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Briefing for the Incoming Minister

12 July 2019



NEW ZEALAND
TRADE & ENTERPRISE
Te Taurapa Tūhono

12 July 2019

Minister for Economic Development
cc Minister for Trade and Export Growth
cc Minister of State for Trade and Export Growth
cc Associate Minister for Trade and Export Growth

1. Who we are

New Zealand Trade and Enterprise (NZTE) is the government's international business development agency. Its purpose is to grow companies internationally for the good of New Zealand. This includes two core activities: growing companies out of New Zealand into international markets, and matching investors with investment opportunities for the good of New Zealand.

NZTE is a Crown entity, formed through the merger of predecessor agencies in 2003 and operates under the Crown Entities Act 2004, the Public Finance Act 1989, and the NZTE Act 2003. NZTE's Board provides governance over NZTE's strategy and future operating intentions, in conjunction with overseeing and monitoring organisational performance¹.

NZTE's Board is made up of seven individuals with extensive business and exporting knowledge. The Chief Executives of the Ministry of Business, Innovation and Employment (MBIE) and Ministry of Foreign Affairs and Trade (MFAT) function as special advisors to the Board. The Board Chair is Andrew Ferrier and the Chief Executive (CE) is Peter Chrisp. Current Board members are listed in Appendix 1.

2. The context we work in

Diversification for the future

Trade, investment and innovation have a vital role to play in meeting the Government's vision of building a productive, sustainable and inclusive economy. The Government has underlined the importance of building exports and export led growth with a focus on moving from volume to value, protecting the environment and leveraging new opportunities to help lift productivity. As part of a broader approach to growth, the Government's strategy also recognises that the benefits of trade must be shared by all New Zealanders.

NZTE plays a role in this economic development approach to diversify the New Zealand economy. The key to a resilient and competitive economy is having successful companies that export a diverse mix of goods and services to a broader range of markets, for higher value.

New Zealand's traditional areas of strength remain important, but over time diversification creates new opportunities and enables resilience and adaptability.

¹ All decisions relating to the operation of NZTE are made by or under the authority of the Board, in accordance with the NZTE Act 2003 and the Crown Entities Act 2004

From volume to value

As a small country with a domestic market of just under 4.8 million, New Zealand needs to think and act globally in order to be economically and socially sustainable. On the one hand, global trade is facing a number of headwinds, with protectionism on the rise, trade tensions between the United States (US) and China, and Brexit uncertainties.

On the other hand, New Zealand's free trade agreement framework and developments such as the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP), with ten other countries across the Asia-Pacific region, provides real and tangible opportunities for New Zealand's exporters and investment regime.

New Zealand's small domestic market and often relatively weak international connectivity remains a challenge and NZTE has a key role to play in bridging those gaps by working with internationally competitive, innovative companies that differentiate themselves on quality, ingenuity and sustainability. NZTE's challenge is to help grow more added-value companies that can compete internationally to access diverse markets and bigger opportunities and, at the same time, encourage more high-quality international investment into New Zealand.

Foreign investment is essential for New Zealand's economy; it creates more jobs, higher wages, new technology and investment capital. Productive, high quality investment helps fuel growth by providing the financial capital needed to establish or expand operations into new markets, enhance the skills and capabilities required to access global markets and develop new productive assets. It contributes to accelerating growth in regions, as well as supporting opportunities in the Māori economy.

3. How we engage with you

As Minister with accountability for NZTE, your main responsibilities, alongside the Minister for Trade and Export Growth, include ensuring NZTE has an effective Board in place; participating in setting NZTE's direction; monitoring and reviewing NZTE's operations and performance; and managing risks on behalf of the Crown.

NZTE will allocate Private Secretaries to relevant portfolios as needed.

Along with the Minister for Trade and Export Growth, you will provide NZTE with a Letter of Expectations, table its Annual Report, Statement of Performance Expectations and Statement of Intent in Parliament and oversee responses to questions from the Economic Development, Science and Innovation Select Committee. NZTE will support you in these processes as appropriate.

NZTE currently provides fortnightly reports; progress reports; and advice and briefings relating to events, invitations, and issue management. The following regular interactions with NZTE also take place:

- **Board Chair and CE meeting** – you may choose to have meetings with NZTE's Board Chair, Andrew Ferrier, and CE, Peter Chrisp. These are currently held monthly with the Minister for Trade and Export Growth.
- **Economic development agencies issues meetings** - you will meet with representatives from economic development agencies to discuss current issues. When required, you can request NZTE items on the agenda with NZTE to be in attendance.

- **Company visits** – your regional travel provides an opportunity for you to visit and engage with companies that work with NZTE. NZTE provides visit suggestions and briefings to support these visits and is available to accompany you.
- **International travel and trade missions** – ministerial visits to international markets and trade missions with business delegations help support New Zealand exporting companies and New Zealand's economic interests. NZTE, MFAT and other government agencies work with portfolio Ministers to develop a suitable forward agenda for international engagement.

4. What we do

As New Zealand's international business development agency, NZTE is focused on growing export businesses, for the good of New Zealand. NZTE does this through the application of the 'know-how' (knowledge and experience) of its global team, and the 'know-who' to make the right connections at the right time. The organisation's global network of over 570 people across 40 international and 10 domestic locations, along with 200 private sector advisors as part of its Beachheads programme, gives companies a bigger footprint on the world stage and helps overcome the challenge of scale and distance.

Additionally, the agency's government 'imprimatur' or endorsement provides credibility to help open doors for companies in markets around the world.

Te Taurapa Tūhono

NZTE's knowledge, experience and connections are expressed in its Māori name: Te Taurapa Tūhono. Te Taurapa is the stern post of a traditional Māori waka, which records valuable knowledge, and stabilises and guides the craft forward. Tūhono represents connections to people and an ability to build relationships.

NZTE works with two overlapping groups of customers, serviced by two operating models - the Customer Way and the Investment Way

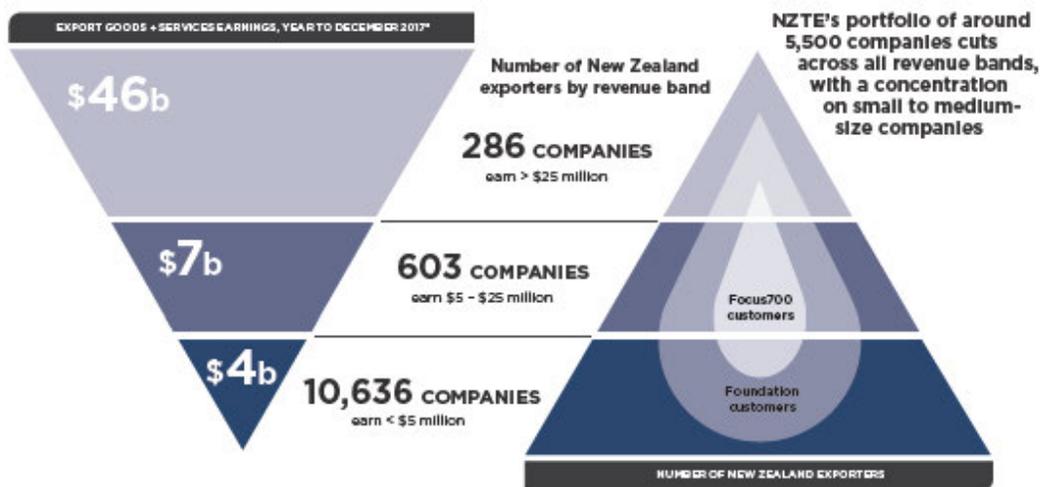
The Customer Way wraps around export customers, companies growing out of New Zealand into international markets. The Investment Way is designed for investment customers, matching investment with opportunities in New Zealand. Investment customers are either companies in New Zealand that are looking for investment to grow, or domestic and international investors looking for places to invest. Both models are supported by a range of NZTE services provided in New Zealand and internationally.

4.1 Growing exporting companies

Focus on ambitious, value-adding companies

New Zealand's economy includes around 12,000 companies that export goods and services internationally. Most of these companies earn less than \$5 million each year. Conversely, a small number of companies earn over \$25 million per year, but they contribute the majority of New Zealand's export earnings, as shown in Figure 1.

Figure 1: NZTE's Export Customers

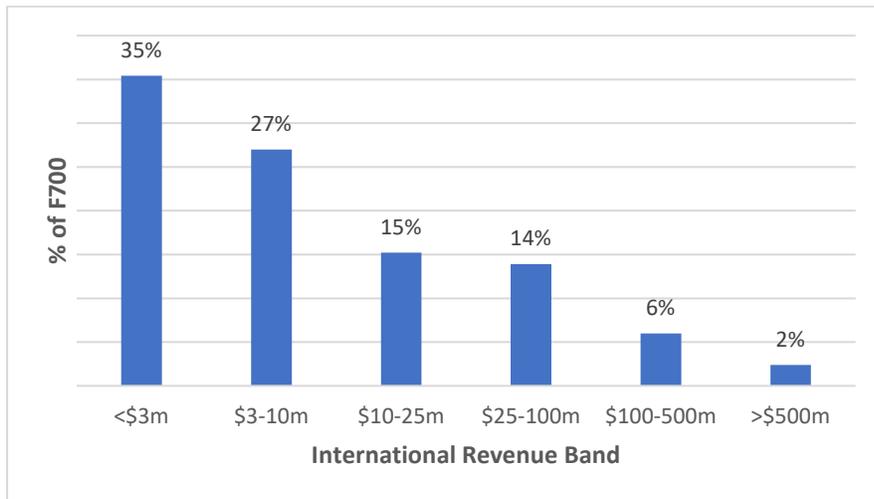


NZTE's dilemma is that it cannot fully add value to all exporting companies in New Zealand as impact is diluted if resources are spread too thinly. To achieve the most impact and use resources most effectively, NZTE applies a segmentation model and classifies the companies it works with into three categories of engagement according to their differing growth stages, capabilities and aspirations: Focus customers (also known as "F700"), and Foundation Start and Build customers. As a result, NZTE currently works with approximately 5,500 companies, with a portfolio value of around \$36 billion.

Focus customers

Around 80% of NZTE's efforts go into working intensively with approximately 700 knowledge-intensive, value adding companies in the F700 category. These are the companies that have the growth aspirations and ability to compete globally, where NZTE and other internationally facing agencies (collectively known as NZ Inc) can deliver the biggest impact. This does not necessarily mean F700 customers are large companies. It is their potential and aspiration for growth that are the crucial considerations. In fact, approximately 250 companies or 35% of F700 customers earn less than \$3 million international revenue, as shown below in Figure 2.

Figure 2: F700 customers by international revenue

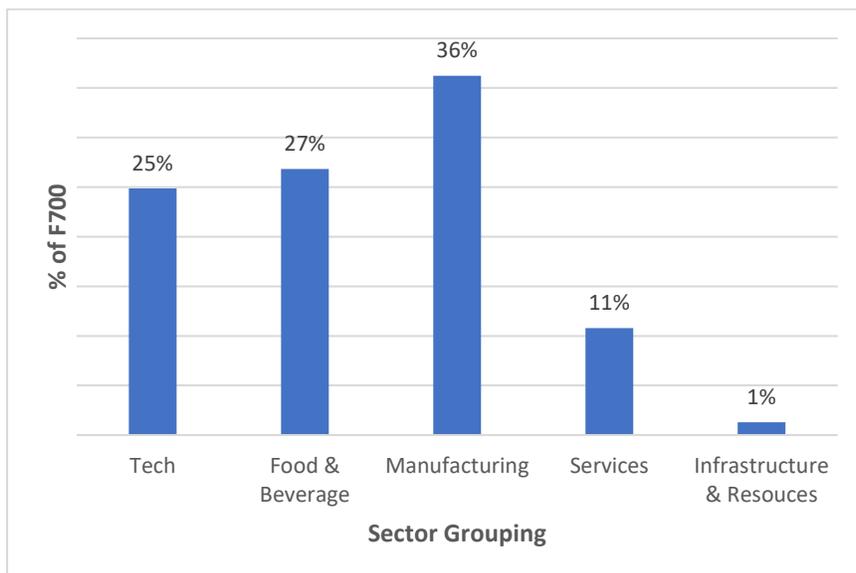


Companies enter the F700 portfolio when they are ready for intensive engagement and have the hunger and capability to grow internationally. NZTE then works with these companies to determine the challenges and opportunities for growth and develop a plan to allocate services and resources to take advantage of the opportunities.

A key part of this process is the principle that customers commit to target markets, which drives allocation of NZTE resources. The more customers targeting a market, the higher proportion of resources NZTE allocates to support that market. Tailored game plans are designed for each customer and for each market.

The F700 is weighted towards tech, high-value food and beverage, Māori companies and specialised manufacturing companies, reflecting the Government's commitment to move New Zealand's economy to one that is increasingly diversified, sustainable, productive and inclusive. This aligns with a move from volume to value, the creation of higher-paid jobs, and a greater focus on the regions. Figure 3 shows a breakdown of F700 customers by NZTE's sector groupings.

Figure 3: F700 customers by sector grouping



The F700 portfolio is regularly reviewed to ensure that NZTE’s engagement is continuing to add impact. If a company’s needs have changed, or if NZTE can no longer add value, companies are transitioned out of the portfolio.

Foundation customers

Foundation Start and Build customers are typically at an earlier stage in their international journey. Start customers generally want to explore if exporting is right for them and how to take the first step. Build customers are already exporting and want to improve or grow.

NZTE’s work with Foundation customers is lighter touch than F700 engagement, given their lower need for support at this stage. As well as providing Foundation Customers with support and advice, NZTE also offers practical tools, events and knowledge needed to start or build their international journey.

NZTE has recently launched a digital portal targeted at Foundation Customers, providing access to articles, videos, industry research and case studies. This is an area where NZTE believes there are opportunities to build greater connectivity and improve its engagement. Improved digital services enables more efficient reach at lower cost and allows NZTE to add value to a greater number of small and emerging exporters across NZ.

A table of the NZTE services provided to each category of customer is attached in Appendix 2.

NZTE also supports small emerging businesses through its Regional Business Partner Network. See Section 4.3 for further detail on this network run in partnership with Callaghan Innovation.

Coalitions

NZTE also engages with coalitions. Coalitions are self-selected, business-led groups of customers that are willing to work together on a common opportunity, challenge or go-to-market purpose. The companies are usually from the same or a complementary sector. Coalitions share costs and risk by working together and can benefit by sharing knowledge, and leveraging collective resources, expertise and technology to bolster their chances of long-term success.

An example is the G4 Manuka Honey coalition, where NZTE has been engaging with key New Zealand manuka honey brands who are working together to harness market growth potential in the US. They are collaborating on understanding the perceptions of US customers regarding genuine manuka honey packaged in New Zealand vs competitor products. This approach is a more impactful strategy than “each brand for themselves” as it increases in-market resource and targets common challenges.

Table 1: NZTE customer classification breakdown (as at 30 June 2019)

Segment	Total number of companies/coalitions	Number of Māori companies /coalitions*
Focus (F700)	704	52
Start	3992	73
Build	1332	125
Coalitions	26	3

* See Section 4.4 for further information on Māori companies. Māori companies and coalitions are included in the total number of companies and coalitions.

4.2 Matching Investors with Investment Opportunities

New Zealand needs productive investment to help fuel growth, and there is a shortage of large-scale propositions in New Zealand to attract overseas investors. The New Zealand economy is characterised by its capital shallowness and relatively low long-run productivity performance.

Foreign direct investment is more than just the flow of capital into New Zealand. There is often no shortage of capital seeking quality opportunities, but it is important that the capital is more than just funding. Capital that brings knowledge, capability and connectivity is vital to growing New Zealand businesses internationally.

Productive, high quality investment fuels growth by providing the financial capital needed to establish or expand operations into new markets. Additionally, investment can develop new productive assets, skills and capabilities to help accelerate economic growth in the regions, as well as supporting sustainable land use and opportunities in the Māori economy.

NZTE investment opportunities

NZTE's investment team originate and develop propositions and then connect these with domestic and international investors for the good of New Zealand. In particular, NZTE focuses on growth-stage companies and large-scale greenfield projects. These investment opportunities offer significant benefits shared across New Zealand and lead towards the Government and NZTE's goal of a diversified, value-add economy.

The Investment Team focusses on two distinct areas, driven by Government rationale:

- Support New Zealand growth stage companies to understand the capital raising process, prepare them to be investment ready, and successfully connect them with capital for internationalisation and scale. This is accomplished through NZTE building connectivity and creating international partnership opportunities for domestic venture capital funds, as well as continuing to connect venture capital funds to New Zealand growth stage companies. NZTE activity also supports the New Zealand Venture Investment Fund to deliver on its mandate.
- Originate, develop and accelerate large scale commercial greenfield operations and new initiatives in New Zealand. This is achieved in partnership with investors, providing new jobs, growing regions and driving innovation that capitalises on New Zealand's sustainable competitive advantage.

NZTE is actively focussed on three key areas across its two primary workstreams:

- Advancing investment into the regions, supporting NZTE's engagement with the Provincial Growth Fund and the regional economic development agencies.
- Supporting successful and sustainable Māori economic development
- Working with, and in support of NZ Inc, to deliver a cohesive and impactful approach to investment attraction.

In pursuing these focus areas NZTE's goal is to deliver investment opportunities that are inclusive, sustainable and productive, to grow a more prosperous New Zealand. Benefit is measured through potential Direct Economic Impact (pDEI), which is the forecast return to the economy through increased profits in New Zealand, new jobs, higher wages and greater spend with local suppliers.

In NZTE's investment pipeline as at 30 June 2019, there are currently 239 investment opportunities being pursued at a value of \$7.4 billion. Greenfield opportunities account for 125 of the opportunities, with 114 engaging growth stage companies.

Greenfield investment projects present particular challenges including long timeframes (24 months or longer) and have a lower probability of success (5-10% success rate). In comparison, growth stage companies generally raise capital within 6-12 months and have a 20-25% success rate of obtaining capital.

NZTE helps to attract high quality investment in seven key sectors

NZTE concentrates on sectors where it can have the greatest impact: where there is investor demand, where New Zealand has a clear competitive advantage and where there is economic benefit to New Zealand. These focus sectors are:

- High-Value Food and Beverage
- Fibre
- Specialised Manufacturing
- Technology
- Renewable Energy
- Advanced Transport
- Tourism

NZTE does not actively engage in opportunities that involve water, oil and gas, or attracting investors into the housing market. NZTE also does not actively pursue standard mergers and acquisitions where there is no additional growth benefit to New Zealand.

Attracting overseas investment is a cross-agency activity (NZ Inc)

NZTE collaborates across NZ Inc to attract high quality overseas investment and accelerate research and development (R&D) activity and growth throughout the country.

NZTE manages and chairs a cross government Investment Attraction Taskforce, which involves NZTE, MBIE, MFAT, the Treasury and Callaghan Innovation. The Taskforce focusses on aligning the approach of agencies in attracting new high quality productive overseas investment and accelerating growth throughout New Zealand.

An example of an NZTE-led NZ Inc project is an initiative to attract investment into commercial tourism attractions and experiences. This project sees NZTE, MBIE, Tourism New Zealand and the Department of Conservation (DOC) collaborating in an initiative to encourage new private sector investment tourism attractions, addressing the lack of current supply versus demand.

4.3 Supporting the regional economy

NZTE in the regions

NZTE has ten offices across the country. Outside of the three metropolitan regions, NZTE has offices in Dunedin, Hamilton, Napier, Nelson, New Plymouth, Palmerston North and Tauranga. Regional representation allows NZTE Customer Managers to engage directly with Focus 700 and Foundation Build customers, including ensuring work is integrated into broader Government initiatives that support regional economic development priorities. See Figure 4 for a map of NZTE customers by location.

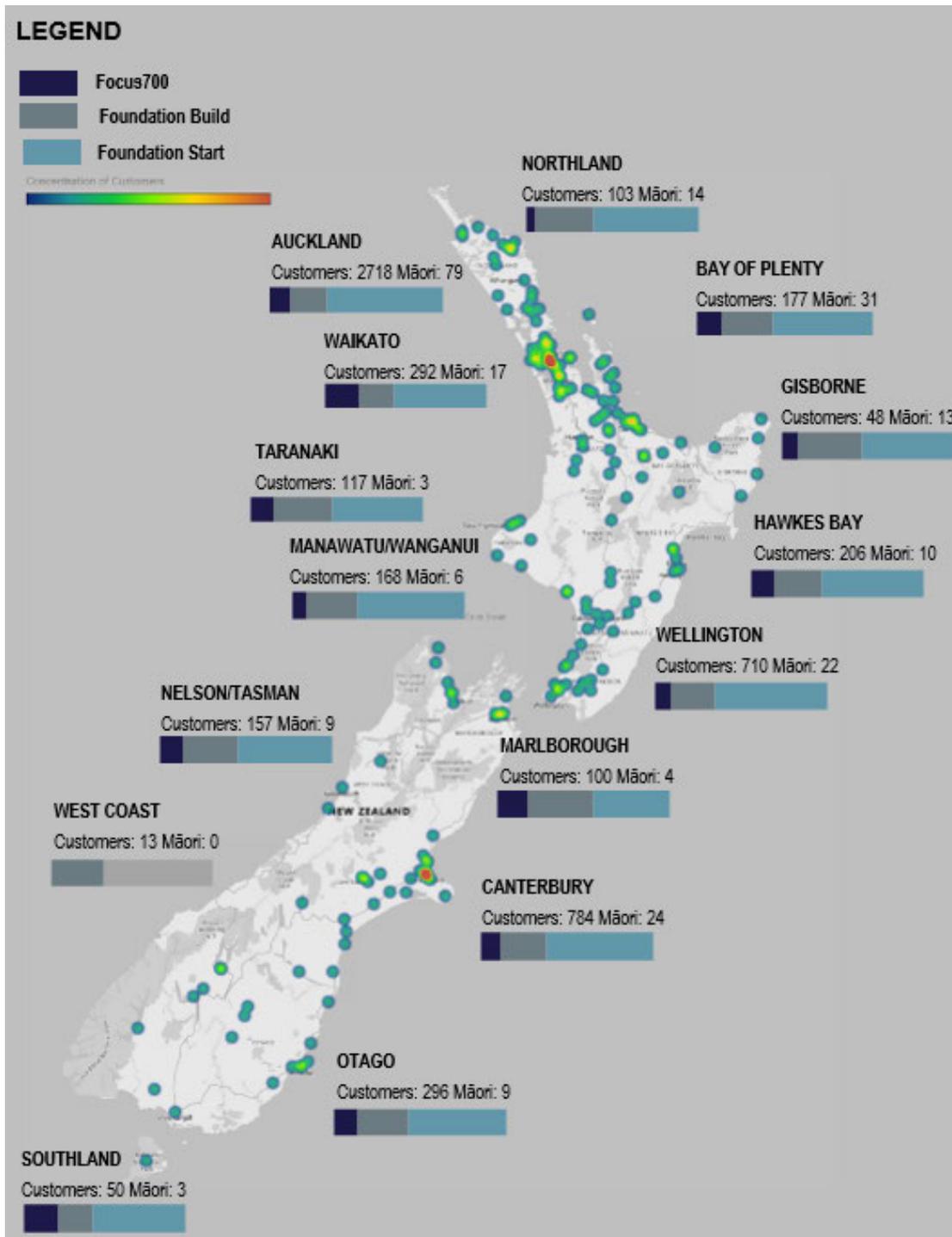
NZTE provides services to support the growth and development of New Zealand businesses through the Regional Business Partner Network

NZTE and Callaghan Innovation jointly fund the Regional Business Partner Network which helps New Zealand businesses innovate and grow by making it easier to access early stage business support. The network is made up of 14 organisations nationwide, known as the Regional Business Partner (RBP) Network. These organisations include a mix of regional economic development agencies, Chambers of Commerce and council entities. The RBPs employ advisors who are available to help business owners and managers identify opportunities for business growth and to access expertise and mentoring. The advisors provide advice, referrals

and connections to relevant government support. From 1 July 2018 to 30 June 2019, NZTE contributed \$4.4 million towards RBP advisor fees.

NZTE offers Capability Development Vouchers through the RBP Network. The vouchers are issued by the RBP advisors and are available for businesses to use as partial payment towards the cost (up to 50%) of management capability development and training. From 1 July 2018 to 30 June 2019, RBP advisors issued 3,028 vouchers with a combined value of \$5.9 million.

Figure 4: NZTE Customers by location (as at 5 July 2019)



NZTE leverages special events to promote New Zealand companies

When significant events or opportunities that support New Zealand's export growth occur domestically, NZTE collaborates with other NZ Inc partners to secure and capitalise on New Zealand's profile and connect New Zealand companies with international influencers. Events leveraged in 2019 include Fieldays at Mystery Creek in Hamilton, the New Zealand Golf Open in Queenstown and the launch of the China-New Zealand Year of Tourism.

NZTE also supports regional events for exporters that are organised by other agencies that engage with the New Zealand business community. Event partners can include Business New Zealand, Export New Zealand and Chambers of Commerce. These events typically focus on seminars for exporters, networking and collaboration and business award ceremonies.

Provincial Growth Fund

NZTE's Investment team is involved in the origination and preparation of opportunities that fall within the Provincial Development Unit (PDU)-managed Provincial Growth Fund (PGF) remit. This includes assisting with feasibility, business models and financial forecasting, and investor profiling and connection with investors other than the PGF.

During the PGF's due diligence stage, NZTE provides sector and deal insights to the PDU to support their assessment of applications. Post-PGF investment, NZTE provides ongoing support to PGF portfolio companies through trade and investment services. In addition, NZTE was involved in providing insight and support during the development of PGF's strategy and policy.

4.4 Supporting the Māori economy

As part of the Government's commitment to Te Tiriti (the Treaty) and the economic development of Māori – Te Taurapa Tūhono (NZTE) has a specific focus on Māori companies and investment, and the implementation of the Māori-Crown Economic Growth Strategy, He kei kai aku ringa (HKKAR).

NZTE is motivated to work with Māori customers in a way that recognises their unique characteristics, values and drivers to grow the opportunities within the developing Māori economy. Māori economic development has huge potential to contribute to New Zealand's future prosperity, and NZTE is committed to growing more Māori companies of international scale across a range of industries.

NZTE has developed a Māori strategy, that is implemented through its Te Pora Māori, or Māori Business Group, which works alongside NZTE's Māori export and investment customers. This team has the specialist Māori commercial and cultural know-how and know-who to engage with a wide range of Māori companies. NZTE has a portfolio of 254 Māori export customers, including 52 F700 customers and three Focus coalitions.

NZTE aims to find and work with ambitious Māori exporters and create impact for those customers in international markets. Its focus is on working with Māori companies to increase the value of Māori exports year on year, and to increase the economic benefit to both Māori companies and to New Zealand from investment deals. Where Māori assets and capital are underutilised, NZTE's Investment Way can assist in building the Māori investment story, helping Māori companies become investment ready and generating opportunities for Māori entities, particularly with underutilised land.

5 Services we provide

Through the Customer Way and Investment Way operating models, NZTE delivers a range of services, matched to a customer's specific needs and the stage of their international journey. These services and connections are delivered through NZTE's New Zealand-based Customer Managers and Investment Managers, and its international network of Trade Commissioners, Business Development Managers and Investment Managers.

NZTE services run the full range of the export development life cycle, as well as leveraging the in-depth knowledge and experience of its people in how to compete and grow in a range of markets and industries. For an outline of NZTE services for customers, see Appendix 2.

5.1 Domestic Services

In New Zealand, NZTE provides a range of capability services which focus on assisting Focus, Build and Start customers with their business plans and helping them understand how to build their capability to grow internationally. Depending on their category, this ranges from assistance with governance and strategic leadership, to market research, connections with NZ Beachheads advisors and workshops on issues that are common to exporters, irrespective of the markets they are targeting.

Resources and workshops include the fundamentals of exporting, improving sales capability and digital marketing. Where required, NZTE can also provide F700 customers with tailored coaching and support to identify growth constraints, focus on priority areas and develop or refine business purpose, strategy, goals and capital raising needs.

5.2 International Network

Internationally, NZTE can boost customers' global reach by tapping into its local and international networks to provide insights and support.

NZTE has 306 employees in 40 international locations which are grouped into seven regions. NZTE's sites also share services with MFAT and other NZ Inc partners. Further information on NZTE's international network and its regional focus areas is included as Appendices 3 and 4.

NZTE's international teams help customers find distributors and investors, navigate local regulations and ways of doing business, and introduce them to potential partners and customers. The international teams work closely with the New Zealand-based teams to wrap around the customer to help them grow and succeed internationally.

Services provided by the international team also include information about trends in markets and sectors, as well as in-market immersion programmes and access to export promotion and investment events and trade missions. For F700 customers and coalitions, NZTE can help with tailored market-specific plans and customised in-market support.

NZTE also conducts business leveraging activity at international events, collaborating with other New Zealand agency partners to leverage New Zealand's profile and diaspora and capitalise on special events or opportunities that support New Zealand's export growth. International events leveraged in the past include the America's Cup 2013 in San Francisco, and the Rugby World Cup 2015 in the United Kingdom. Future events approved for business leveraging activity by NZTE and NZ Inc partners include the Rugby World Cup 2019 (Japan), America's Cup 2021 (New Zealand) and Expo 2020 in Dubai. See page 17 for further information on Expo 2020.

5.3 Beachheads

Established in 2003, Beachheads is an NZTE service offered globally. Beachhead Advisors are a network of private sector experts who offer perspective and insights to help NZTE customers shape the future direction of their business.

There are 185 Advisors located across 10 global regions – including New Zealand. Advisors are a mix of expatriate New Zealanders and local businesspeople that have a close affinity with NZ and are willing to offer their expertise and experience to support business make more informed decisions about their international growth options. In the past 12 months Beachhead Advisors worked with over 400 NZTE customers, integrated into NZTE's Customer Way framework.

5.4 International Growth Fund

NZTE co-funds projects aimed at growing customers internationally

The International Growth Fund (IGF) supports high-growth businesses to carry out additional market development and business capability activities required for internationalising and growth in new markets. F700 companies and coalitions can access 40% co-funding for projects that will have a positive impact on the New Zealand economy, based on a co-investment business case. NZTE does not provide any funding to companies that earn over \$500 million export revenue as they are generally already well-resourced.

NZTE's customers can apply for up to \$600,000 every three years to co-fund projects such as developing new markets. Customers can also apply for up to \$100,000 in co-funding of market validations, which enable companies to explore a new market or project before committing more resources. While the IGF is an important offering among NZTE's services, it does not stand alone; it is fully integrated into a customer's overall growth strategy and the broader support from NZTE.

To ensure robust, quality projects that provide high growth outcomes for the companies and New Zealand, NZTE manages a healthy pipeline of prospective cases which is deliberately overcommitted to take into account natural attrition rates. Over the 2019 financial year, NZTE invested in 107 projects worth \$35 million.

NZTE seeks to ensure certain levels of return to New Zealand. Currently, the threshold is set at 4x the total invested dollars, with flexibility for NZTE to approve projects below this level of return. Over \$1.5 billion in realised economic impact has been achieved since 2009.

5.5 Digital Services

An increased focus on improving the digital service delivery of NZTE's offering to customers is a core part of its strategy. As the world moves to an increasingly digital environment, customers are asking for more digital services and relationships. For NZTE this has the added benefit of enabling greater reach and allowing it to scale services at marginal additional cost.

A key part of NZTE's initial digital service offering is the development of an online Customer Portal that will create a digital window into NZTE for its customers. This will provide more information, connectivity and collaboration in a digital environment. For NZTE, these new digital customer relationships will enable the use of data and insights to better service customers and improve how it works internally. It will also free up NZTE's people to have deeper interactions and higher-quality engagements with customers.

The Customer Portal is being gradually rolled out across various customer segments.

5.6 Knowledge

An important part of NZTE's strategy is making sure knowledge is captured, catalogued and distributed in an intuitive and effective way. A benefit of the Customer Portal is that it enables the organisation to make more knowledge and expertise accessible to customers – anytime they need it.

A large part of NZTE's Knowledge work programme has been focussed on developing and curating hundreds of articles, videos, features, industry research and case studies that can be made available to customers, based on their individual preferences. This work is in the early stages of development and over the next year, NZTE will continue to build this knowledge base.

Facilitating opportunities for customers to learn from each other is another important workstream in NZTE's knowledge strategy. NZTE has recently begun piloting a 'peer-to-peer matching' initiative. Within the Customer Portal NZTE has also created a forum for companies to engage with and get advice from each other.

5.7 Practice areas

Another part of NZTE's strategy is the development of two new global practice areas focused on eCommerce and sustainability, that have been established to provide enhanced value for NZTE customers. The practice areas will enable NZTE customers to understand sustainability and eCommerce opportunities and ensure they are kept up to date with global changes and developments.

The aim of the practice areas is to build, grow and apply knowledge that will add value for NZTE's customers, and identify the best way for them to access and leverage that knowledge to deliver value.

eCommerce

eCommerce is the journey of marketing, selling and obtaining value online, either globally or locally. NZTE is focussed on eCommerce, necessitated by the global revolution in digital platforms that are redefining consumer behavior, global supply chains and logistics, with significant implications for how New Zealand companies go to market.

As new channels redefine global value chains, New Zealand companies need to navigate this carefully and intentionally, and NZTE needs to enable customers to access and navigate the digital environment in a way that helps them capture value.

Sustainability

NZTE defines sustainability as providing for the current generation without compromising future generations – encouraging the protection and restoration of the environment and the social wellbeing and resilience of our communities and local cultures within a prosperous and growing economy.

Sustainability credentials are growing in importance as a way for companies to differentiate themselves in existing markets and accessing new and emerging markets. NZTE's role is to help customers to consider sustainability within their business model and support those already doing so.

6 People

NZTE has a strong focus on its people, recognising that high engagement of employees means a better experience for its customers.

NZTE has a dedicated people strategy with strategic priorities focussed on growing people, building a one global team culture, prioritising safety and wellbeing and creating a diverse and inclusive organisation.

Good employer requirements

NZTE is committed to being a good employer and an employer of choice; with a commitment to equality and a focus on creating a more diverse and inclusive work environment. NZTE promotes Equal Employment Opportunities through organisation-wide practices relating to the recruitment and the selection, development, management and retention of all employees.

Safe and healthy environment

The health and safety of NZTE's global team is paramount. Its core health and safety principles include:

- Individuals return home from work in the same, or better condition
- Leaders lead and create a safe work environment
- Individuals take responsibility for their own and others' health and safety
- Proactively identify and regularly review all hazards
- Anticipate, plan and prepare for safety for all activities
- Track incidents, root causes and resolutions.

NZTE is increasing its diversity and inclusion

A diverse talent pool makes NZTE's global team stronger with customers benefiting from real diversity of thought and ideas. NZTE's diversity and inclusion goals focus on increasing the overall awareness and inclusion towards all employees and making NZTE more relevant to Māori.

Another important goal is to have more women in NZTE leadership roles, reflecting a ratio of 40:40:20. This ratio aims for 40% of leadership roles being held by men, 40% being held by women and the remaining 20% able to be held by either men or women or a mix of both.

NZTE is continually improving its capability to respond to the needs of Māori companies and contribute towards better outcomes for Māori. Over the last five years, around 470 domestic and international staff have attended Kia Kaha, NZTE's marae-based education programme that explores Māori business and culture.

As at 30 June 2019, NZTE had 578 full time equivalent (FTE2) employees.

7 Finance

For 2019/20 NZTE is funded under a Vote Business, Science and Innovation non-departmental multi-category appropriation (MCA) of \$180.3 million for output expenses and a second MCA of \$31.0 million for other expenses. A breakdown of the NZTE appropriation structure is in Appendix 5.

NZTE received an increase to its funding as part of Budget 2019, including \$1.5 million in

² FTE figures include permanent, fixed term, expatriates, locally engaged and seconded employees

2019/2020 for its Rugby World Cup 2019 business leverage programme and \$5.175 million per annum to continue to support New Zealand businesses in international markets for 2019/20 and outyears. NZTE's Government to Government Know How initiative, referenced in Section 9, also received Budget 2019 support.

NZTE does however continue to face ongoing cost pressures, particularly in relation to its offshore network with rising costs associated with inflation, office rent and salaries in its international locations (refer map in Appendix 3).

8 Performance measures

NZTE has a balanced set of performance measures

NZTE has a number of performance measures, with headline growth measures for export and investment customers that consider whether:

- export customers are growing their international revenue
- NZTE is attracting and matching high-quality investment
- export customers are achieving deals in-market as a result of NZTE efforts.

Table 2: Key NZTE performance measures

Measure	2015/16	2016/17	2017/18	2018/19 ³
Export Customers				
Company portfolio growth rate ⁴	11.5%	4.4%	10.8%	12.5%
Trade deals ⁵	\$1.5 billion	\$1.8 billion	\$1.7billion	\$2.4billion
F700 NPS ⁶	+52	+62	+69	+62
# International Export Growth Outcomes	635	890	917	902
Investment Customers				
Investment impact for New Zealand ⁷	\$2 billion	\$1.7 billion	\$2.3billion	\$2.5billion
Quality of Investment Ratio	\$1.7 for every \$1	\$2.5 for every \$1	\$2.8 for every \$1	\$3.8 for every \$1
NPS for Investment	n/a	n/a	n/a	+83 ⁸

The implication is that the more these measures increase, the more diversified and value-added the economy will become, leading to the creation of more jobs and greater benefit to New Zealand.

³ 2018/19 numbers are provisional subject to audit.

⁴ F700 companies with international revenue under \$500 million.

⁵ A deal is a sale of goods and services with a dollar value over a defined time period, achieved with the assistance of NZTE. The deal value should generally be calculated over a 12-month period but can be calculated beyond this period if it is specified in an agreed signed contract.

⁶ The Net Promotor Score (NPS) is a widely used customer satisfaction measure, which gives a potential score of -100 - +100

⁷ Otherwise known as pDEI: potential Direct Economic Impact, which is the forecast return to the economy through increased profits, wages and supplier spend. pDEI is calculated on Foreign Direct Investment deals only.

⁸ New measure for 2018/19.

9 Work with NZ Inc Partners

Agencies work together as NZ Inc to grow New Zealand

NZTE fosters and develops strong and productive relationships with NZ Inc. and is actively focused on working with other economic strategy agencies, across priority areas for the Government. NZTE's philosophy is that it works for 'a cause, not an institution', and the cause is achieving an economy that is sustainable, productive and inclusive. For this reason, an integrated NZ Inc work programme is highly valued and crucial for long term results.

As a delivery agency, a large amount of NZTE's work is intertwined with, and influenced by, that of other agencies. Through its relationships with customers, NZTE has a key role in raising issues and facilitating the transfer of knowledge and information between companies and other New Zealand agencies. Some of NZTE's key NZ Inc partners include:

- MBIE – provides the foundations for economic development
- MFAT – develops trade policy, negotiates market access and Free Trade Agreements
- Ministry for Primary Industries (MPI) – grows and protects New Zealand, and unlocks the constraints for growth, infrastructure, access, and regulation
- Callaghan Innovation - accelerates the commercialisation of innovation

NZTE is involved in industry strategy work with MBIE, focussed on the Government's target sectors. Alongside this, NZTE will continue to be consulted in MBIE's policy workstreams focussed on ensuring the Government's productive, sustainable and inclusive priorities are reflected in the country's system of business support services regionally, nationally and internationally.

NZTE is also consulted as part of the Government's Trade for All Advisory Board process and has helped facilitate smaller customers in regional New Zealand to contribute their views to the Board's work. Reflecting its role as New Zealand's international investment promotion agency, NZTE is one of the agencies consulted as part of Treasury's Phase Two Reform of the Overseas Investment Act.

Major initiatives NZTE works closely with NZ Inc partner agencies to deliver include:

New Zealand Story

The New Zealand Story (NZ Story) has been developed to define New Zealand's 'point of difference' on the international stage and provides a platform for the advancement of New Zealand storytelling in international markets. NZ Story's marketing toolkit includes key messages, imagery, video, music and guidelines for the private and public sector to tell New Zealand's story. It is funded by six agencies (NZTE, MFAT, Education New Zealand, Tourism New Zealand, Te Puni Kōkiri and MPI) and, while housed within NZTE, is governed by an independent advisory board. The NZ Story Group provides a separate Briefing for the Incoming Minister which contains further detail.

Expo 2020

New Zealand will participate in Expo 2020, held in Dubai, United Arab Emirates from October 2020 to April 2021. Expo 2020 is expected to attract 25 million international visitors and offers a significant opportunity to demonstrate New Zealand's ingenuity, values and innovation to the world. New Zealand's Expo 2020 theme is 'Care for People and Place', and the event will promote New Zealand as a trusted trade and investment partner and as an education and tourist destination.

The design for New Zealand's Pavilion has been finalised and foundation works are underway at the New Zealand site in the Expo park. Wherever practical, New Zealand products will be showcased, both in the build and the day-to-day operations during the event. A Leverage Programme with \$5 million ring-fenced funding supplements New Zealand's participation.

NZTE is the project delivery agency, although the multi-year funding for Expo 2020 will come from Vote Foreign Affairs and Trade. A licence to operate has been granted to 'New Zealand Pavilion – Expo 2020 Dubai', which is based in New Zealand's Consulate-General in Dubai and led by New Zealand's Expo 2020 Commissioner General.

Government to Government Know How (G2G)

G2G was established in 2014 to support a new export income stream through the sale of New Zealand's world leading state sector expertise to foreign governments. G2G is a limited liability company and is treated as a joint venture between NZTE and MFAT. Examples of G2G initiatives include exporting New Zealand GovTech to support improved Ease of Doing Business rankings in the Philippines; rejuvenation of the Himachal Pradesh horticulture sector through New Zealand scientific and on-farm expertise; and advisory services to the United Arab Emirates (UAE) for environmental management, emergency and disaster management preparedness.

G2G acts as an international business development arm for the state sector, supports MFAT's economic diplomacy goals, and creates business opportunities for New Zealand services exporters. Since inception, G2G has generated an income stream of more than \$40 million spanning 72 international contracts across 19 countries. G2G's target markets are South / South East Asia and the Arabian Gulf.

G2G Know-How recently received three more years of funding through Budget 2019 with the aim of returning \$36 million in revenue between 2019 – 2022 financial years.

Te Hono programme

Te Hono is a growing group of New Zealand agribusiness leaders who partner with government to drive innovation and sustainability. Active since 2012, Te Hono has an emphasis on moving New Zealand's primary sector away from a commodity market play to creating global products and services that are consumer-led, collaborative and of high value.

Te Hono participants strongly advocate for the need to care for New Zealand's environment, protecting New Zealand's environmental story that is at the heart of NZTE's international reputation, and a competitive point of difference internationally for the primary sector. Te Hono participants include meat, seafood, dairy, fruit, and wool fibre companies along with Māori corporations.

Te Hono receives cross-agency support from NZTE, MBIE, the Ministry for the Environment (MfE), MPI, Callaghan Innovation and DOC.

Te Hono focuses on scaling trust, lifting capability of participants, and delivering programmes of action. A key service offered by Te Hono is a customised 'bootcamp' executive education programme held at Stanford University. The 2019 week-long Bootcamp commences on 22 July 2019. Minister O'Connor will participate in part of the programme and Chief Executives and Senior Officials from NZTE, MBIE, MPI, DOC and MfE are also attending. The majority of the attendees are from primary sector exporting businesses.

10 Change and next steps

Kāhu

NZTE's strategy is to continue to build a customer-centric, professional services organisation that helps grow value-added companies internationally and attracts investment for the good of New Zealand.

To implement this strategy, NZTE has developed an improvement programme called 'Kāhu' – in recognition that growing companies internationally is challenging and requires sustained effort over the long-term.

NZTE's Kāhu programme puts a focus on mastery, or excellence, in its existing operating models – the Customer Way and the Investment Way.

Complementing this, the programme emphasises innovation, particularly in digital and knowledge management. Kāhu continues to develop NZTE's capability to create, curate, and distribute its 'know how' and 'know who' to customers. NZTE views digital services as means of delivering value for a wider set of customers by leveraging existing knowledge resources, as well as enabling businesses to engage with a community of their peers.

The newly established practice areas of eCommerce and sustainability will also support customers in managing the opportunities and challenges emerging from these global trends.

The success of Kāhu and delivering the programme and value for customers, rests on the skills and capabilities of NZTE's people, so Kāhu is underpinned by a real focus on NZTE's people – its culture, leadership and capability.

Kāhu is also developing a stronger focus on the Māori principle of Kaitiakitanga – which ultimately means care of people and place. This will integrate and enhance NZTE's focus on the growth of its people, safety and wellbeing, diversity and inclusion and care for the environment.

The Kāhu improvement programme remains NZTE's focus for the period 2017/18 – 2020/21.

Appendix 1: NZTE's Board

NZTE Board Members



Andrew Ferrier
Board Chair since November 2012. Current term ends 30 June 2020.

Andrew is an experienced global business executive, previously holding Chief Executive Officer roles at Fonterra Co-operative Group and GSW Inc (Canada). He currently runs his own investment company, is Chair of Orion Health and a director of University of Auckland and Bunge Ltd.



Jennifer Kerr
Board member since May 2013, current term ends 30 September 2021

Jennifer has deep governance experience both in New Zealand and overseas. She is currently a Director on Callaghan Innovation and is Chair of the NZTE Board's Health & Safety Committee. She has extensive international executive experience in North America, Continental Europe, the United Kingdom and New Zealand.



Wayne Norrie
NZTE Board Member since June 2015, current term expires 16 December 2021

Wayne has over 30 years' experience in technology, finance, consulting, services and international experience in Australia, the United Kingdom, and America. He is currently a director for Furnware.



Charlotte Waishe
NZTE Board member since June 2015, current term expires 16 December 2021

Charlotte is a seasoned professional in the areas of technology, research and commercialisation. She is the Chief Executive Officer of Jade Software and is on the Dodd Walls Centre of Research Excellence Board.



Carmel Fisher
NZTE Board member since May 2017, current term ends 30 April 2020

Carmel has more than 30 years' experience in investment and established Fisher Funds in 1998. After selling the company in 2017 she continues as a Director of Fisher Funds subsidiaries, Kingfish, Barramundi and Marlin Global, as well as being a director of Kotare Capital.



Charles Finny
NZTE Board member since May 2009 current term ends 30 June 2020

Charles has over 22 years experience in government and diplomatic roles. He is a Partner at Saunders Unsworth, chairs the Education New Zealand Board and is on the boards of Woollyarns, and Kawarau Estate.



Traci Houpapa
NZTE Board member since December 2018, current term ends 16 December 2021

Traci specialises in strategic and economic development advice to Maori, iwi, public and private sector clients throughout New Zealand. Traci is known for her strong and inclusive leadership and her clear focus on building the wealth and prosperity of Aotearoa New Zealand.

Board Advisors

Carolyn Tremain (Chief Executive, MBE) or her delegate, Paul Stocks (Deputy Chief Executive, MBE – Labour, Science and Enterprise); and Brook Barrington (Chief Executive and Secretary, MFAT) are advisors to the Board.



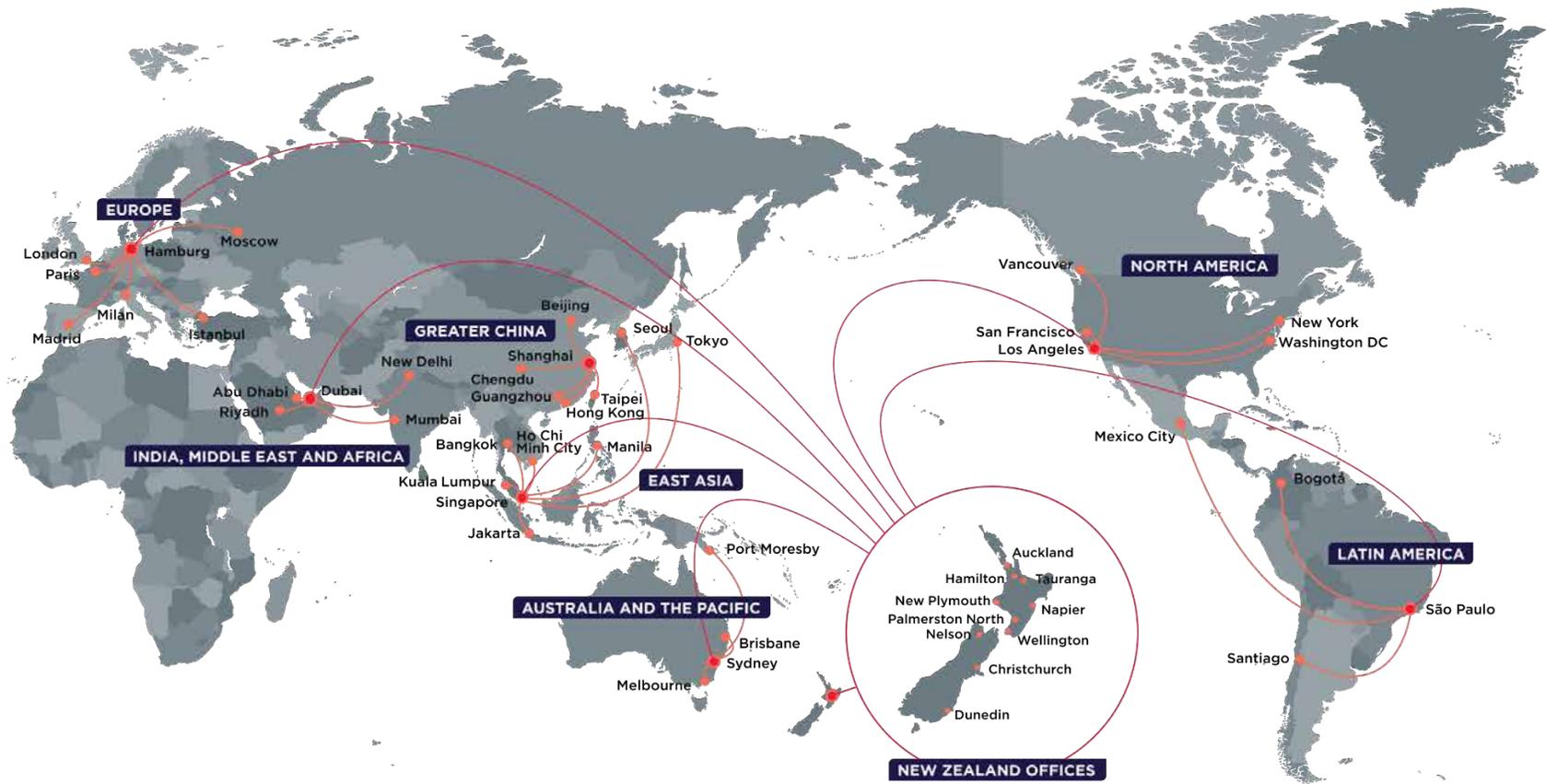
Appendix 2: Services available for each NZTE customer segment

Our Services



Service	Description	Focus	Build	Start
Export Essentials	Two-day workshop to provide the tools to create an export plan	✓	✓	✓
In-market Immersion	Accelerate China Immerse customers already active in China to understand the market and develop competitive advantage	✓	✓	
	Explore China Take customers in-market to understand how to prepare	✓	✓	
Market Research	Market Research Prepare bespoke research and insights to help customers enter or grow in international markets	✓	✓	
	Market Finder Guide customers to select a market(s) for further investigation	✓	✓	
International Beachheads	Gain perspective and insights to help shape direction	✓	✓	
Position for Growth	Understand and articulate what sets you apart from the competition in an authentic and defensible way	✓	✓	
Strategy	Strategy to Action One-to-many workshops and coaching to help align purpose, develop a clear business strategy and 90 day plan	✓	✓	
	Strategy for Growth A bespoke Service with coaching to build a strategic plan that is ambitious and achievable	✓		
Sales	Essential Selling Learn practical steps and frameworks to grow customers and sales	✓	✓	
	Global Sales Leadership Develop frameworks for best-practice global sales management	✓		
	Strategic Selling Gain the confidence to navigate complex sales opportunities	✓		
	Winning Proposals Get the tactical skills and tools to develop successful proposals	✓		
	Tendering Benchmark tendering capability against competitors	✓		
Design Thinking	Customer Insights to Action Help gain a deep understanding of consumers in international markets	✓		
	Study Tour An immersive seven-day tour of some of the world's leading customer-centred organisations	✓		
	CEO Summit Give customers the opportunity to hear about best practice in customer-centred design			Open registration with focus on Focus customers
Fresh Thinking	Help re-think a business as usual approach and understand where to focus for impact	✓		
Governance	Develop fit for purpose strategic leadership to make smarter decisions	✓		
Digital	Help understand and utilise digital to transform business	✓		

Appendix 3: NZTE's international network



**Appendix 4: NZTE international regions and key sector focus areas
(based on customer target export markets)**

Region	Number of customers targeting markets in region	Key focus areas identified by customers
North America	248	Agri-solutions, information communications technology, niche manufacturing, F&B, critical infrastructure
Greater China	175	Scaling companies sustainably
East Asia	155	Premium F&B, renewable energy, multi-national vertical organisations
Australia Pacific	128	High value manufacturing, early stage F&B
Europe	113	Agriculture technology, information communications technology, high-value F&B, and marine
India, Middle East and Africa	66	Specialised manufacturing, building and construction innovation, high-value F&B
Latin America	50	Agribusiness, food processing technology, CPTPP leveraging

Note: Information is current as at 3 July 2019.

In the table above, target markets are defined as 'markets of strategic priority over the next two to three years, chosen by F700 customers'. The target market numbers reflect the unique number of customers targeting at least one market in each region. Customers may target markets in more than one region. Resource allocation is driven by target markets.

Appendix 5: NZTE's Appropriation Structure

Multi-category appropriation – Non-Departmental Output Expenses	Expense Categories	2017/18 Actual Funding received (\$ million)	2018/19 Budget Appropriation (\$ million)	2019/20 Budget Appropriation (\$ million)
Support the Growth and Development of New Zealand Firms, Sectors and Regions	International Business Growth Services	151.9	149.3	158.9
	Services to support the growth and development of New Zealand businesses	15.2	15.2	15.2
	Collaborative activity and significant events	6.2	5.8	6.2
TOTAL OUTPUT EXPENSES		173.3	170.3	180.3

Multi-category appropriation – Non-Departmental Other Expenses	Expense Categories	2017/18 Actual Expense (\$ million)	2018/19 Budget Appropriation (\$ million)	2019/20 Budget Appropriation (\$ million)
Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand	International Growth Fund	24.0	25.5	29.8
	Sector Strategies and Facilitation (Strategic Investment Fund)	0.2	1.2	1.2
TOTAL OTHER EXPENSES		24.2	26.7	31.0