

The Treasury

2024/25 Letters of Expectation Information Release

June 2024

These documents have been proactively released by the Minister of Finance (Hon Nicola Willis), Minister for Infrastructure (Hon Chris Bishop), Minister of Education (Hon Erica Stanford), Minister for State Owned Enterprises (Hon Paul Goldsmith), Minister of Agriculture (Hon Todd McClay), Associate Minister of Finance (Hon David Seymour), Associate Minister of Justice (Firearms) (Hon Nicole McKee), Associate Minister of Finance (Hon Shane Jones) and the Minister for Biosecurity (Andrew Hoggard) on the Treasury website at

<https://www.treasury.govt.nz/publications/information-release/shareholder-expectations-letters-2024-25-information-release>.

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Where this is the case, the relevant sections of the Act that apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- section 9(2)(ba)(i) – to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied,
- section 9(2)(ba)(ii) – to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest,
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16 April 2024

John Williamson
Chair
Guardians of New Zealand Superannuation

s9(2)(a)

Dear John

MINISTERS' EXPECTATIONS FOR THE GUARDIANS OF NEW ZEALAND SUPERANNUATION

I am writing to outline how your board can support the delivery of the Coalition Government's priorities, and my governance expectations for the Guardians of New Zealand Superannuation (the Guardians) during 2024/25. I ask that you identify opportunities to support the Guardians to address these expectations for my consideration in your Strategic Issues Letter and include actions in the Guardians 2024/25 business planning documents.

Government priorities

I expect boards to be conscious of the Government's priorities and the expectations in any future Enduring Letter of Expectations issued to statutory Crown entities. In an ongoing challenging fiscal environment, the Government's priorities include:

- lifting New Zealand's productivity and economic growth to increase opportunities and prosperity for all New Zealanders, and;
- improving the efficiency and effectiveness of the public service and of government-funded services.

The Government is committed to delivering results, and all public organisations, including the Guardians, have a part to play. Boards should work alongside stakeholders and build connections to focus resources, minimise costs and deliver improved performance.

In January 2024, the Treasury sent a letter to you on *Fiscal Objectives and Budget 2024*, setting out the need for strict fiscal management to ensure limited funds are directed towards the highest value investments. I reiterate that there will be enhanced scrutiny of any Crown funding.

Crown Financial Institutions (CFIs)

I expect all Crown Financial Institutions to:

- Operate in a manner that is fit-for-purpose, delivering on their legislated purpose, and balancing risk and return to assure investment performance is meeting long-term policy objectives and obligations;
- Actively consider their role within the Crown, understanding how their operations impact on broader Crown risk;
- Proactively work with Treasury and collaborate with the other CFIs to build resilience in the New Zealand economy, and;
- Continue applying a sustainable finance approach to investments and operations.

As the Guardians undertakes its operations and plans for the future, I expect it to:

- maintain a clear focus on core business objectives and all aspects of performance improvement;
- recognise capital as a scarce resource and maintain an efficient balance sheet;
- adapt and innovate to ensure the resources the Guardians utilises remain fit for purpose;
- take note of the Government's emphasis on operating efficiency and effectiveness with a focus on driving down costs, proactively managing risks and seeking improvements wherever it can;
- link executive remuneration to outcomes and disclose the chief executive's remuneration in line with the NZX Corporate Governance Code, specifically disclosure of the base salary, short- and long-term incentives and the performance criteria to determine performance-based payments. If disclosure to this standard is not possible, I expect the annual report to explain why this is the case; and
- remain aware and proactively support the Government's wider priorities.

Specific expectations for the Guardians

Government's Strategic Priorities

National Infrastructure is a key priority for this government. In this regard, I encourage you to continue to explore commercially attractive opportunities to invest in New Zealand assets, including infrastructure, housing, and climate-oriented investments. The Guardians have shown how your SuperBuild model could support both the New Zealand Super Fund and the Government's mutual objectives to bring in qualified international parties to help finance and deliver scaled projects at pace.

Independent Review 2024

In accordance with the provisions of the New Zealand Superannuation and Retirement Income Act 2001, a five yearly independent review is currently underway and will be completed in July 2024. I anticipate your active engagement and ongoing cooperation with Willis Towers Watson throughout the review process, and once finalised, prompt prioritisation and implementation of key recommendations.

Section 59

It is my expectation that the Guardians will ensure their operational preparedness for the potential passing of the New Zealand Superannuation and Retirement Income Act 2001, Section 59, Controlling Interests Amendment bill.

Venture Capital Fund (VCF)

The Guardians should continue to invest the VCF in New Zealand's venture capital markets using best-practice investment management that is appropriate for institutional investment in those markets and maintain a no-surprises approach in its engagement with the Government.

Global context

Escalating geo-political tensions highlight the global interconnectedness that New Zealand shares with international markets. It is my expectation that you will reflect on the impact of an uncertain operating environment and manage associated risks on the Fund prudently.

Leadership

I note that there has been significant turnover in your Board and executive leadership team in recent months. I expect the NZSF will ensure that controls remain robust and that any enterprise or investment risks arising as a result are proactively managed.

General governance expectations

Strong board governance is critical to the continued performance and success of the Crown's companies and entities. In cases where derivative instruments or leverage are utilised in your organisation, I expect that their application is aligned with your entity's purpose, accompanied by appropriate levels of knowledge, skill, transparency, and controls. These measures should ensure that adverse financial or reputational outcomes does not impact the Crown.

The Treasury's Owner's Expectations document

I refer you to the Treasury's [Owner's Expectations document](#), which discusses the role of boards and directors, the board appointment process, and expectations relating to governance. The document also outlines expectations for financial and other dimensions of performance, and matters such as reporting, disclosure, public accountability, and business cases. The Treasury is updating its Owner's Expectations document and is consulting you on its contents.

Board charter/code of practice

Each board is expected to have a charter/code of practice to provide guidance and to assist directors to carry out their duties and responsibilities effectively and in accordance with the highest professional and ethical standards. Each board's charter/code of practice should cover board procedures and reflect, among other duties and responsibilities:

- the requirement for directors to act in a politically impartial manner and conduct themselves in a way that enables them to act effectively under current and future governments. This includes not making political statements, engaging in political activity in relation to the functions of the Guardians, and acting in ways that places Ministers or entities they are responsible for in a position of embarrassment; and
- the process in place for disclosing and dealing with conflicts of interest appropriately and promptly, including the maintenance of an interests register and the disclosure of interests at meetings or when certain issues are discussed. I expect your board to share this register with the Treasury as it is updated.

I expect you to disclose these documents in the interests of transparency and public accountability.

Board evaluations

Board evaluations are a tool for boards to improve their performance and allow Ministers to assess the performance of a board. Independent board evaluations should ideally take place biennially unless there have been significant changes to board composition or when commercial imperatives demand full board attention. Self-assessments of board performance are encouraged in between biennial independent board evaluations to assess performance to date and ensure the board is well positioned for future challenges. I expect you to share independent board evaluation and self-assessment results with the Treasury to contribute to its advice on board composition.

Further information

Your relationship manager at the Treasury will contact you to discuss these expectations.

If you have any questions, please contact Blair Harden, Senior Analyst, Commercial and Institutional Performance (s9(2)(k) [redacted]).

I wish you every success with your endeavours in the coming year.

Yours sincerely



Hon Nicola Willis
Minister of Finance

cc: Jo Townsend, Chief Executive Officer Guardians of NZ Superannuation

s9(2)(a) [redacted]