

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>.

Information Withheld

This information has previously been released under the Official Information Act.

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,
- section 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials, and
- section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Hon Paul Goldsmith

Minister for Arts, Culture and Heritage
Minister of Justice
Minister for State Owned Enterprises
Minister for Treaty of Waitangi Negotiations



- 4 APR 2024

David McLean
Chair
Kiwi Group Capital Limited

s9(2)(a)

Dear David

SHAREHOLDING MINISTERS' EXPECTATIONS FOR KIWI GROUP CAPITAL LIMITED

We are writing to outline how your board can support the delivery of the Coalition Government's priorities, and our specific and general governance expectations for Kiwi Group Capital Limited (KGC) during 2024/25. We ask that you identify opportunities to support KGC to address these expectations for our consideration in your Strategic Issues Letter and include actions in KGC's 2024/25 business planning documents.

Government priorities

We 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 KGC, have a part to play. Boards should run a profitable business and work alongside stakeholders and build connections to focus resources, minimise costs and deliver improved performance. We expect you to set ambitious targets and develop robust performance measures.

During 2024, I intend to develop statements of the Crown's purpose for owning each of the State-owned enterprises and other relevant companies that I am responsible for. These will be statements of what the Crown wants to achieve from its shareholding in each company, as distinct from the company's own purpose. These statements are intended to provide focus and contribute to improved performance. The Treasury will be in contact with you to discuss this work.

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. We reiterate that there will be enhanced scrutiny of any Crown funding, and cost management. Your board should be prepared to demonstrate how KGC's spending is as efficient, effective, and responsive as possible to increase the prosperity of all New Zealanders.

Specific expectations for KGC

As KGC undertakes its operations and plans for the future, we expect it to:

- maintain a clear focus on core business objectives and all aspects of performance improvement following the challenges arising during and post-pandemic;
- recognise capital as a scarce resource and maintain an efficient balance sheet;
- adapt and innovate so as to ensure the resources KGC utilises remain fit-for-purpose;
- take note of the Government's emphasis on operating efficiency and effectiveness, with a focus on driving down costs and seeking improvements wherever it can; and
- remain aware of the Government's wider priorities.

We expect KGC to:

- deliver an appropriate level of commercial return to, and to represent a value-for-money investment for, the Crown as owner by seeking to maximise long term shareholder value and returns; and
- have performance measures that demonstrate the extent to which it is achieving these goals.

Strategic guidance and oversight of subsidiaries

We appreciate the effort made by the board in the establishment of KGC and embedding the new governance arrangements. We expect the board to continue providing strategic guidance and the governance of its subsidiaries Kiwibank Limited (Kiwibank) and The New Zealand Home Loan Company.

We expect KGC to continue to have an appropriate oversight of its subsidiaries' main work programmes, including but not limited to:

- delivery of Kiwibank's transformation programme; and
- maintain prudent capital levels and have suitable levers, balances, and controls to ensure Kiwibank meets regulatory requirements.

Please keep us and the Treasury informed of any key developments and risks and provide appropriate reporting on the transformation programme's progress in KGC's accountability documents.

Supporting the growth of subsidiaries

We expect KGC to continue supporting the growth of its subsidiaries while providing appropriate oversight. We support Kiwibank retaining its earnings to fund its growth programme in order to strengthen its position as a significant competitor in the market.

The board should ensure it has confidence that any capital injections and earnings retention are invested appropriately. We expect the board to start considering avenues to support Kiwibank's potential growth post-transformation and closely engage with us and the Treasury on any proposals.

New investments and no surprises

Please provide us and the Treasury timely advice on any substantial investment opportunities or significant events that could have a material impact on the group. We expect KGC to continue engaging with the Treasury on areas of shareholder interest and providing the Treasury with timely and substantive information.

General governance expectations

The Treasury's Owner's Expectations document

Strong board governance is critical to the performance and success of the Crown's companies and entities. We 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 KGC, 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. We expect your board to share this register with the Treasury as it is updated.

We 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. We expect you to share independent board evaluation and self-assessment results with the Treasury to contribute to its advice on board composition.

Further information

A timetable for the 2024/25 business planning process is attached for your reference.

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

If you have any questions, please contact David Stanley, Principal Advisor, Commercial and Institutional Performance (s9(2)(k)). Alternatively, you can contact Lars Piepke, Manager, Commercial and Institutional Performance (s9(2)(k)).

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

Yours sincerely



Hon Paul Goldsmith
Minister for State Owned Enterprises
on behalf of shareholding Ministers

cc Sharon Poulson, Investment Director, Kiwi Group Capital Limited,
s9(2)(a)

Timetable for the 2024/25 business planning process

<i>Due</i>	<i>Key action</i>
March 2024	The chair and the Treasury discuss the LOE
19 April 2024	The board sends its Strategic Issues Letter to shareholding Ministers
30 April 2024	The board sends its draft Statement of Intent (SOI) (if required) and Statement of Performance Expectations (SPE) and Business Plan to shareholding Ministers
31 May 2024	The board provides advice on: <ul style="list-style-type: none">• whether special fees are sought for 2024/25;• the professional development spend in 2023/24 and the proposed professional development budget for 2024/25; and• 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 2024	The board sends its final SOI (if required) and SPE to shareholding Ministers
As soon as practicable after sending the final SOI (if required) and SPE	KGC publishes the final SOI (if required) and SPE on its website

Please alert shareholding Ministers and the Treasury as soon as possible if you are unable to meet these deadlines or if clarification is required. Further information is available in the Treasury's [Owner's Expectations document](#).