

Hon Judith Collins

Attorney General
Minister of Defence
Minister for Digitising Government
Minister Responsible for the GCSB
Minister Responsible for the NZSIS
Minister of Science, Innovation and Technology
Minister for Space
Lead Coordination Minister for the Government's Response to the
Royal Commission's Report into the Terrorist Attack on the Christchurch Mosques



Sarah Young
Board Chair
Institute of Environmental Science and Research Limited
PO Box 50348
Porirua 5240
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Dear Sarah,

ANNUAL LETTER OF EXPECTATIONS FOR 2024/25

I write to convey my strategic and performance expectations for Institute of Environmental Science and Research Limited (ESR) in relation to the 2024/25 financial year and beyond, on behalf of shareholding Ministers.

Government priorities

The National/ACT/New Zealand First Coalition Government (the Government) has agreed a policy programme of work over the next three years, which will contribute to the Government's overarching aim to improve outcomes for all New Zealanders.

The Government wishes to ensure that public money is spent carefully and with a clear purpose where value for money can be demonstrated. The Government has many priorities and among them are rebuilding the economy to ease the cost of living, delivering tax relief and increasing prosperity for all New Zealanders. It will deliver public services, so they are more efficient, effective and responsive to all who need and use them.

Crown-owned companies and entities will play an important role in supporting the Government's fiscally prudent economic programme. Responsible management of assets and finances, including careful control of debt, capital expenditure and investments are part of the contribution ESR makes to the Government's goals.

I expect that your entity will focus on:

- **Doing your primary role:** where work is immaterial to your primary remit, I expect you to bring this up with me or my officials and decide whether it is appropriate to continue this work.
- **Working in the most efficient and effective way:** it is important goals are achieved in a timely and effective manner.

- **Being fiscally responsible:** any important spending decisions should be raised with me and my officials and ensuring taxpayer value is to be a priority.

I will announce my priorities for the science, innovation and technology (SI&T) portfolio in due course.

Once these are announced, I expect that ESR will fully support these priorities and ensure the Crown's investment in SI&T is realised for the benefit of New Zealand. Further, proactive and strategic engagement with officials, stakeholders and partners is paramount to ensuring cohesive alignment with my expectations and government priorities.

I also expect you to be proactive in identifying and capitalising on commercial opportunities to improve the financial resilience of ESR and bring economic benefit to New Zealand.

Financial expectations

Crown Research Institutes are expected to deliver on government priorities in relation to SI&T while remaining financially viable and sustainable over the long term.

This means that:

- Consistent with the Crown Research Institutes Act 1992, I expect CRIs to generate an adequate rate of return on shareholders' funds sufficient to facilitate their ongoing financial viability, including their capacity to finance future capital investment needs, capability uplifts and maintaining a buffer for operational shocks.
- I expect generating an adequate rate of return will involve CRIs fully costing and charging for the goods and services provided to users over the long term and I will be supportive of your efforts to achieve this.
- I expect Boards to consider all available funding options for funding business operations and significant capital intentions, including private sector investment, and prudent levels of bank debt where required to support capital investment. Where prudent debt is acquired, I expect CRIs to ensure lenders are aware that the Crown is not underwriting this debt and therefore no Crown guarantees or indemnities are being provided.
- Given medium term capital pressures across CRIs and the significant potential benefits for New Zealand that can be realised through investment in science, Ministers do not expect dividend payments.

I appreciate that consideration of these financial expectations may involve difficult decisions and trade-offs for CRI Boards. I will be interested in CRI Boards' responses on the rates of return they are targeting for ongoing financial viability, and the main considerations behind their conclusions. It is important that in making trade-offs you openly engage with agencies to ensure your work remains in line with objectives and research priorities, and so that agencies have sufficient visibility of any impacts resulting from decisions taken.

These financial expectations should not compromise the quality, security and timeliness of your science delivery and data management.

Response

Your advice on how you propose to respond and/or support my priority areas set out in this letter would be appreciated within ten working days of receipt of this letter. I expect that you will keep my officials up to date on your progress towards meeting my expectations throughout the year, including when my priorities are not being progressed.

In line with the Government's expectation of demonstrating accountability for public money, I expect that you will include sufficient performance measures in your Statutory Accountability Documents to demonstrate, and enable measurement of, the outcomes that will be achieved with the government funding ESR receives.

If you require further detail in respect of my expectations, please feel free to contact either Michael Bird or Nicola Scott.

Thank you again for the hard work and contributions of the Board, management team and staff.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Judith Collins".

Hon Judith Collins KC MP
Minister of Science, Innovation and Technology

Copy to: Peter Lennox, Chief Executive, ESR, peter.lennox@esr.cri.nz