

30 April 2021

Hon. Dr Megan Woods  
Minister of Research, Science and Innovation  
Parliament Buildings  
Wellington 6011

Dear Megan

## **RESPONSE TO ANNUAL LETTER OF EXPECTATIONS FOR 2021/22**

Thank you for your letter dated 23 March 2021 setting out your expectations for Callaghan Innovation for the 2021/22 year.

The 2021/22 year presents an exciting opportunity for Callaghan Innovation. Our country's success in managing COVID-19 presents a once in a generation opportunity to accelerate innovation along with increased respect and enthusiasm for New Zealand around the world. This provides a halo effect, strengthening support for our entrepreneurs on the world stage. Callaghan Innovation will support these opportunities by continuing to focus on commercialisation of other people's science and ideas along with activating innovation and stimulating R&D investment by businesses. It's timely that these new opportunities coincide with the development of our 20 year strategic direction and design of our new operating model, placing Callaghan in a strong position to supercharge New Zealand's innovative firms.

### **R&D Tax Incentive and Project Grants programme**

Progress on the R&D Tax Incentive is Callaghan Innovation's number one priority. Having this policy up and running as intended is a key way for us to unleash the innovative capability of New Zealand businesses. We will continue to work with you over this year to ensure that this policy reaches its full potential.

We also acknowledge the important short term role that the Project Grants programme will play through to June 2022. Callaghan Innovation will live within its financial means, and the Board will make appropriate choices to work within the agreed appropriation funding.

### **Research and Development Services (RDS) strategy**

Over the past financial year we have been implementing the Research and Development Services (RDS Strategy), focusing on refining our target customers, reviewing our commercial pricing and determining the future capabilities we will need to support businesses via key technical skills and physical assets. This year we will complete this strategy implementation by transitioning to these new capabilities (personnel and assets) and implementing multi-disciplinary technical teams to serve businesses' technical support requirements.

We also note your request to consider reinstating revenue targets for the RDS. Revenue targets for this year have been reinstated by the Board (due to firms recovering from last year's COVID impacts). The Board will seek further advice on revenue targets once the RDS strategy has been embedded, and report back to you.

### **Gracefield redevelopment**

Our working vision for the Gracefield Innovation Quarter (GIQ) is to make it a vibrant, supportive and connected innovation community, aligned with regional and national science needs. The Board expects major progress in 2021/22, and we will provide you with regular updates.

As you are aware the site is currently undergoing major infrastructure works, including structural upgrades, asbestos contamination remediation and site resilience investments. We are on-track to achieve the Strategic Performance Expectations milestones for the GIQ Tactical Estates Continuity Programme this year, despite experiencing delays as a result of COVID-19. This work is due to be completed by 2023 and will provide the foundation for GIQ's future development as a world-class hub for R&D innovation.

### **Callaghan Innovation organisation transformation**

With significant focus on developing key transformation projects over the past year including deliverables around a new vision, new behaviours and determining a new operating and business model, Callaghan Innovation is set up well to deliver on key transformation milestones in the coming year as per your expectations.

As our internal programme maturity increases, our approach to transformation will evolve in the coming year. This includes aligning our transformation programmes to our recently developed 20 year strategic direction and applying both the Treasury's Managing Successful Programmes framework and a regenerative approach threading well-being, quality of life and kaitiakitanga into our ways of working.

By the end of 2021/22 we aim to have completed a number of transformational changes that will result in a significantly better experience for our customers and our whānau, and provide the base we can use to rapidly grow our impact on New Zealand's wellbeing. These include:

- The Home Safe Programme
- Implementing new products as part of our updated business model
- Implementing the first stage of our new operating model and behaviours as part of the Tātai Whetū programme
- Delivering digital transformation projects like the online grants platform

The Board will continue to meet its good governance obligations, including financial management, succession planning, effectively monitoring performance, and acting in accordance with the 'no surprises' policy.

### **Delivering on Government priorities**

The Board is fully aligned with government priorities and the need to accelerate New Zealand's economic recovery from COVID-19. Specifically, we are:

- actively engaged in the implementation of government and industry strategies, including the industry transformation partnerships;
- undertaking a study of Callaghan Innovation's carbon emissions to inform work to reduce our greenhouse gas footprint;

- understand the financial constraints faced by government and industry, and we will act accordingly regarding pay restraint, while also continuing to move towards pay equity.

## **Te Pae Kahurangi Report**

We support the findings of the Te Pae Kahurangi Report, though Callaghan Innovation's role is the commercialisation of other people's science. We will continue to work across the innovation ecosystem to ensure alignment. This year a particular focus will be ensuring our future plans for our Gracefield Innovation Quarter include investment alignment. We have begun and will continue to work with a range of stakeholders on this including Crown Research Institutes.

## **COVID-19 hazard management and emergency response**

We acknowledge the critical role that Research Science and Innovation (RS&I) entities have in responding to the COVID-19 pandemic. Our strategic direction emphasises our role to maintain critical scientific capability, build resilience and support the ongoing development of connected systems.

## **Vision Mātauranga**

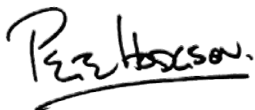
Supporting the Māori economy through recognising Vision Mātauranga, including Tikanga Māori, the spiritual values of reciprocity and balance of people, environment, natural resources not only help us be better New Zealanders but brings global competitive advantage.

## **Well-being and workplace diversity**

We will ensure that Callaghan Innovation continues to meet its obligations as a good employer. Callaghan Innovation has a number of initiatives underway to ensure we nurture a diverse workforce and contribute to the future science workforce. Our commitment to Tikanga Māori remains an important focus for the Board and for the organisation. We are also committed to our people's well-being and have an active programme in play to support this, which includes regular assessment of employee sentiment, online engagement and collaboration platforms, all of which are important tools in providing opportunities for improved well-being. We are also focusing our efforts on the physical and emotional well-being of our people.

I look forward to working with you over the coming years to achieve your priorities for the RS&I portfolio.

Kind regards,



Hon. Pete Hodgson  
Chair  
Callaghan Innovation