

The Treasury

Letters of Expectations Information Release

September 2020

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Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would 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:

- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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MP for West Coast-Tasman

Minister of Agriculture

Minister for Biosecurity

Minister for Food Safety

Minister for Rural Communities

Minister of State for Trade and Export Growth

- 9 DEC 2019

Linda Robertson
Chair
Crown Irrigation Investments Limited
[23]

Dear Linda Robertson

2020/21 SHAREHOLDER EXPECTATIONS FOR CROWN IRRIGATION INVESTMENTS LIMITED

I am writing on behalf of Shareholding Ministers to outline the matters that we expect the Board of Crown Irrigation Investments Limited (CIIL) to address in the business planning process for the 2020/21 financial year.

The Government remains committed to resolving key long-term challenges facing the country including sustainable and inclusive economic development, supporting thriving and sustainable regions, preserving our natural capital, particularly in view of climate change, leveraging technology to boost productivity and a fair society for all New Zealanders.

Ministers expect that the Boards of entities that comprise the Crown's Commercial Portfolio will support the Government to resolve these challenges by continuing to maximise the value of the portfolio through improved financial performance and effective capital management.

This letter contains the following information:

- Ministers' specific expectations for CIIL;
- general expectations for the Crown's Commercial Portfolio.

Entity specific expectations

We remain supportive of both the Kurow-Duntroon and Waimea irrigation projects remaining on CIIL's balance sheet whilst continuing to expect a scaling back, and eventual wind up, of normal business operations. This includes managing the existing investments within CIIL's current resources.

We continue to expect that CIIL does not enter into any new development funding contracts and shifts to an investment management operating model, whilst ensuring that it has the appropriate level of resources and capability to comply with its legal, financial management and reporting obligations.

We expect you to continue your regular quarterly engagement (at a minimum) with the Treasury, as our lead advisors, and to keep officials fully informed of construction progression of the Kurow-Duntroon and Waimea projects. This includes information on the status of any project risks, funding issues (including regular updates on how funding is tracking), contingency usage (if any) and details of operational expenditure.

We appreciate the work that CIIL has done over the past year to transition to an investment management operating model and to meet our expectations.

General expectations

Although some of the general expectations are highlighted below, the full expectations for the Crown's Commercial Portfolio are contained in the Owner's Expectations Manual (OEM). The OEM, including updates, can be found on the Treasury's website: <https://treasury.govt.nz/publications/guide/owners-expectations-manual>.

Ministers expect that both directors and management of the Crown companies will be familiar with the OEM to ensure shareholder expectations are being met. Attached to this letter (Annex 1), is the timeline for the 2020/21 business planning process and key milestones.

Wellbeing focus

Ministers expect entities to be cognisant of the government's focus on wellbeing. We are supportive of the reporting frameworks being adopted, to varying degrees, across the Crown's commercial entities (such as Integrated Reporting), which are increasingly being used by companies internationally.

Executive pay

Ministers acknowledge that it is the Board's role to set the executive team's remuneration. We expect that the remuneration will be appropriately linked to performance, and set at a level sufficient to attract and retain the necessary skills to drive an effective and efficient operation.

Ministers are, however, also mindful of the Government's focus on raising pay levels for those on low and middle incomes. To this end, we expect Boards to take a conservative approach with respect to executive remuneration and to have robust processes in place to support, and publicly justify, the decisions made. Shareholding Ministers are focused on the transparency of executive remuneration, and we expect to see this reflected in your entity's upcoming half-year report and your annual report. If you have not already, you will receive a letter shortly outlining these expectations.

Support diversity

Consistent with government support for increased diversity and gender balance on Boards, entities are encouraged to support diversity and inclusion in the workplace and in leadership.

Governance – Board evaluations

Board evaluations help Boards improve performance and contribute to advice to shareholding Ministers on board composition. A full, independent Board evaluation is expected to be undertaken at least every three years, with a more limited interim evaluation between those times. Information should also be provided on investment in director development.

No surprises

Ministers expect to be informed well in advance of any material or significant events relating to the entity, whether positive or negative. Examples of matters that could fall within the 'no surprises' policy could include, but are not limited to: any risk to financial forecasts, imminent media coverage of any activities that could attract critical media comment or on which shareholding Ministers could be asked to express a view.

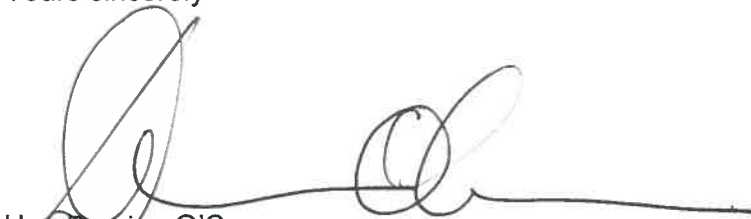
In particular, companies should inform Ministers' offices before the announcement of all financial results, and before companies appear in front of select committees.

We also expect you to copy Treasury into any correspondence to Ministers and provide them with regular updates on any material or significant events.

Engagement

Your Treasury relationship managers will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions please contact Amanda Wilson on ^[39] Alternatively you can contact Maureena van der Lem, Manager Commercial Performance, (on ^[39]).

Yours sincerely



Hon Damien O'Connor
Minister of Agriculture
on behalf of Shareholding Ministers

cc: Murray Gribben, CEO, Crown Irrigation Investments Limited,
^[39]