

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

24 February 2022

Tēnā koe Megan,

Re: Annual Letter of Expectations for 2022/23

Thank you for your letter dated 16 December 2021 setting out your expectations for Callaghan Innovation for the 2022/23 financial year and beyond.

The past two years have reinforced the need for a connected, inclusive, resilient and adaptable Research, Science and Innovation (RSI) system to meet the challenges of a rapidly changing future environment. In 2022/23 and beyond, Callaghan Innovation will play its part in driving this shift. There are huge opportunities to use our unique position in the RSI system to deliver on government objectives by improving researcher-industry connectivity and supporting Māori innovation, while continuing to activate innovation and commercialisation and stimulate Research and Development (R&D) investment by businesses. Our recent investments in our culture and digital transformation programmes means we are more able to respond to sector-wide needs and work collaboratively within the RSI system to improve system performance and deliver better outcomes for New Zealand.

Please see below responses to each section of your letter.

### ***Te Ara Paerangi - Future Pathways***

We welcome Te Ara Paerangi - Future Pathways and look forward to engaging with the Ministry of Business, Innovation and Employment (MBIE) throughout the next year to position New Zealand's RSI system for the future. Our unique experience working with thousands of innovative businesses as well as leading applied researchers will be drawn on to provide constructive input into these discussions.

We will focus on encouraging Aotearoa's innovation ecosystem to participate in Te Ara Paerangi discussions, to strengthen the 'demand-side' voice, in addition to Callaghan's own formal submission. We will actively engage with MBIE on any further contributions required to inform this significant work programme, and are encouraging people from all levels of Callaghan Innovation to take part. We will work constructively with your officials and others in the ecosystem to ensure this review leads to meaningful and impactful outcomes.

### ***RSI Property Portfolio***

Callaghan Innovation is committed to working in good faith with your officials to identify opportunities for improving research system performance through infrastructure. We have an intentional openness to explore what is best for the system, putting aside organisational or location boundaries and will continue to encourage others to do the same. Callaghan Innovation recognises the many benefits of co-location, which is central to our

work with current tenants at the Gracefield Innovation Quarter. We will work closely with MBIE to ensure we build a connected and adaptable property strategy, and understand investment must be seen at a system level not individual institution level. We are taking an active role in the current property strategy work.

### ***Deliver on Government priorities***

We are committed to working with other parts of Government and Industry to drive forward strategies in key priority areas, including through the Industry Transformation Programmes.

We have established an internal 'Carbon neutral project' which has a comprehensive programme of work planned for 2022/23. A component of this is several decarbonisation initiatives that will transition us to a low emission future. We have gained Toitū Envirocare carbon reduce certification standard and will work to ensure we maintain this accreditation standard.

### ***Well-being and workforce inclusion***

We know that building and maintaining a strong workplace culture which supports the wellbeing of our people and is inclusive and diverse, is critical to achieving our impact. In 2022/23 we will complete a review of our policies and practices to ensure we act as a good employer. We are shifting our approach and reviewing all our people policies so that they reflect our new behaviours and drive the open, transparent and collaborative culture we strive for.

Our new Diversity, Equity, Inclusion and Belonging plan will guide our approach to improving in this area. In 2022/23 this plan includes components of the Public Service Pay Gap Action Plan, continuing our work to correct for pay parity and review and plan for all employees earning under \$80k. It also includes the implementation of a Recruitment Diversity Strategy and internal education and capability building to address issues such as unconscious bias.

We have reviewed our Diversity, Equity, Inclusion and Belonging plan against the expectations in the Diversity in Science Statement and we are confident there is strong alignment.

### **Te Ao Māori**

A core pillar of our work in 2022/23 will be enhancing partnerships with Māori and honouring Te Tiriti o Waitangi, which will build on the work currently underway. We are taking a multi layered approach to this area of work, strengthening our co-designed Tiriti partnerships, expanding our resources and products to support Māori innovation, and investing in our internal knowledge and capability to embed Te Ao Māori across the organisation, ensuring all parts of Callaghan understand and fulfil their role as Tiriti partners.

Specifically in 2022/23:

- We will increase our resources to ensure we have more people working directly with Māori organisations, co-develop products which are tailored specifically to Māori needs, and ensure Māori Innovators are central to our work in this space.
- We will continue our co-design approach to our partnership agreements with Mana whēua Te Atiawa (Gracefield Innovation Quarter) and Ngāi Tahu (Christchurch office), and look to expand this work with other Iwi.

- Use our existing Te Tiriti and Māori Innovation roadmaps to expand our Te Tiriti training approach across Callaghan Innovation as well as further scale up our te reo learning programme of activities.
- With the assistance of our Māori economy team, we will embed Te Tiriti across all our work by applying a Te Ao Māori lens to all of our products and services.

We will engage with others across the RSI system to share learnings in this area, and will keep your officials informed of our activities, learnings and results.

### ***eResearch and use of technologies***

Callaghan Innovation does not have any planned investment in new eResearch in 2022/23.

We are committed to supporting eResearch initiatives across the science and innovation community, and will work with MBIE and stakeholders on this.

We have renewed our focus on cyber security maturity and our commitment to prioritise improvements to operational work. Our targeted investment will continue to acquire appropriate tooling, to manage the changing threat landscape; to raise user awareness; and promote education on security.

### ***Specific priorities for Callaghan Innovation***

- ***The implementation of the Research and Development Tax Incentive***

The Research and Development Tax Incentive (RDTI) continues to be Callaghan Innovation's key priority. We understand that this is a flagship policy. Building on the improvements delivered this year, we will continue to work with MBIE and Inland Revenue to enhance the scheme's performance, including through redesigning the customer journey to deliver a more joined up experience that better delivers on the expectations of customers.

We will continue to use the customer engagement capability established this year to educate and onboard new customers, with a focus on ex Growth Grant customers, Project Grant customers, and those customers who have enrolled in the scheme via myIR, but not yet submitted an application for the tax incentive.

We look forward to working with MBIE officials to ensure other financial support mechanisms are onramps or complementary to the RDTI as the flagship Government support mechanism.

- ***Improving research-industry connectivity***

We are conscious of our important role as a connector between businesses and the wider RSI sector. We will undertake this role through delivery of existing programmes, along with bringing in some additional focus areas.

Through our current programmes we will continue to support these connections both commercially (via our business development teams) and more generally through recommendations and introductions between our customers and the wider ecosystem.

Engagement across the research sector is a key element of the HealthTech Activator, particularly with our direct connection as a commercialisation mechanism of the National Health Research Strategy along with our constituent position as a founding organisation alongside University of Auckland, Victoria University, University

of Canterbury, Otago University and Auckland University of Technology in the Consortium for Med Device Tech (CMDT) and our association with Te Tītōki Mataora - Medtech Translator, recently funded by MBIE.

Similarly, the Callaghan Innovation led "NZ CleanTech Mission Partnership" brings together a group of supporting Government Agencies and members of the research sector, including founding partners Auckland University and Science for Technological Innovation, with the dual purpose of accelerating entrepreneur-led innovation and driving greater commercialisation of CleanTech research.

Our role as ecosystem connector has been a key consideration through our recent transformation activities which has seen us establish a new role of Research Commercialisation Advisor within our commercialisation group. This role has specifically been established to act as an expert connector between business and the RSI ecosystem and help drive forward our activities in this space in 2022/23.

Alongside this structural change we have also identified a number of potential new offerings to further support and grow the connection between industry and the RSI ecosystem which we intend to further explore in 2022/23. This includes developing products that better package and target our skills and expertise to enable our Applied Scientists to play a bridging role with industry and parts of the science community that are less used to working directly together. We will ensure your officials are informed of progress in this area, and that these offerings complement the other government programmes and products that Callaghan Innovation operationalise.

- ***Transformation completion***

The current organisational transformation programme will be completed in this current year. In 2022/23 we will be strongly positioned based on the operating model work to deliver to our mission, purpose and related government policy.

- ***Financial Sustainability, financial management and forecasting***

Our intent is to get back to a fiscally neutral position for FY 2023 to ensure that the organisation maintains its financial sustainability. A key priority of our recent organisation redesign has been ensuring that we reduce our overall staff cost to ensure we return to financial sustainability and work more effectively, which will be realised in 2022/23.

We understand the importance of accurate forecasting. Following a review of our financial management, we have made a range of adjustments this year to ensure we have strong processes in place across the organisation and within the finance function. We also understand the need to manage within existing funding and available reserves.

Our new CFO will work closely with our Board and MBIE in this area to ensure confidence is built and maintained.

- ***Gracefield Innovation Redevelopment***

We understand the importance of the Gracefield Innovation Quarter programme of work, and the necessity to deliver in the extended timeframe and within budget.

In 2022/23 specifically we will be in construction for:

- Flexible office accommodation, involving the refurbishment of our Library Building
- Site-wide infrastructure replacement, improving capacity and resilience of the main horizontal infrastructure onsite
- Hazardous Goods facility, providing fit-for-purpose storage facility for a range of hazardous chemicals
- The demolition of the McKay Building and E Block.

Construction costs have risen significantly in the three years since funding was approved and further cost escalation is likely during the remainder of the programme. Notwithstanding, through the careful prioritisation of existing funding, we remain committed to delivering improvements to current site users, and completing the transformative projects that will underpin the future growth and success of the innovation location at Gracefield. We will work closely with your officials to keep them informed on progress.

We will ensure we follow advice in this area, and will work closely with your officials to ensure they are confident we continue to follow good governance practices.

I look forward to working with you over the coming year to achieve your priorities for the RSI portfolio.

Nāku noa, nā



Hon Pete Hodgson  
Chair  
**Callaghan Innovation**