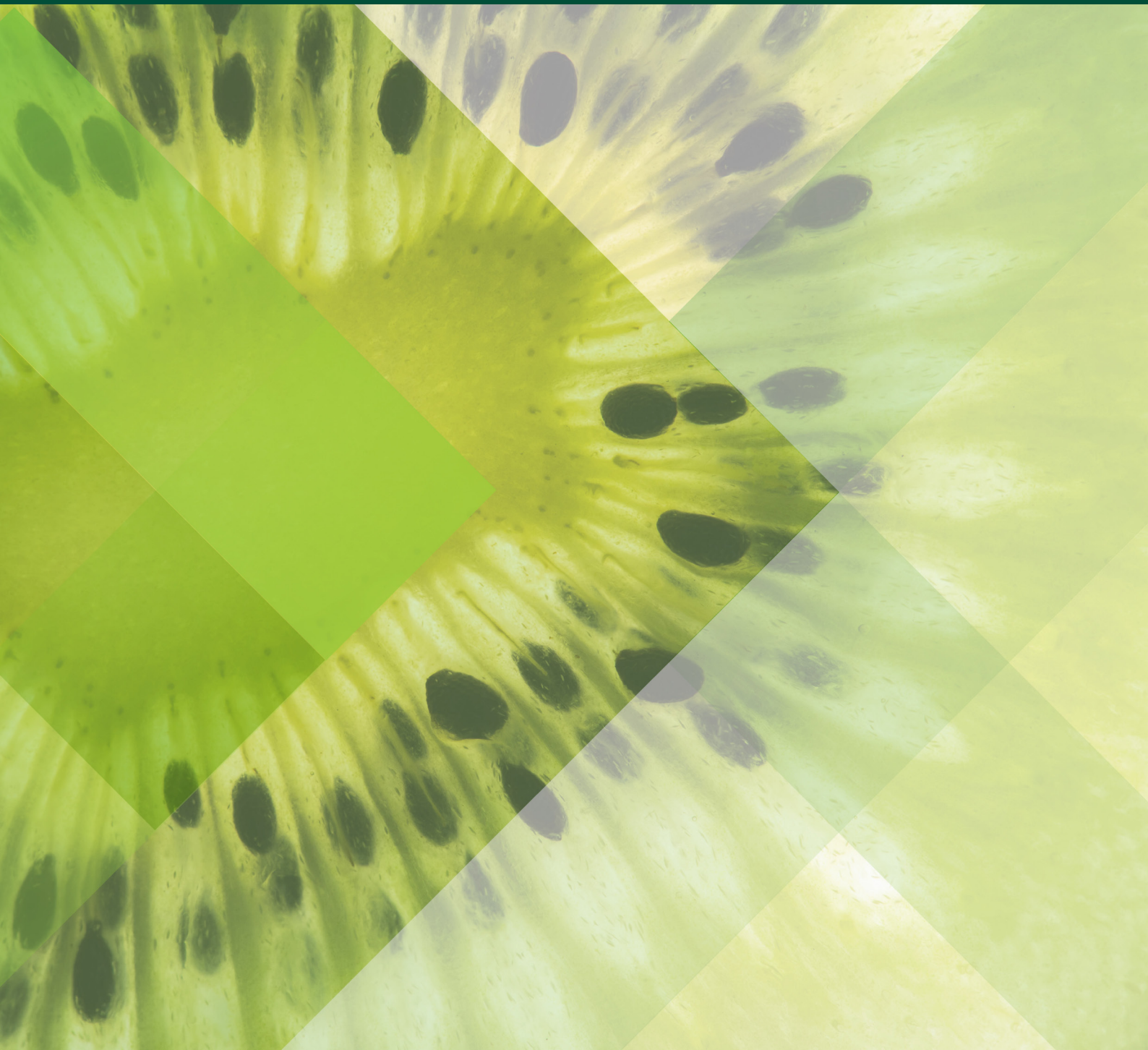


STATEMENT OF INTENT

2017-2020



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This Statement of Intent (SOI) is the formal public accountability document for the Kiwifruit New Zealand Board (KNZ). It outlines KNZ's objectives and plans for the period 1 October 2017 to 31 March 2020 as required by regulation 33A of the Kiwifruit Export Regulations 1999. For further details on KNZ, see www.knz.co.nz

Contents

Foreword	2
KNZ's Strategic Framework	3
Who we are: New Zealand's kiwifruit regulator	4
Structure of KNZ	5
Functions, Scope, and Responsibilities	6
KNZ's Values	7
Effective Stakeholder Engagement	8
Our Strategic Direction 2017-2020	9
Our People	14

Foreword

The Kiwifruit New Zealand Board (KNZ) performs a unique role in the New Zealand kiwifruit industry. KNZ is the independent statutory body tasked with ensuring there is balance to the benefits of Zespri's single desk structure and the risks it brings by implementing mitigation measures.

KNZ operates in an environment where the natural and commercial realities of kiwifruit are complex and dynamic. The international trading landscape also continues to develop and become more sophisticated. KNZ therefore must also continue to evolve and adapt to ensure it carries out its responsibilities in a modern and transparent manner. KNZ welcomes the implementation of the new Kiwifruit Export Amendment Regulations 2017 as they further clarify and enhance KNZ's role as the independent and professional industry regulator.

This first Statement of Intent marks an important shift to position KNZ to carry out its functions in a more transparent, accountable, and measured manner. It is an exciting opportunity for KNZ to share its strategic goals and initiatives for the next 3 years.

KNZ hopes this document will give all parties interested in the New Zealand kiwifruit industry a better understanding of KNZ's role in the industry.

Over the coming three years, KNZ's strategic objectives are:

Delivering effective oversight of Zespri's activities under the Regulations.

Providing fair processes that result in consistent and sound decisions.

Maintaining and enhancing effective stakeholder engagement and participation to increase trust and confidence in KNZ's work.

Ensuring that costs are recovered consistent with the principles of equity, efficiency, justifiability, and transparency.

Developing KNZ's organisational capability to maintain and improve its position as the impartial independent expert regulator thereby adding value to the kiwifruit industry.

KNZ's Strategic Framework

KNZ'S VALUES

Promote a culture of professionalism and capability

Act with integrity

Maintain independence through good governance

Deliver accountable, consistent, and transparent processes

KNZ'S FUNCTIONS

1
Grant Export Authorisation

2
Regulate through the mitigation measures

3
Regulate collaborative marketing

MEASURING RESULTS

Strategic Objectives:

- Delivering effective oversight of Zespri's activities under the Regulations.
- Providing fair processes that result in consistent and sound decisions.
- Maintaining and enhancing effective stakeholder engagement and participation to increase trust and confidence in KNZ's work.
- Ensuring that costs are recovered consistent with the principles of equity, efficiency, justifiability and transparency.
- Developing KNZ's organisational capability to maintain and improve its position as the impartial independent expert regulator thereby adding value to the kiwifruit industry.

See KNZ's Strategic Direction page 9

Outputs and Performance:

Monitor and enforce
Collaborative Marketing Process
Effective Cost Recovery
Complaints and Investigations
Official Information Act Requests
Information Management and Confidentiality

Output Performance Measures: See pages 9-12

HOW KNZ WORKS

Effective Stakeholder Engagement

Our People

Transparency and Accountability

Who we are: New Zealand's kiwifruit regulator

In 2000, the New Zealand Kiwifruit industry was restructured through the Kiwifruit Industry Restructuring Act 1999 and the Kiwifruit Export Regulations 1999 (the Regulations). This legislation established Zespri as the primary exporter of New Zealand grown kiwifruit to all countries, other than Australia, and created the Kiwifruit New Zealand Board (KNZ) as the independent kiwifruit industry statutory regulator.

The Regulations place Zespri in the unique position of being the monopsony buyer of New Zealand grown kiwifruit for export other than to Australia (often referred to as the Single Point of Entry or 'single desk'). The Regulations, however, recognise that while there are benefits to the single desk, the lack of competition can create risks. KNZ was established as the regulator to monitor and mitigate the potential risks of the single desk to New Zealand kiwifruit growers and

other stakeholders.

KNZ does not however have a general supervisory role in the kiwifruit industry, rather, it is responsible for the statutory functions and responsibilities set out in the Regulations.

In addition to its monitoring and enforcing responsibilities, KNZ also approves collaborative marketing arrangements which allow others to export New Zealand grown kiwifruit in collaboration with Zespri.

Structure of KNZ

KNZ is a body corporate made up of a board with six members. With the implementation of the recent Kiwifruit Export Amendment Regulations 2017, the Board will consist of three members elected by kiwifruit producers, with the remaining two members and the chairperson being fully independent of the kiwifruit industry and appointed by the Minister in consultation with the Chair and the Board respectively. Members are appointed for a term of up to three years and may serve up to three terms.

From time to time the Board may appoint committees to advise the Board or carry out specific powers of the Board. There is currently one standing committee, the

Collaborative Marketing Committee (who consider and decide upon collaborative marketing applications). A Risk and Assurance Committee is being established which will have oversight of KNZ's finance, assurance and risk management policies, systems, and processes.

KNZ also has an executive of three staff being the Chief Executive, Compliance Officer, and Executive Assistant.

Functions, Scope, and Responsibilities

KNZ's objectives, values, and priorities are driven by the functions and responsibilities set out in the Regulations. There are three main activities KNZ carries out:

1. KNZ grants an **Export Authorisation** to Zespri. The authorisation enables Zespri to export kiwifruit on the terms and conditions that are set out in the authorisation. The Export Authorisation also details out how KNZ may take enforcement action against Zespri if KNZ considers Zespri has not complied with its legislative obligations.
2. KNZ regulates the “**mitigation measures**”. The purpose of the mitigation measures is to mitigate the costs and risks associated with the single desk. More specifically, the mitigation measures aim to encourage innovation while managing risks, promote efficient pricing signals, provide protections for kiwifruit growers, and provide downward pressure on Zespri's costs. KNZ will carry out its functions to best achieve these purposes.

There are four mitigation measures that KNZ is responsible for monitoring and enforcing:

- i) **The non-discrimination rule.** This rule details that Zespri must not unjustifiably discriminate in the way it purchases New Zealand grown kiwifruit.
- ii) **The prior notice rule.** Before carrying out activities that are not core business, but do support core business, Zespri must inform KNZ.

iii) **The non-diversification rule.** Zespri are prohibited from carrying out activities that are not core business and do not support its core business (as defined in the Regulations) unless approved by kiwifruit producers.

iv) **The information disclosure requirements.** Zespri are required to make certain information (e.g. financial statements and kiwifruit supply contracts) available to the public and KNZ within specified timeframes.

3. KNZ determines, monitors, and enforces the **collaborative marketing** requirements detailed in the Regulations. This includes Zespri's collaborative marketing obligations and the collaborative marketing application process. Where individuals, other than Zespri, wish to export New Zealand grown kiwifruit, they may apply to KNZ to be approved to export in collaboration with Zespri. KNZ will only approve an arrangement if it considers the proposed arrangement meets the test of increasing the overall wealth of New Zealand kiwifruit producers. Collaborative marketing is intended to increase grower choice, innovation, and market opportunities, thereby increasing kiwifruit industry performance and returns.

Official Information Act - As KNZ is also subject to the Official Information Act 1982, it operates in a way that is consistent with meeting its responsibilities under that legislation.

KNZ's Values

KNZ's way of working is underpinned by its core values, which are to:

- ▶ Promote a culture of professionalism and capability
- ▶ Act with integrity
- ▶ Maintain independence through good governance
- ▶ Deliver accountable, consistent, and transparent process

Effective Stakeholder Engagement

KNZ stakeholders

KNZ believes it is important that stakeholders have confidence and trust in the impartiality and transparency of its work. Maintaining and enhancing effective stakeholder engagement and participation is key to achieving this.

KNZ's stakeholders are the individuals and groups who are affected by KNZ's activities and decisions. They include those who have a direct interest in the New Zealand kiwifruit industry or kiwifruit export related issues.

KNZ is aware that the decisions it makes and the actions it takes affect a range of individuals, businesses and organisations. KNZ's aim is to enable stakeholders to engage with it across the range of its functions.

This helps to ensure stakeholder interests and concerns are consistently and meaningfully considered in KNZ's activities, including the processes KNZ uses to make its regulatory decisions.

This in turn will build wider industry confidence in KNZ's activities.

KNZ is continually looking at ways to improve the effectiveness of its engagement which includes increasing transparency and accountability.

Strategic Stakeholders	Additional Stakeholders include...
<ul style="list-style-type: none"> ▶ Growers ▶ Post-harvest operators ▶ Zespri ▶ Collaborative Marketers ▶ New Zealand Kiwifruit Growers Incorporated (NZKGI) ▶ Ministry for Primary Industries (MPI) 	<ul style="list-style-type: none"> ▶ Horticulture Export Authority (HEA) ▶ Horticulture New Zealand ▶ Relevant Global bodies and organisations (e.g. WTO) ▶ Other relevant government agencies

Our Strategic Direction 2017-2020

KNZ's strategic objectives and priorities reflect its functions and responsibilities as set out in the Regulations. KNZ's outcomes and performance indicators are therefore aligned with the Regulations to ensure it is accountable and transparent in the way it works.

Our strategic objectives

- Delivering effective oversight of Zespri's activities under the Regulations.
- Providing fair processes that result in consistent and sound decisions.
- Maintaining and enhancing effective stakeholder engagement and participation to increase trust and confidence in KNZ's work.
- Ensuring that costs are recovered consistent with the principles of equity, efficiency, justifiability, and transparency.
- Developing KNZ's organisational capability to maintain and improve its position as the impartial independent expert regulator thereby adding value to the kiwifruit industry.

Outputs and performance measures

Output 1: Monitor and Enforce (Regulation 33(1))

Priorities	Performance Measures
Non-discrimination: Review, monitor, and investigate Zespri's kiwifruit purchase terms and conditions.	<ol style="list-style-type: none"> 1) Review of kiwifruit purchase terms and conditions completed within 30 working days of information disclosure by Zespri. 2) 95% of non-discrimination complaints received are acknowledged within 5 working days. 3) Where there are insufficient grounds to justify an investigation, the complainant is notified within 10 working days of KNZ reaching that decision. 4) Before initiating an investigation under the enforcement procedure, a notice of investigation is provided to Zespri and complainant (if any) within 10 working days of KNZ forming the view that it will carry out an investigation. 5) 95% of decisions provided within 21 working days from the conclusion of KNZ's investigation.

<p>Prior Notice: Review, monitor, and investigate Zespri's activities to evaluate whether prior to carrying out activities that support core business Zespri has informed KNZ.</p>	<ol style="list-style-type: none"> 1) Proactive monitoring by undertaking at least one in-depth yearly review to confirm the assessment information provided by Zespri. 2) 95% of complaints received are acknowledged within 5 working days. 3) Where there are insufficient grounds to justify an investigation, the complainant is notified within 10 working days of KNZ reaching that decision. 4) Before initiating an investigation under the enforcement procedure, a notice of investigation is provided to Zespri and complainant (if any) within 10 working days of KNZ forming view that it will carry out an investigation. 5) 95% of decisions provided within 21 working days from the conclusion of KNZ's investigation.
<p>Non-diversification: Review, monitor, and investigate Zespri's activities to evaluate whether they are core business or support the core business, and where they do not, determine whether Zespri has complied with the producer voting process.</p> <p>Where relevant, the transitional provisions of the Kiwifruit Export Amendment Regulations 2017 relating to core business activities and existing contracts and assets will be applied.</p>	<ol style="list-style-type: none"> 1) Proactive monitoring by undertaking at least one in-depth annual review to confirm the assessment information provided by Zespri. 2) 95% of complaints received are acknowledged within 5 working days. 3) Where there are insufficient grounds to justify an investigation, the complainant is notified within 10 working days of KNZ reaching that decision. 4) Before initiating an investigation under the enforcement procedure, a notice of investigation is provided to Zespri and complainant (if any) within 10 working days of KNZ forming view that it will carry out an investigation. 5) 95% of decisions provided within 21 working days from the conclusion of KNZ's investigation.

<p>Information Disclosure: Review, monitor, and investigate whether Zespri is complying with its information disclosure obligations. This includes the public disclosure of financial statements, kiwifruit purchase conditions and payment methodology, and information to be supplied to KNZ.</p>	<ol style="list-style-type: none"> 1) Implement compliance calendar which notifies KNZ one week before due date and on the due date. 2) 95% of complaints received are acknowledged within 5 working days. 3) Where there are insufficient grounds to justify an investigation, the complainant is notified within 10 working days of KNZ reaching that decision. 4) Before initiating an investigation under the enforcement procedure, a notice of investigation is provided to Zespri and complainant (if any) within 10 working days of KNZ forming view that it will carry out an investigation. 5) 95% of decisions provided within 21 working days from the conclusion of KNZ's investigation.
<p>Collaborative Marketing Requirements: Review, monitor, and investigate whether Zespri has entered into collaborative marketing contracts consistent with approved arrangements, and if required, kiwifruit volume has been made available to collaborative marketing arrangements.</p>	<ol style="list-style-type: none"> 1) All signed collaborative marketing contracts reviewed prior to 1 April each year, or within 20 working days of being provided by ZGL, whichever is the latter. 2) Any KNZ direction on fruit allocation made no later than 1 May.
<p>Export Authorisation: Review, monitor, and enforce Export Authorisation issued to Zespri.</p>	<ol style="list-style-type: none"> 1) Annual review undertaken, completed, and results provided to Zespri prior to 1 February.

Output 2: Collaborative Marketing Process

Priorities	Performance Measures
<ul style="list-style-type: none"> ▶ Create awareness of collaborative marketing process. ▶ Ensure application information is easily available, clear, and in plain language. ▶ Decisions are clear, sound, and consistently made. ▶ Publicly disclose collaborative marketing information. 	<ol style="list-style-type: none"> 1) Collaborative marketing guidelines and timings published on KNZ website, and application information published in at least two other publications, at least 45 days before application close date. 2) Delivery of collaborative marketing decision within 3 months of closing date of application. 3) 90% of review decisions delivered within 60 working days of application for review. 4) Annual review of collaborative marketing process undertaken in consultation with Zespri and 80% of collaborative marketing applicants. 5) Within 3 months after 31 March disclose the identity of collaborative marketer holders, the volume marketed by each, and financial information on net returns.

Output 3: Effective Cost Recovery (Regulations 39 and 40)

Priorities	Performance Measures
<ul style="list-style-type: none"> ▶ Costs are recovered from the users of services taking into account, as far as reasonably practicable, the principles of equity, efficiency, justifiability, and transparency. ▶ Internal best practice through policies and controls. 	<ol style="list-style-type: none"> 1) Audited financial statements published on KNZ website within 3 months of end of financial year. 2) Collaborative marketing fees policy published annually 30 working days before collaborative marketing application close date. 3) 90% of collaborative marketing fees rebates paid in accordance with time frames set in fees policy. 4) Cost recovery methodology published annually in annual report and on KNZ website. 5) Statement of funding publicly disclosed for the period 1 October 2017 and 31 March 2020. 6) KNZ internal policies reviewed within 20 working days of annual review date stated in policies.

Output 4: Complaints and Investigations

Priorities	Performance Measures
<ul style="list-style-type: none"> ▶ High quality investigations conducted within cost-effective timeframes. ▶ Decisions are clear, sound, and consistently made. 	<ol style="list-style-type: none"> 1) 95% of complaints received are acknowledged within 5 working days. 2) Where there are insufficient grounds to justify an investigation, the complainant is notified within 10 working days of KNZ reaching that decision. 6) Before initiating an investigation under the enforcement procedure, a notice of investigation is provided to Zespri and complainant (if any) within 10 working days of KNZ forming view that it will carry out an investigation. 3) Complete 80% of investigations within six months. 4) 95% of decisions provided within 21 working days from the conclusion of KNZ's investigation.

Output 5: Official Information Act Requests

Priorities	Performance Measures
<p>Ensure adequate resourcing to manage and fulfil requests.</p> <p>.</p>	<ol style="list-style-type: none"> 1) Acknowledge receipt of request, and where necessary request clarification, within 7 working days. 2) Make and communicate decision, or extend time limits to make decision, within 20 working days after request received.

Output 6: Information Management and Confidentiality

Priorities	Performance Measures
<p>Information management systems and processes support KNZ's operations and prevent unauthorised persons gaining access to sensitive and confidential information.</p>	<ol style="list-style-type: none"> 1) All sensitive and confidential files stored securely. 2) Annual internal audit of handling of sensitive and confidential information.

Our People

KNZ's values define the kind of organisation it aims to be and its culture.

KNZ values its people and it aspires to be a high-performing organisation that actively engages members of KNZ in problem solving, decision-making, and improving KNZ's processes and operations.

Capabilities

In the next three years KNZ will continue to operate as an efficient organisation with a wide knowledge base and a focus on ensuring its people have the right mix of skills, experience, and attitudes to support KNZ's strategic direction.

KNZ has identified the following high-level skill sets:

- ▶ Legal
- ▶ Economic/Financial
- ▶ Commercial
- ▶ International trade
- ▶ Kiwifruit industry knowledge and expertise

Where KNZ does not have the right skill-set internally to perform specific regulatory functions, it will make use of external capacity as and when needed.

Supporting our people

KNZ has policies in place to support its staff and the organisation including the management of conflicts of interest, and expectations about health and safety, leave, pay, performance, and conduct.

Continuous improvement and innovation is encouraged through processes which focus on the receipt of targeted and meaningful feedback from all KNZ staff. In addition, personal and professional development plans are agreed with each member of the executive every six months.

Equal employment opportunities

KNZ is committed to ensuring a diversity of views is represented throughout the organisation.