



Minister for Economic and Regional Development  
Minister of Forestry  
Minister for Small Business  
Minister of Tourism

Mr David Smol  
Chair  
New Zealand Growth Capital Partners Limited  
PO Box 91705  
Victoria Street West  
Auckland, 1142

Dear David

### **ANNUAL LETTER OF EXPECTATIONS FOR 2022/23**

We write to convey the Government's priorities and my expectations for the Board in achieving these for New Zealand Growth Capital Partners Limited (NZGCP), in relation to the 2022/23 financial year and beyond.

The Government has three goals for its term: to keep New Zealanders safe from COVID-19, to accelerate the recovery and rebuild; and to tackle foundational challenges.

The response to COVID-19 remains of central importance in the coming year. Investing in critical infrastructure and public services will be important to our economic recovery, along with a focus on renewable energy, waste reduction, sustainability and pursuing carbon neutrality.

The Government's economic plan is to build a high-wage, highly productive, and low emissions economy that provides economic security. It is focussed on increasing the value of our exports, developing new markets, and investing in skills, new technology, modern infrastructure, and research and innovation to drive productivity, reduce emissions and increase wages.

As New Zealand is already earning a premium from our clean, green and innovative image, adapting to climate change brings an opportunity to use that natural advantage to create new jobs in new industries.

Capital market conditions have changed significantly in recent years both domestically and internationally. The market has evolved, and while some parts of the market are relatively well capitalised, there are specific capital and capability gaps which still need to be addressed. There is a role for NZGCP to support these gaps, complementary to wider private and public capital that may be mobilised in these areas.

Although it is still relatively early in its deployment, the Elevate Fund has been successful so far in crowding-in private capital into the sector and has helped to establish venture capital funds.

Over the last year NZGCP has placed significant emphasis on maintaining high standards of good governance, robust operating systems and appropriate policies and controls as well as considering the culture of your organisation.

We appreciate the effort of the Board, management and staff in this regard. We expect this to be an on-going focus to ensure NZGCP is well positioned to deliver on its objectives into the future.

NZGCP will need to continue its focus on its long-term role in developing New Zealand's early-stage investment ecosystem including both capital markets and supporting the pipeline of future investment opportunities.

### **Specific priorities for NZGCP**

My specific expectations for NZGCP are:

1. Continue to work constructively with the Guardians of New Zealand Superannuation, as appropriate for your respective roles, to successfully deliver the Elevate Venture Fund and to:
  - ensure effective due diligence takes place so that the Crown is identifying partners who employ best practice investment approaches;
  - aid the development of funds with the promise or potential to be New Zealand's investors of the future.
2. Enhance your partnership with the Angel and Seed sector including through effective engagement and delivery of the Aspire Fund to build the pipeline of investable opportunities, and through undertaking broader market development activities.
3. Increase consideration of how investments within the Aspire Fund and market development activities can support capital and capability gaps in the market in line with the Government's broader objectives, policies and programmes.<sup>3</sup> This includes an increased focus on:
  - Seed and pre-seed investments in deep tech and technology critical for addressing climate change and/or sustainability
  - Investments which address the lack of diversity in founders and investors with a focus on:
    - i. the under-representation of female founders and investors.
    - ii. the under-representation of Māori founders and investors.
    - iii. the under-representation of start-ups and investors in regional New Zealand.
4. Actively engage and contribute to discussions around the future design and parameters of the Aspire Fund. This will include working with Ministry of Business, Innovation and Employment (MBIE) and The Treasury to:
  - explore options to change some of the design elements of the Aspire Fund and how it operates to enable it to meet NZGCP's market development objectives
  - consider appropriate metrics to assess and guide decisions that support under-developed sectors of the market

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<sup>3</sup> Including for example the Emissions Reduction Plan, Industry Transformation Plans, science system reforms, Regional Strategic Partnership fund (Kānoa), Māori access to finance and the NZ Green Investment Fund.

- consider new initiatives to potentially address key capital and capability gaps across the broader start-up eco-system
  - respond to any recommendations or proposed changes to the Aspire Fund.
5. Actively monitor the amount of capital being deployed into and by the Venture Capital market, including assessing the enduring strength of the pipeline of deals across early-stage capital markets and engaging with officials on any broader implications this may have.
  6. Successfully develop early-stage capital markets throughout the value chain, from Angel and Seed to Growth capital. Including through effective partnership with amongst others MBIE, New Zealand Trade and Enterprise, Callaghan Innovation, the Angel Association NZ Private Capital, New Zealand Green Investment Finance and Kiwinet in an NZ Inc. approach.
  7. Communicate wider market insights, by collecting and providing relevant information from Venture Capital funds and investee companies to MBIE and Treasury (officials) including consideration of how existing information sources or gaps could be enhanced.

### **Enduring letter of expectations and general governance expectations**

We reiterate the Government's 2019 [Enduring letter of expectations](#) to all statutory Crown entities, which asks that NZGCP:

- Support a unified value-based government for all New Zealanders;
- Support future-focussed Māori Crown relations; and
- Contribute to improving wellbeing.

In addition, we expect NZGCP to follow governance and monitoring expectations contained in the MBIE publication titled *Monitoring arrangements for MBIE-monitored Crown entities*.

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

Yours sincerely



Hon Stuart Nash  
**Minister for Economic and Regional Development**

*For and on behalf of shareholding Ministers*

cc: Mr Rob Everett, Chief Executive, NZGCP, by email to: [rob.everett@nzgcp.co.nz](mailto:rob.everett@nzgcp.co.nz)

## **Annex One: Further enduring expectations and general governance expectations**

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### ***Enduring expectations***

Below are recently issued or amended Government statements, policies and plans that apply to NZGCP.

#### *Government Workforce Policy Statement*

On 5 May 2021 a [Government Workforce Policy Statement](#) (Workforce Policy) was issued, which sets out the Government's expectations about public sector agencies' management of employment relations and emphasises the importance of pay restraint in the COVID-19 environment and the fiscal context of the Government. Statutory entities and Crown entity companies are to have regard to this statement.

#### *Public Service Pay Gap Action Plan*

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. On 15 November 2021, the Government launched The [Public Service Pay Gap Action Plan](#) (Action Plan), which aims to help close pay gaps and create fairer workplaces for all employees.

Ministers look forward to seeing your progress as you implement the Action Plan. We understand Te Kawa Mataaho is providing guidance on applying the Action Plan in smaller entities such as yours.

#### *Carbon Neutral Government Programme*

In pursuit of our carbon reduction ambitions, the Carbon Neutral Government Programme (CNGP) has been set up to accelerate the reduction of emissions within the public sector. We encourage NZGCP to support the Government by joining with businesses and communities already leading the way to reducing their emissions.

### **General governance expectations**

#### *Board self-evaluation*

Boards are expected to evaluate their performance as a whole and that of individual members on an annual basis, and to advise responsible Ministers and MBIE of the results of this assessment. This helps MBIE when providing advice to the Minister on board appointments. Some tools for board performance review are available from the Institute of Directors in New Zealand.