

Board Minutes

Confirmed at 28 September 2023 Board Meeting

17 July 2023

9:00am - 4:30pm

LOCATION: Callaghan Innovation, Huruuru Room, Textile Centre, 1 Watt Street, Parnell, Auckland

IN ATTENDANCE

Board

Pete Hodgson (Chair)
Elena Trout (online)
Jennifer Kerr
Nicole Buisson (online, from France, until lunch)
Sally McKechnie
Shaun Hendy

Executive

Stefan Korn (Chief Executive)
Kirsty Bellringer (Chief Financial Officer)
Henare Johnson (Chief Māori and Government Engagement Officer)
Jen Cherrington (Chief Innovation Enablement Officer)
Karen Skinner (Group Manager Government Engagement)
Brett Calton (Chief Product Officer)

Shareholder

Michael Bird (MBIE)

Other

Heta Hudson (Chair, Whāriki)
Shaun Hubbard (Development Director, Rau Paenga)
Kevin Whitmore (Business Innovation Advisor)
Sarah Sun (Digital Whāre Lead)
9(2)(a) - Privacy (Principal Advisor, Public Service Commission)
9(2)(a) - Privacy (Advisor, Public Service Commission)
Shelly Fawcett (Enterprise Risk and Resilience Lead)
Jess Spinetto (Business Analyst)
Mike Duoba (Programme Finance & Support Manager)
Sally Macesmith (Governance Capability Lead)

Apologies

Matanuku Mahuika
Cliff Hastings (Chief Innovation Expertise Officer)

1 Board Only time BD17/07/23/01

Board only time was not minuted.

Stefan Korn and Jennifer Cherrington joined for this item.

1.2 CEO Meeting Overview (one pager) BD17/07/23/02

The Board **received** the paper and **noted** the information.

FOR DISCUSSION / APPROVAL

2.1 Māori Engagement Strategy and Digital Platform (Whāriki) BD17/07/23/03

The Executives, Michael Bird (MBIE) and Sally Macesmith (Governance Capability Lead) joined the meeting. 9(2)(a) - (Chair of Whāriki) joined for this item.

The Board **received** the paper and **noted** the information. They also:

- **Noted** Callaghan Innovation presented the direction of Māori Engagement to Crown partners/shareholders (e.g MBIE, TPK, Treasury).
- **Noted** impact measurements for Māori deliverables are part of a wider organisation impact reporting framework, currently in RFP.
- **Noted** the brief history and current status of Whāriki presented by Heta Hudson.
- **Noted** that Callaghan Innovation would continue to support the development, maintenance, promotion, and resourcing of the digital platform as part of the Callaghan Innovation/Whāriki MoU.
- **Noted** the further observations from Henare Johnson's Knowledge Exchange with First Nations in Canada.

2.2 Regular MBIE Update BD17/07/23/04

9(2)(a) - (Development Director at Rau Paenga) joined for this item.

The Board **received** a verbal update. They also:

- **Noted** that Callaghan Innovation had been asked to play a key role in facilitating the co-design aspect of development work on the operating model for Wellington Science City.
- **Noted** that Rau Paenga was leading the Wellington Science City Business Case development and was a conduit to the Mīmiro oversight group.
- **Noted** the importance of the operating models for each Hub including the significant management effort that will be required and the opportunity to get clarity on responsibilities across institutions involved.
- **Noted** decisions made at the Business Case phase will impact the likelihood of critical events happening and **encouraged** engagement with WorkSafe at this stage.
- **Noted** the intention to improve engagement in this phase.

2.3 Operating Model - CEO Perspective BD17/07/23/05

The Board **received** the paper and **noted** the information. They also:

- **Noted** the contents of this paper and its relevance on the recent review of the Callaghan Innovation Operating Model implementation.
- **Discussed** the current posture and approach of senior management in relation to any further implementation / embedding of Operating Model features.
- **Discussed** the reintroduction of timesheeting to support transparency and accuracy in the delivery of commercial projects.
- **Noted** the challenges and opportunities for different career pathways for scientists.
- **Noted** the intention of management to undertake another review of the Business and Operating models against the actual current state in calendar year 2024.

Anna Stewart (Senior Compliance Officer) and Shelly Fawcett (Enterprise Risk and Resilience Lead) joined for this item.

The Board **received** the paper and **noted** the information. They also:

- **Noted** the consolidation of current policies into the Health and Safety Policy as outlined
- **Approved** the Health and Safety Policy subject to agreed amendments including:
 - amended language about 'keeping our people safe and healthy' to be more about a partnership between individuals and Callaghan Innovation.
 - amended responsibilities to include all or our philosophy that leaders lead and the Health & Safety team supports.
 - adding monitoring indicators reflective of the health and safety of our people
- **requested** that Committees have input into the updated Terms of References before seeking Board approval. **Action - Governance Capability Lead**

Nicole Buisson and Michael Bird left the meeting.

The Board **received** the paper and **noted** the information. They also:

- **Noted** that capital appropriations received are treated as equity, **9(2)(f)(iv) - Confidential advice to Government**. **9(2)(f)(iv) - Confidential advice to Government** ¹. This has placed considerable pressure on our financial performance to cover not only the increase in depreciation expense, but also any maintenance and asset replacement required, if Callaghan is to achieve a breakeven result.
- **Noted** that if Callaghan was unable to cover the increased depreciation expense from the Establishment capital appropriation, this would likely result in negative retained earnings².
- **Noted** that based on the current level of "core"³ capital expenditure of \$5m per annum, the cumulative cash balance will start to increase significantly in future years.
- **Noted** that Callaghan needs to ensure that it is maintaining the Crown asset base in a responsible manner and if there is cash available to be invested then we need to ensure that we are not withholding any critical investment needed to avoid a negative earnings position.
- **Noted** as a Crown Entity there is no requirement for Callaghan Innovation to generate a return for the Crown and Callaghan may choose to retain or spend retained earnings.
- **Approved** updating the treasury policy requirement from "ensure there are sufficient liquid assets available within 5 working days to cover at least one month's operating expenditure" to "ensure there are sufficient liquid assets available within 5 working days to cover at least one month's operating expenditure, less the MBIE funding agreement monthly payment for the Callaghan Innovation multi-category appropriation (MCA)".
- **Approved** updating the treasury policy
- **Noted** that if the proposed changes to the treasury policy requirements are approved by the Board then the level of cash reserves to cover the treasury liquidity requirements would decrease from \$15.0m to \$6.9m, which is still seen as adequate to provide for any unexpected risk events that might occur.
- **Noted** financial performance reporting will be updated to include reporting on EBITDA, enabling a focus on operational performance.
- **Approved** the following financial strategy for Callaghan Innovation: *Achieve long-term financial sustainability through focusing on delivering positive EBITDA results, and managing our cash reserves to meet our treasury liquidity and asset investment requirements.*
- **Noted** the paper would be shared with MBIE and PwC.

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² Negative retained earnings, in the Callaghan Innovation context, means accumulated losses with no cash impact, and is not a key measure of Callaghan Innovation's financial performance

³ Callaghan Innovation's core capital expenditure is the amount of capex set by management each year to reinvest in assets, this is funded through a combination of the depreciation cash equivalent + any other available cash

GOVERNANCE AND OPERATIONS

3.1 Board upskill session - What is Web3?

BD17/07/23/08

Kevin Whitmore (Business Innovation Advisor) and Sarah Sun (Head of Digital and A.I. Whare) joined for this item.

The Board **noted** the presentation. They also:

- **Requested** the slides be shared with the Board. **Action - Governance Capability Lead**

3.2 Board upskill session - Identifying, declaring and managing Conflicts

BD17/07/23/09

9(2)(a) - (Principal Advisor) and 9(2)(a) - (Advisor) at the Public Service Commission, joined for this item.

The Board **noted** the presentation. They also:

- **Requested** advice for managing Board member interests in direct share holdings. **Action - Principal Advisor, Public Service Commission**
- **Requested** the slides be shared with the Board. **Action - Governance Capability Lead**

3.3 CEO Report

BD17/07/23/10

The Board **received** the paper and **noted** the information. They also:

- **Noted** that 9(2)(g)(i) - Free and Frank advice, 6(d) - safety
- **Requested** 9(2)(g)(i) - Free and Frank advice, 6(d) - safety
- **Noted** the verbal financial update on the end of the financial year.
- **Noted** the ratification of the Callaghan Innovation and Public Service Association (PSA) collective agreement.
- **Approved** the shareholder resolution regarding CIR NO.2 LIMITED (the Company):
 - In accordance with section 318(1)(d)(i) of the Act, Callaghan Innovation, as the sole shareholder in the Company, approves of the Company making an application to request removal from the Companies Register on the grounds set out in section 318(2)(a) of the Act, namely that the Company has:
 - ceased to carry on business;
 - discharged in full its liabilities to all known creditors; and
 - distributed its surplus assets in accordance with the Act.
 - Management be authorised to submit an application to the Register of Companies under section 318 of the Act and take all associated actions on behalf of the Company as may be necessary in connection with the application.

3.4 Management Updates

3.4.1 Internal Board deck + Slide 1

BD17/07/23/11

The Board **received** the paper and **noted** the information. They also:

- **requested** changes to the content and presentation including:
 - adding Ara Ake to the relationships slide
 - updating and simplifying the organisation chart. - **Action - Governance Capability Lead**

3.4.2 Verbal Workforce Update

BD17/07/23/12

The Board skipped this item.

4 Monitoring

4.1 Health & Safety Dashboard

BD17/07/23/13

Jess Spinetto (Business Analyst) and Shelly Fawcett (Enterprise Risk and Resilience Lead) joined for this item.

The Board **received** the paper and **noted** the information. They also:

- **Noted** and **discussed** the Health and Safety dashboard.
- **Noted** forklifts have the highest likelihood of harm of any vehicle.
- **Noted** the increase in reporting due to encouragement and that this would continue as groups meet more regularly.

4.2 GIQ Dashboard

BD17/07/23/14

Mike Duoba (Programme Finance & Support Manager) joined for this item.

The Board **received** the paper and **noted** the information. They also:

- **Requested** follow up on the risk of hitting live wires while trenching. **Action - Chief Executive**

4.3 Board Administration

4.3.1 Draft Governance Manual

BD17/07/23/15

The Board **received** the paper and **noted** the information. They also:

- **Noted** the need to update the current Board charter
- **Provided** feedback on the Draft Governance Manual in appendix 1 including:
 - replace conflict of interest examples with specific advice on when does and does not constitute a conflict of interest
 - narrow the definition of 'friends and family'
 - use Office of the Auditor-General's *Managing conflicts of interest: A guide for the public sector* to incorporate more plain language
 - include an undue influence statement
 - include that the Board determines its standing committees, their make up and approves their Terms of Reference
 - use the Grants Committee description from the Board Charter
 - include references to relevant legislation and guidance.
- **Noted** the final Governance Manual would be presented at the September 2023 Board meeting
- **Noted** the Chair's update on Directors' fees.
- **Agreed** that the Terms of Reference for each Committee will be provided to the Committees at their September 2023 meetings and to the Board at the November 2023 Board meeting.

4.3.2 Interests schedule

BD17/07/23/16

The Board **received** the interest schedule and **noted** the information. There were no further updates provided.

4.3.3 Committee Membership

BD17/07/23/17

The Board **received** the document and **noted** the information. They also:

- **Noted** the updated Committee membership following the appointment of two new Board members
- **Noted** the Terms of Reference for each Committee will be provided at the November 2023 Board meeting.
- Requested invitations to the Committee meetings be sent to the new directors. **Action - Governance Capability Lead**

The meeting adjourned at 4:30pm and recommenced at 7:30am on Tuesday 18 July 2023.

18 July 2023

7:30am - 3:00pm

LOCATION: Callaghan Innovation, Huruuru Room, Textile Centre, 1 Watt Street, Parnell, Auckland

IN ATTENDANCE

Board

Pete Hodgson (Chair)
Elena Trout
Jennifer Kerr
Matanuku Mahuika
Nicole Buisson (online, from France, until lunch)
Sally McKechnie
Shaun Hendy

Executive

Stefan Korn (Chief Executive)
Kirsty Bellringer (Chief Financial Officer)
Jen Cherrington (Chief Innovation Enablement Officer)
Karen Skinner (Group Manager Government Engagement)
Brett Calton (Chief Product Officer)

Other

Renee Sidaway (Finance Programme Manager)
Ryan Challis (Procurement Manager)
Florian Spoerl (Group Leader Market Engagement)
Nathan Stantiall (Group Leader Product Ownership)
Spencer Willis (Group Leader Funding Engagement)
Annette Koo (Director MSL)
Sally Macesmith (Governance Capability Lead)

Apologies

Cliff Hastings (Chief Innovation Expertise Officer)
Henare Johnson (Chief Māori and Government Engagement Officer)

1 Board Only time BD18/07/23/01

Stefan Korn and Jen Cherrington joined the meeting.
Board only time was not minuted.

FOR DISCUSSION / APPROVAL

2.1 Board upskill session - Tikanga in the Governance context BD18/07/23/02

This item was postponed to the September 2023 Board meeting.

The Executives and Sally Macesmith (Governance Capability Lead) joined the meeting.

2.4 Kia Tika Programme (Enterprise Resource Planning Solution) BD18/07/23/05

Renee Sidaway (Finance Programme Manager) and Ryan Challis (Procurement Manager) joined for this item.
Sally McKechnie and Stefan Korn left the meeting.

The Board **received** the paper and **noted** the information. They also:

- **Endorsed** the contents of this paper.
- **Approved** the 9(2)(b)(ii) - Commercial
- **Approved** the funding envelope required for implementation costs of 9(2)(b)(ii) - Commercial to be held by the Audit and Risk Committee (ARC)
- **Noted** the ARC would be used for reviews at appropriate times and ARC approval would be needed to access the contingency funding.
- **Approved** the associated licensing costs of 9(2)(b)(ii) - Commercial, note costs are similar to costs already being incurred for the current system, with the ongoing costs for the proposed ERP system expected to provide a slight reduction of \$113,000 compared to the current system.
- **Noted** the funding for the ERP investment will be through a combination of in year baseline funding of \$4.507m, and retained earnings of \$8.140m, which will result in a "loss" for both FY23/24 and FY24/25 given the use of prior years retained earnings.
- **Noted** the financial treatment for this investment is operating expenditure (opex) given we are moving to a software as a service (SaaS) model.
- **Noted** the governance structure for the programme ensures there is appropriate management and oversight across strategic, tactical and operational levels.
- **Noted** once the ERP system has been fully implemented, benefits expected are \$0.403m per annum.
- **Noted** the delivery execution risks of business engagement, IT and data landscape, solution complexity, business and IT resourcing, business projects, organisational change and challenging timeline, all have mitigations identified to manage.
- **Noted** given the size of the investment we will engage with an external independent quality assurance ("IQA") provider to give both management and the Board assurance that the programme is being run to deliver the outcomes required.

2.5 NZ Food Innovation (Waikato) Limited - Approval for Transactions BD18/07/23/06

The Board **received** a verbal update. They also:

- **Noted** that the Board and Management of NZ Food Innovation (Waikato) Limited (FIW), have initiated a sale process of FIW, with a targeted completion date of September 2023.
- **Noted** that Callaghan Innovation has a 30% shareholding in FIW and Hamilton City Council (HCC) has a 70% shareholding (through a 100% owned subsidiary).
- **Noted** that neither MBIE 9(2)(f)(iv) - has any objection to the sale of FIW.
- **Approved** the sale of Callaghan Innovation's 30% shareholding in FIW (alongside HCC's disposal) at a price and otherwise on terms and conditions to be determined by Callaghan Innovation Management as satisfactory.
- **Noted** that as part of our 2022/23 year end process we will be assessing our shareholding in FIW for any impairment and Management will report the results to the Board as part of the 2022/23 Annual Report close out.

2.2 Deep Dive into Product Hāpu [incl Product Hāpu Report]

BD18/07/23/03

Florian Spoerl (Group Leader Market Engagement), Nathan Stantiall (Group Leader Product Ownership) and Spencer Willis (Group Leader Funding Engagement) joined for this item. Sally McKechnie and Stefan Korn joined the meeting.

The Board **received** the paper and **noted** the information. They also:

- **provided** feedback on the Product Hāpu Report including:
 - include key messages for appropriations information and additional commentary for dashboards to turn the data into insights
 - improve continuity in nomenclature throughout the report and other internal documents
 - add contextual information (eg targets) to make it easier to see what is and is not going well
 - continue to include the Primary measures slide for Directors' reference.
- **requested** commentary of the underspend for Student Grants. **Action - Chief Product Officer**
- **discussed** the change in the Business Innovation Advisor role over the last 18 months.
- **discussed** the Research and Development Tax Incentive (RDTI) backlog, Māori customers update, challenges with the New to R&D grant, and the strong start to the Ārohia Innovation Trailblazer grants.

Nicole Buisson left the meeting.

GOVERNANCE AND OPERATIONS

3.1 Management Updates

3.1.1 Measurement Standards Laboratory Update

BD18/07/23/07

Annette Koo, Director MSL, joined for this item.

The Board **noted** the information.

4 Monitoring

4.1 Innovation Expertise Update

BD18/07/23/08

Annette Koo, Director MSL, joined for this item.

The Board **received** the paper and **noted** the information. They also:

- **Discussed** options for Glycosyn in light of Wellington Science City.
- **Noted** management would provide options for the Board to consider after the General Election.
- **Requested** additional information on Web3 including opportunities. **Action - Chief Executive**
- **Discussed** Callaghan Innovation's role in the Construction Sector Accord.

4.2 Finance report (verbal)

BD18/07/23/09

This item was discussed during the CEO Report on Monday 17 July 2023.

4.3 Board Administration

4.3.1 Draft minutes of meeting held 21 June 2023

BD18/07/23/10

The Board **received** the minutes and **confirmed** them as a true and correct record.

4.3.2 Action list

BD18/07/23/11

The Board **received** the actions list and **noted** the information.

4.3.3 Proposed 2024 meeting dates

BD18/07/23/12

The Board **received** the interest schedule and **noted** the information. They also:

- **noted** and **discussed** the Board, Audit & Risk Committee (ARC), and Health, Safety, People, Culture & Diversity Committee (HSPCD) dates for calendar year 2024

- **approve** the proposed meeting dates for 2024.

4.3.4 2023 meeting dates

BD18/07/23/13

The Board **received** the document and **noted** the information.

5 OTHER BUSINESS

BD18/07/23/14

There was no further business.

The Executives and Sally Macesmith left the meeting.

6 MEETING REVIEW

BD18/07/23/15

The Board undertook a Retro Session on the meeting with Brett Calton.

The meeting closed at 3:15 pm

Pete Hodgson
Chair
Callaghan Innovation
18 July 2023