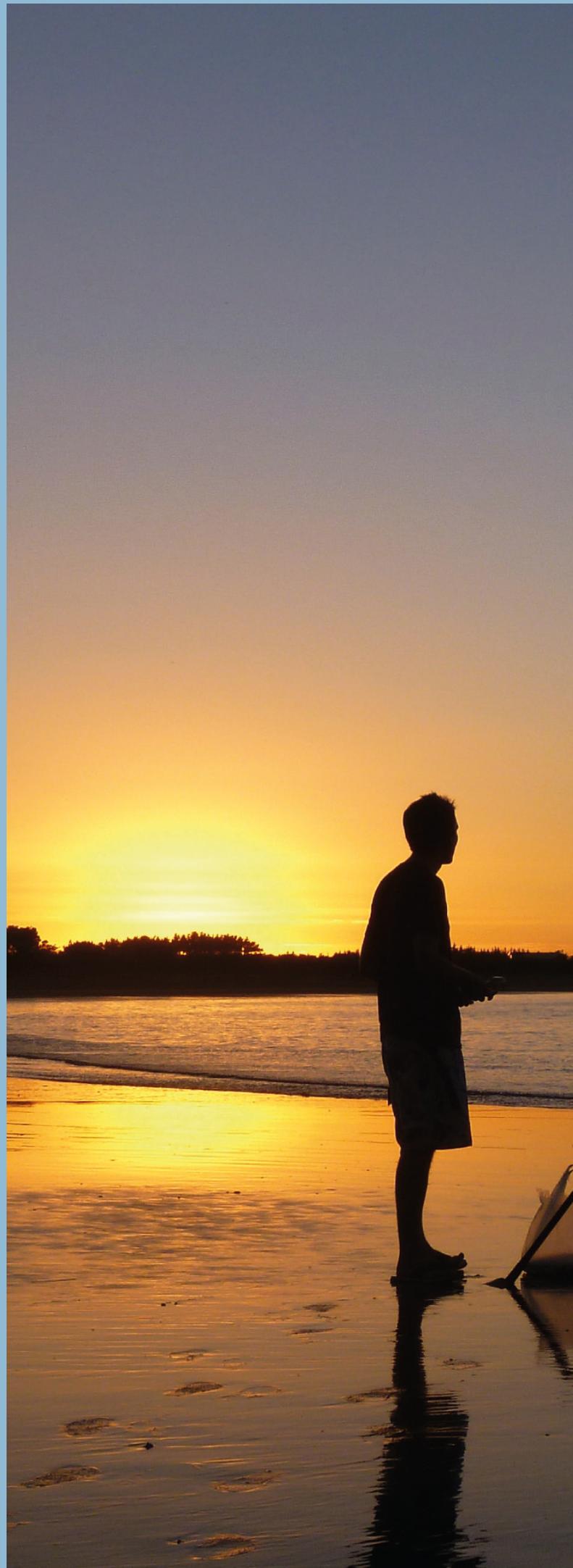


Sarah Roberts
Board Chair



Fiona Oliver
Deputy Chair

22 June 2016



Public Trust has a long tradition of looking after the interests of New Zealanders - it's what we've been doing since we were established in 1873.

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Chief Executive's introduction

I am pleased to present the Public Trust Statement of Intent for 2016 – 2020.



Our strategy for this period is to grow our business.

We'll do this by implementing and leveraging a new operating platform, and taking advantage of an under-served, expanding and fragmented New Zealand trustee services

market. As the market leader, we have both a responsibility and great opportunity to lead this market growth.

Over the past two years we've significantly invested time and money in transforming our business and preparing for the delivery of a new operating platform, this has included:

- Changing our organisation's structure.
- Reviewing our people's capability.
- Investing in new services and IT systems.

To deliver on our business plan and achieve our vision of being New Zealanders' first choice of trustee services provider, we need to be a customer-centric organisation that is accountable for customer outcomes. Once implemented, our new operating platform will enable us to do this, by moving decision making closer to the customer and making service delivery more efficient. We're also unbundling a number of our core services to give customers more flexibility in the way they engage with us.

Our growth targets are ambitious, critical to achieving them will be the implementation of our new operating platform and creating a broader channel-to-market approach. This will include the implementation of business-to-business and digital channel strategies to increase the awareness and availability of our services.

After several years of investment we are now well positioned to take advantage of the current market conditions to deliver on Public Trust's business plan, lift revenue and build a strong and sustainable business.



Bob Smith
Chief Executive

22 June 2016



What we do

Our core business is providing estate planning and management, trustee services for individuals, businesses and charities, personal management services, investments for fiduciary customers and protective fiduciary services to New Zealanders.

Estate planning

We're one of the largest providers of wills in New Zealand. Writing a will and setting up enduring powers of attorney (EPA) are the initial steps in the estate planning process. Wills set out the wishes of our customers for how their affairs are to be managed after they're gone, while EPAs set out who can take care of their personal or financial matters if they can't.

Trusts

We work with individuals, businesses and corporates to manage their funds and assets held in trust. This includes family trusts, inheritance trusts, pre-paid funeral trusts, charitable trusts and ongoing estates. We also safeguard student fees on behalf of private training establishments through our Fee Protect service.

Estate management

We administer and manage approximately 2,000 immediately distributable and ongoing estates each year, carrying out the wishes of customers as set out in their wills and making sure assets are transferred to beneficiaries as smoothly and efficiently as possible.

Executor Assist

We offer our estate management expertise to private executors and solicitors through our Executor Assist product, which has been designed to help with some or all of the tasks associated with being an executor. We can assist with probate applications, collection of assets, payment of liabilities, tax returns or completely manage the estate on the customer's behalf.

PPPR and personal management services

We provide personal management services under the Protection of Personal and Property Rights Act 1988 (PPPR), which exists to assist and protect adults who do not have an EPA in place and are unable to make or communicate decisions or manage their own affairs due to incapacity. We also offer a tailored personal management service called Personal Assist which helps customers manage their financial and property matters, including paying bills, managing bank accounts, buying or selling assets, arranging home repairs and applying for pensions.

Corporate Trustee Services

We provide premier trustee services and leading prudential independent supervisory oversight to the New Zealand corporate market.

Investment services for fiduciary customers

We provide investment management services for a range of customers ensuring they can access effective and appropriate investment services. Our Common Fund is government guaranteed, subject to strict investment guidelines, and comprises trust accounts for fiduciary customers and term deposits which we pool and invest directly.

Social good

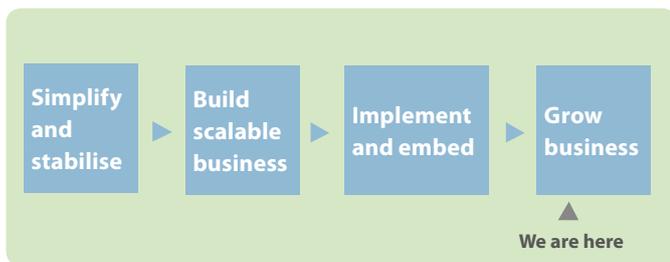
Under various statutes, we have specific responsibilities in relation to providing protective fiduciary services to New Zealanders. This includes PPPR and some estate management services, for which we receive funding from the Ministry of Justice through a Services Agreement. We are also required, in some instances, to act as Trustee of Last Resort and provide fiduciary services to individuals when there is no other provider, or when their needs are unlikely to be met by private sector trustee organisations.



Our strategic direction

In 2013 we outlined our need to be supported by a suitable technology platform. Since that time we've significantly invested in the transformation of our business and are preparing for the launch of our new operating platform.

While there is still some work to do to embed the transformation and get our people ready for our new platform, our focus now turns to growing our business.



Our strategic vision for 2016-2020 reflects this need for growth and is captured in our business plan which is outlined below. In order to deliver on these we've set ourselves four business goals that are supported by three focus areas.

Our vision

To be New Zealanders' first choice of trustee services provider

Our purpose

To help New Zealanders preserve the present and secure the future

Our strategic goals

- Market share: provide trustee services to more New Zealanders.
- Productivity: build a sustainable and profitable business by working smarter.
- Customer satisfaction: make every customer interaction one worth sharing.
- Business to Business: be a trusted partner of New Zealand businesses.

Our strategic focus areas

- Culture and capability.
- Revenue growth.
- Operational excellence.

Plan on a page: 2016 - 2020

Our vision

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Delivering on our strategy

Our three strategic focus areas are paramount to ensuring we're operating as an effective business, are able to deliver on our business plan, achieve our goals and reach our vision of becoming New Zealander's first choice of trustee services provider.

Culture and capability

- **We will create a high performing, customer focussed culture.** We've developed a comprehensive plan to align our desired culture with our business goals. This includes the implementation of agreed values and capabilities and providing clarity to our employees on our vision, promise, purpose, identity and desired behaviours.
 - **We will increase capability of our employees across our core products and services.** We'll do this through a range of learning interventions that address technical knowledge, sales and customer service.
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Operational excellence

- **We will have a business-wide focus on achieving operational excellence.** This will include applying successful management processes and disciplines, managing and mitigating risk, embedding consistency, measurement, and reporting. We will continually look for new ways to work smarter and make life easier for ourselves and our customers.

Revenue growth

- **We will grow our traditional revenue sources.** We'll do this by working smarter, streamlining processes and becoming more efficient. Our new operating platform will support us with this by moving decision making closer to the customer.
 - **We will take new approaches to growing our business.** We will secure a strong and sustainable future for Public Trust by unbundling our services, looking at business-to-business opportunities and implementing a digital channel strategy to increase the awareness and availability of our services.
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Assessing our performance

Our principle objective is to operate as an effective business. We'll meet this objective by delivering on our business goals. This is what success will look like for each goal:

	Goal	What success looks like
	Provide trustee services to more New Zealanders.	Increase in market share.
	Build a sustainable and profitable business by working smarter.	Increase in productivity.
	Be a trusted partner of New Zealand businesses.	Partnerships in place with other businesses.
	Make every customer interaction one worth sharing.	Increase in customer satisfaction.

We will hold ourselves accountable by measuring and monitoring our performance across a number of indicators within our strategic focus areas:

Focus area	What we intend to achieve
Culture and capability	<ul style="list-style-type: none"> — Increased employee engagement scores. — Improved net promoter score. — Evidence of employees demonstrating the desired behaviours and capabilities through the Public Trust Performance Management Framework. — Decreases in the total recordable injury rate.
Revenue growth	<ul style="list-style-type: none"> — Increased market share. — Sustainable profits. — Increased return on equity.
Operational excellence	<ul style="list-style-type: none"> — Reduced cost to income ratio. — Adherence to our Risk Management Policy, Risk Management Manual and Financial Risk Management Framework. — Increased use of transparent and consistent performance metrics.

Organisational health and capability

Health and Safety

We're committed to providing a safe and healthy workplace that keeps our employees, contractors and customers safe. As part of this commitment we've established a three-year strategy to create a strong health and safety culture, with an integrated and embedded health, safety and wellness system, where employees take individual ownership and accountability.

This strategy is supported by leader-led health, safety and wellness initiatives across our business. The success of this strategy will be measured by a reduction over time of harm and ill health suffered in relation to work activities. To monitor our performance we report to the Board and Executive team on the total recordable injury frequency rate and other health and safety measures.

Our health and safety programme has been independently reviewed and aligned with recent legislation changes resulting from health and safety reforms.

Capability

We're committed to ensuring our employees are valued and are given the opportunity to pursue career development opportunities. Work is underway to create a high performance customer focused culture and improve capability of our Retail employees.

Being a good employer

We operate a number of human resource policies that contain provisions generally accepted as integral to the fair and proper treatment of employees in all aspects of their employment. These policies cover:

- Impartial and transparent recruitment.
- Opportunities for the enhancement of individual employees' abilities and succession planning.
- Aligning our structure to a high performing customer focussed culture.
- Equal employment opportunities.
- Recognition of the aims, employment requirements and involvement of Maori, other ethnic and minority groups.

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- The employment requirements of an ageing workforce and people with disabilities.
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As part of our Annual Report, we'll continue to report our achievement against the outcomes relating to the fair and proper treatment of our employees.

Managing Risk

Managing and mitigating risk is at the heart of our focus on operational excellence; we take monitoring risk seriously and report monthly on all key strategic risks to our Board and Executive Team.

In 2015 we updated our risk management policy and manual which, details the processes and procedures for the management of all business risk at Public Trust. We operate within a comprehensive financial risk management framework in place that covers credit, liquidity, market and operational risk.

Our business currently faces two key risks, detailed below with their respective mitigants.

Financial sustainability

- **Risk:** that our revenue projections included in the Statement of Performance Expectations 2016 – 2017 have been overstated and the business model is not financially sustainable.
- **Mitigant:** we will grow our revenue opportunities, unbundle our products and implement business-to-business and digital channel strategies to increase the availability and uptake of our services.

Business improvement programme

- **Risk:** That the work done to transform our business including changing our structure and implementing new IT systems is not effective and fails to reap planned benefits, negatively impacting the performance of our business.
 - **Mitigant:** Ensuring our employees understand the changes and how they align to our business plan and have the training, support and tools they need to use new IT systems. Closely monitoring our progress towards planned benefits will ensure we stay on track.
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Our commercial valuation

The current commercial value of the Crown's investment in Public Trust is estimated at \$70.1m, calculated on a value in use basis and prepared on 20 April 2016 with a valuation date of 30 June 2016. The value in use basis does not necessarily represent what a buyer would pay, as they would also consider our business plan, capital requirements and any implications relating to the availability of the Government Guarantee on the Common Fund.

A discounted cash flow methodology was used to calculate a net present value of the Public Trust Group, including all subsidiaries, on an after-tax basis. This methodology is based on the nominal future cash flows for separate business units as set out in Public Trust's five-year business plan, with forward projections made for years 6 through 10. A terminal value is calculated after normalising the cash flow in the final year of the projection period for tax and depreciation and then a growth rate of 1.5% is applied.

The Cost of Capital components have been updated and the overall discount rate for this valuation was calculated at 10.57% (this was 11.23% in 2014). The valuation was prepared by Public Trust's finance team and the methodology and calculations were externally peer-reviewed, before approval by the Board. The valuation includes the benefit to the Crown of Public Trust's cumulative tax losses.

The current commercial valuation is summarised and compared with the previous valuation below:

COMMERCIAL VALUE - 2016 COMPARED TO 2014	2016 \$000	2014 \$000
Discount rate	10.57%	11.23%
Commercial valuation	\$64.3m	\$33.6m
Adjustment for change in discount rate	\$5.8m	\$0.0m
Comparative commercial value	\$70.1m	\$33.6m

Notes:

1. A commercial valuation was not prepared for the 2015 Statement of Intent. The 2016 commercial valuation is the latest for comparative purposes.
2. The following points should be noted in relation to this commercial valuation:
 - Cash flows used for valuation purposes assume the crown statutory guarantee on the Common Fund.
 - The valuation includes the benefit to the Crown of Public Trust's cumulative tax losses (it is unlikely that these could be utilised by a purchaser).

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