

# The Treasury

## Annual Letters of Expectation 2023/24 Information Release

November 2023

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[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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# Hon Dr David Clark

MP for Dunedin

Minister of Commerce and Consumer Affairs  
Minister for the Digital Economy and Communications  
Minister for State Owned Enterprises  
Minister of Statistics  
Minister Responsible for the Earthquake Commission



20 DEC 2022

Catherine Drayton  
Chair  
Christchurch International Airport Limited  
[23]

Dear Catherine

## **2023/24 OWNER EXPECTATIONS FOR CHRISTCHURCH INTERNATIONAL AIRPORT LIMITED**

I am writing to outline the matters that shareholding Ministers expect your Board and company to address in the 2023/24 business planning round and work programme.

### **Government priorities**

The Government has three overarching objectives for its term: to keep New Zealanders safe from COVID-19, to accelerate our economic recovery, and to lay the foundations for a better future. The first objective has been achieved through the Government's support of businesses to retain jobs and support to Crown companies and entities to protect and maintain important services.

With the removal of the COVID-19 Protection Framework, we are looking to the Crown's companies and entities to increase their contribution to the Government's other overarching objectives.

We acknowledge that the impacts of the COVID-19 pandemic have exacerbated the downward long-term performance trend of the Crown's companies and that the post-COVID-19 operating environment and the economic outlook are challenging and uncertain. However, this environment makes your focus on delivering value even more important.

We encourage you to be bold and demanding in your expectations of your company to ensure that it is fit for purpose, and that investments will create future impact and long-term value. Companies will need to adapt and innovate, and we look forward to hearing your ideas to improve performance.

To support you to set challenging expectations of your company, we have asked the Treasury to engage more closely on your company's commercial performance going forward.

This letter contains:

- shareholding Ministers' specific expectations for Christchurch International Airport Limited (CIAL)
- enduring and general governance expectations (**Annex 1**), and
- a timeline for the 2023/24 business planning process and governance information (**Annex 2**).

### **Company-specific expectations**

#### *Growth and development opportunities*

We expect investment in future development and growth opportunities to increase shareholder value and be balanced against other objectives such as financial performance targets. This includes paying an appropriate dividend, consistent with CIAL's dividend policy.

#### *Significant Investment Projects*

We expect CIAL to proactively engage with the community on the Central Otago Airport project prior to submitting a resource consent application. Throughout the formal resource consent process, we ask that CIAL carry out its responsibilities, including community consultation, with diligence and care. We acknowledge that CIAL operates within a range of communities that have different needs and interests and expect CIAL to have regard to these needs and interests, endeavouring to accommodate and encourage them to the extent possible.

In line with the Owner's Expectations document, we look forward to receiving 'no surprises' updates and being consulted on any further investment projects.

#### *Emissions reduction and climate change*

We recognise CIAL's leadership in the aviation industry in improving sustainability and pursuing carbon neutrality and commend your efforts in becoming the first climate positive airport in the world. We expect CIAL to continue demonstrating its commitment to decarbonisation and extend your sustainability strategies to any new investment projects.

### **Enduring and general governance expectations**

We regard strong board governance as critical to the performance and success of the Crown's companies and entities. The [Owner's Expectations Manual](#) sets out our expectations on matters for board oversight such as information-sharing and engagement with the Treasury, board evaluations, thresholds for consultation or approvals for significant investments, commercial valuations, capital structure and dividends, and timeframes for reporting and business planning documents.

Further enduring and general governance expectations are set out in **Annex 1**.

## Further information

Your relationship managers at the Treasury will be in contact shortly after you receive this letter to discuss our expectations in more detail. If you have any questions, please contact Maruta Kanepa, Senior Analyst, Commercial and Institutional Performance (on [39]). Alternatively, you can contact Ann Webster, Manager, Commercial and Institutional Performance (on [39]).

We wish you every success with your endeavours in the coming year and thank you for your contribution to laying the foundations for a more sustainable and equitable future.

Yours sincerely



Hon Dr David Clark  
**Minister for State Owned Enterprises**  
*on behalf of shareholding Ministers*

cc Malcolm Johns, Chief Executive Officer, Christchurch International Airport Ltd,  
[23]

## Annex 1

You should consider and provide information in your Strategic Issues Letter about how these expectations are given effect in your company.

### Enduring expectations

Boards should be cognisant of the Government's 2019 [Enduring Letter of Expectations](#) to statutory Crown entities, which asks that boards and their agencies:

- support a unified, value-based government for all New Zealanders
- support future-focussed Māori Crown relations, and
- contribute to improving wellbeing.

*Support a unified, value-based government for all New Zealanders*

The [Government Workforce Policy Statement](#) (GWPS) sets out the Government's expectations about public sector agencies' management of employment relations, including of statutory entities and Crown entity companies, and emphasises the importance of continuing pay restraint.

Consistent with the Government's support for diversity, gender balance and wider ethnicity on boards, boards are encouraged to support diversity and inclusion in the workplace and in leadership teams and to work to close gender and ethnic pay gaps. The [Pay Gap Action Plan](#) (Kia Toipoto) forms part of the GWPS and aims to help close pay gaps and create fairer workplaces for all employees.

We expect you to consider the relevance of the GWPS and Kia Toipoto for your company.

*Support future-focussed Māori Crown relations*

The Crown is committed to being a better Treaty partner. The Crown's companies are expected to embody the Government's good faith and collaborative approach to Māori Crown relationships.

Resources are available to support the Crown's companies to work in partnership with Māori. Te Arawhiti has a range of [tools and resources](#), including to support the Crown's companies to effectively engage with Māori on a range of issues and build true and practical partnerships. The Treasury's resource, [He Ara Waiora](#), may also be useful in understanding Māori perspectives on wellbeing, and how to interweave and embed Te Ao Māori perspectives in advice with integrity.

You should also be aware of and have regard to the Crown's 2014 expectations of non-Core Crown entities when disposing of land. These expectations include early engagement with iwi during any proposed land disposal or sale process, having regard to customary iwi interests in land, and advising Ministers of any issues that may arise.

### *Contribute to improving wellbeing*

The Government's wellbeing approach is based on the [Treasury's Living Standards Framework](#), which considers a broad range of impacts over 12 domains for our individual and collective wellbeing, our institutions and governance, and the wealth of Aotearoa New Zealand, now and into the future. Boards should consider and reflect the broader impact of their decisions and initiatives in planning and performance reporting.

The Government's Emissions Reduction Plan is intended to contribute to wellbeing by setting the direction for climate action for the next 15 years. The Crown's companies are expected to support the Government by working to reduce emissions and to publicly disclose emissions reduction achievements.

To do so, Ministers support Crown companies adopting an available reporting framework (such as Integrated Reporting or the Carbon Neutral Government Programme), as appropriate to their circumstances.

### **General governance expectations**

#### *Board evaluations*

Board evaluations help boards to improve performance and should take place annually (subject to the exceptions in the [Owner's Expectations Manual](#)) and ideally be conducted by an independent evaluator. Along with skills matrices, evaluations contribute to the Treasury's advice on board composition and so should be shared with the Treasury.

#### *Director pipeline*

To grow the pipeline of new and diverse director talent, if you have not already done so, where possible, you should engage a 'Future Director' as an observer of the board.

#### *Senior executive remuneration*

Within the overall context of public sector pay restraint, companies are expected to ensure that senior executive remuneration is appropriately linked to performance and set at a level sufficient to attract and retain the necessary skills within the executive to enable Crown companies to operate successfully.

#### *Cyber security*

The use and dependence on cyberspace mean that securing networks, systems, programmes, and data is of vital and increasing importance. Resources are available to support the Crown's companies to improve their cybersecurity. While intended primarily for the use of government departments and agencies, and their service providers, the [New Zealand Information Security Manual](#) (NZISM) details processes and controls essential for the protection of all New Zealand Government information and systems.

## Annex 2

### *Timetable for the 2023/24 business planning process*

<b><i>Due by</i></b>	<b><i>Key action</i></b>
January / February	The Treasury to discuss shareholding Ministers' Letter of Expectations with the chair
28 February 2023	Board sends its Strategic Issues Letter to shareholding Ministers
1 March 2023	Board submits its draft Statement of Intent (SOI) and Business Plan
31 May 2023	Board provides advice on whether an evaluation of its performance in the past 12 months has taken place, what process was used and the outcomes of the evaluation
30 June 2023	Board delivers its final SOI to shareholding Ministers
As soon as practicable after delivery of the final SOI to shareholding Ministers	Company to publish SOI on its website

Ministers and the Treasury should be alerted as soon as possible if any of these deadlines cannot be met or if clarification around their expectations is sought.

Further information is available in the [Owner's Expectations Manual](#).