

Hon Dr Megan Woods

MP for Wigram

Minister of Energy and Resources

Minister Responsible for the Earthquake Commission

Minister for Greater Christchurch Regeneration

Minister of Research, Science and Innovation



12 MAR 2018

Tony Nowell
Chair
New Zealand Forest Research Institute Limited (Scion)
Private Bag 3020
ROTORUA 3046

Dear Tony

ANNUAL LETTER OF EXPECTATION FOR 2018/19

I am writing on behalf of shareholding Ministers to set out the Government's expectations for New Zealand Forest Research Institute Limited (Scion) in the 2018/19 year and beyond.

Working together to meet this Government's priorities

Science has a critical role to play in resolving New Zealand's greatest long term challenges. Progress on the difficult issues we face is more likely if scientists lead public engagement and understanding of scientific information on matters of public interest. Scion also has an important role in providing high quality, evidence based science to inform policy and planning decisions that benefit New Zealand in its areas of science expertise.

I seek your support to work on the role that science can play in achieving sustainable economic development in all regions, increased exports, the transition to a low carbon economy, a healthy environment, and improving the well-being of all New Zealanders.

These challenges do not fit neatly within agency boundaries. This Government expects that all government institutions will focus on actively and coherently working together, alongside other key partners, to deliver on the Government's priorities. CRIs in particular have a significant role to play in our ability to respond to matters of national significance and crisis. In carrying out their activities I expect CRIs to exhibit a sense of social responsibility, consider the interests of the community in which they operate, and seek to accommodate those interests where possible.

I attach to this letter a summary of the priorities specific to the Research, Science and Innovation portfolio. If we are to be successful Scion must play an active role in delivering on these goals by providing leadership as appropriate, and by exemplifying the best of scientific and public servant behaviours.

I expect you to be able to articulate the role Scion will play in addressing these priorities and challenges and to report back on progress.

Specific priorities for Scion

I recognise that Scion has a strong record in delivering on its core research activity and robust operating systems. Therefore, my focus is on creating an environment in which research, science and innovation can flourish.

This year, I expect to have active dialogue with the Board on:

- Scion supporting the government's priorities for regional economic development, in particular the role of forestry.
- The role Scion can play in the protection and development of New Zealand's indigenous forestry, in particular responding to threats to our native taonga.
- Scion engaging in the establishment of a New Zealand Forestry Service in Rotorua and considering how it may contribute towards the delivery of the overarching goals of the service.
- Exploring opportunities to leverage investment in the Te Papa Tipu Innovation Park.
- Leveraging the globally emerging role of forestry in the circular bioeconomy.

Please prepare a briefing on the above matters by 7 May 2018 to inform discussions on the development of your Statement of Corporate Intent. Officials from the Ministry of Business, Innovation and Employment (the Ministry) will provide additional support and guidance.

Collaborative report-backs

There are a number of key areas where the CRIs face common challenges. This year, I expect that the CRIs (and other stakeholders as appropriate) will provide to me the following joint reports by 30 September 2018:

- Workforce planning, capability and development.
- Developing enduring partnerships and co-innovation with Māori.

Clarification of system expectations – science prioritisation

All Ministers have been directed to assess the Crown's baseline expenditure against Government priorities and to reprioritise funding accordingly. We expect that the Scion Board and management will continue to act on our behalf in robustly assessing Scion's priorities and to discuss potential strategic choices with me through the Statement of Corporate Intent consultation process.

As you go through this process, I encourage you to be bold. I want you to be able to pursue innovative science into new areas and to be more confident about pursuing 'stretch' science.

If this pushes the boundaries of your Statement of Core Purpose, I want to discuss it, not discard it.

Clarification of system expectations – finance and investment

CRIs are required to both support their sectors and maintain resilient businesses. Shareholding Ministers confirm that the expectations regarding financial performance remain unchanged. These included expectations on profitability, funding capital programmes, dividends, and commercialisation.

Shareholding Ministers continue to require robust business case processes for all significant investments and transactions. We consider that flexibility, resilience and connection are critical investment objectives. Accordingly, I expect the focus of your investment to be on supporting our ability to undertake high quality and relevant science, in partnership with industry, sector partners and communities, and in collaboration with universities, CRIs and other research organisations.

I also expect CRIs to continue to consider opportunities to share infrastructure, information platforms and systems to meet this Government's priorities.

General expectations and good governance

You will already be well aware that the Government requires its Crown Entities to demonstrate the highest levels of integrity and good governance. I also expect CRIs to help lead engagement and understanding of scientific information on matters of public interest.

In line with the government's broader objectives, I expect you to:

- be the primary monitor of the entity's performance and maintain effective relationships with my advisors in the Ministry.
- maintain a high performing board and report to me and the Ministry on the result of a self-assessment of the board's performance by 30 September 2018.
- operate a no surprises policy.

Response

Please provide your Strategic Issues Letter, setting out how you propose to respond to the above expectations, by 23 March 2018.

I look forward to developing an effective working relationship with you over the coming year.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Woods', written in a cursive style.

Hon Dr Megan Woods
Minister of Research, Science and Innovation

Copy to: Julian Elder, Chief Executive, Scion

Annex: Government priorities for Research, Science and Innovation Investments

Within the broad, longer-term Government priorities outlined in the letter, there are more specific priorities where I expect CRIs' research can make significant contributions in the short-medium term.

Sustaining economic development and supporting the regions

We need to diversify the economy by investing in new industries, creating new businesses and new ways of doing business. Some of these industries will build off our traditional strengths; others may not.

This priority includes research areas such as:

- transitioning to a low-carbon economy by 2050
- innovative, knowledge-intensive technologies that could disrupt existing industries or create new ones
- regional strengths, both existing and potential
- resilience to natural hazards.

Supporting a rich and protected environment

The Government understands that a healthy economy depends on a healthy environment, so sustainable economic development is an overarching priority.

More specifically, this priority includes:

- understanding climate change and its drivers and possible effects on New Zealand
- biosecurity challenges - countering kauri dieback and myrtle rust, and piloting alternatives to 1080
- improving quality of New Zealand's freshwater.