

Scion's Investment Management Approach

Scion is the steward of a number of investments from the New Zealand Government and from other sources.

Some of these, such as Core Funding¹, are provided to Scion by the Government to assist Scion in achieving its Outcomes as described in Scion's Statement of Corporate Intent.

Other investments such as third party contracts have well defined target outcomes where Scion is directly contracted to deliver those outcomes.

Scion's focus is to ensure that all these investments meet the outcomes of the investors and they are effectively managed to maximise such outcomes.

For investment instruments such as Core Funding, Scion's intent is always to maximise benefit to New Zealand.

All of Scion's science and innovation activities are managed within Programmes. Such Programmes are a collection of projects that have a commonly identified focus. These Programmes include Core Funding, which substantially empowers the overall Programme because it can be flexibly applied.

Each Programme will contribute to the delivery of at least one Intermediate Outcome/Impact and at least one Impact KPI as described in the Statement of Corporate Intent.

Each Programme has in place an operational plan to which it is managed and forms the basis for organisational reporting. It is acknowledged that science is inherently risky and such plans are actively and dynamically managed.

Each Programme plan is for a period of no more than seven years, with the seventh year focussed on harvesting the Intellectual Property that is created.

Every programme plan and its progress is subject to an organisational level review every three years. In the sixth year a new programme plan must be submitted, and the organisation which will decide to either refresh or continue the Programme or to end the Programme and harvest the Intellectual Property that has been created.

Scion will seek to refresh about 15% of its Core Funding each year.

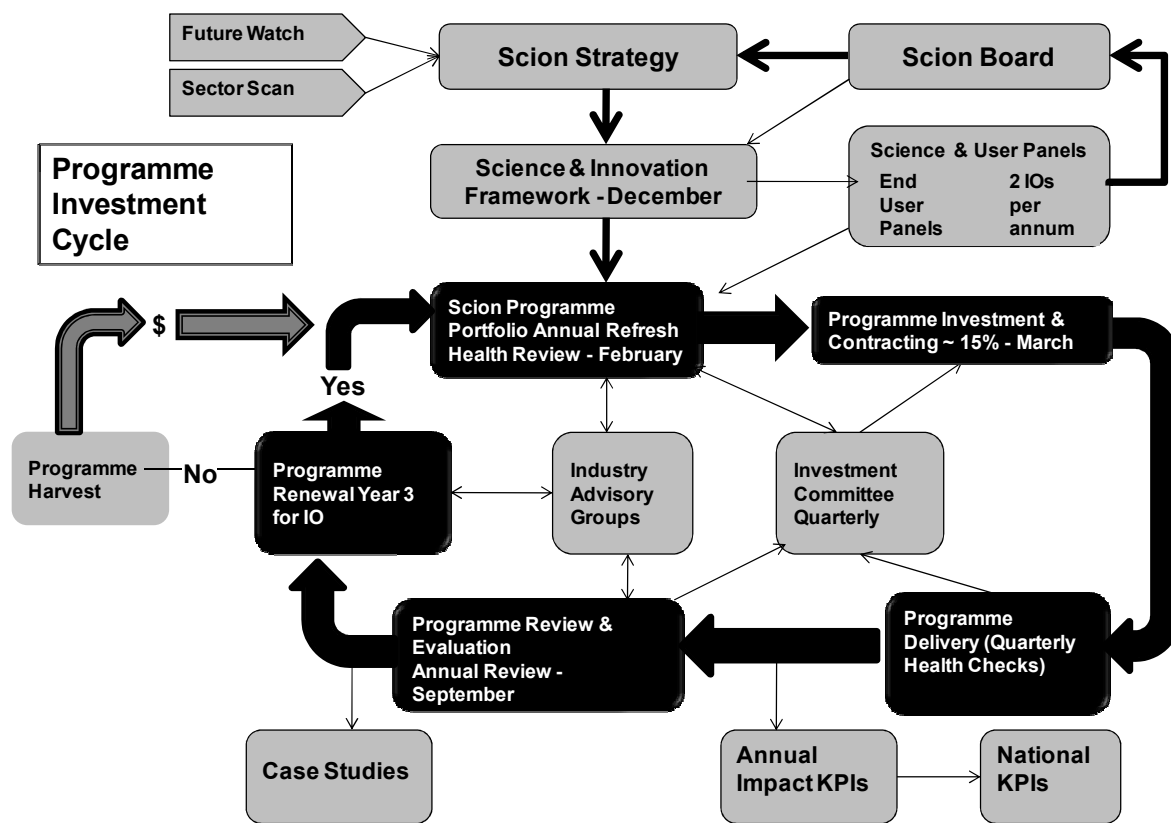
Every programme will report on progress every quarter.

In addition each programme plan will be influenced or amended by:

- The annual cycle of refreshing Scion's strategy and Statement of Corporate Intent.
- Reviews of science and impact undertaken by the Scion Board when Intermediate Outcomes/Impacts are reviewed by the Scientific Strategic Advisory Panel and the User Strategic Advisory Panel.
- Any other material event that impacts on its viability.

The cycle of investment is described in the following diagram.

¹ Core Funding is an investment made to Scion through the Ministry of Science and Innovation to assist Scion in achieving its Outcomes as described in Scion's Statement of Core purpose.



Scion views all Programmes as a portfolio of investments. The health of the overall Portfolio is reviewed no less than six monthly or at any other time as required. Portfolio health takes into account:

- The fit to Scion's strategy and achievement of Scion's Intermediate Outcomes/Impacts.
- Benefit to New Zealand
- Benefit to Scion (science impact, investment profile)
- Risk – benefit profile
- Supporting capability of national importance
- Supporting nationally important assets
- Balance of effort across Scion's Science and Innovation Framework.

Scion has a licence to use the Robert Cooper Stage Gate[®] process and its philosophy underpins Scion's investment management processes as well as its commercialisation pipeline.

The Stage Gate[®] process is the mechanism for making decisions impacting on resource utilisation (people and financial) and organisational prioritisation for commercialisation activities.

The Stage Gate[®] process used by Scion consist of a series of five stages where a project is managed to reduce its technical² and business³ risk. At the end of each stage the project is

² Technical risk is defined as the level of technical complexity embodied within a project.

³ Business risk is defined as the market, and uptake risk.

reviewed against set criteria (a gate meeting) and a decision to 'proceed', 'stop' or 'recycle' is made. All such projects are also reviewed in the context of a portfolio of investments.

The Scion Investment Committee (chaired by Scion's CEO) has responsibility for oversight of all of Scion's investments, and through the CEO to the Scion Board.

The Scion Investments Office has responsibility for operational management of Scion's Investment processes.