



**Te Pā Whakamarumarū**  
New Zealand Security  
Intelligence Service

# Keeping New Zealand and New Zealanders safe and secure.

**Annual Report 2023**  
**Te Pūrongo ā-Tau 2023**

## Preface

This is the annual report of the New Zealand Security Intelligence Service (NZSIS) for the year ended 30 June 2023, presented for consideration and scrutiny by the Intelligence and Security Committee.

Presented to the House of Representatives pursuant to section 221 of the Intelligence and Security Act 2017.

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## DIRECTOR-GENERAL'S FOREWORD TE TIRO WHĀNUI A TE TUMUAKI AHUREI

Tēnā koutou. It was an honour to have the opportunity to join the New Zealand Security Intelligence Service on 17 April 2023 as the new Director-General of Security.

I arrived in the last quarter of what has proven to be a challenging year marked by ongoing geostrategic competition, the impacts of which are being felt both on our doorstep and inside our borders.

One of the most visible ways geopolitics has manifested in our society has been through foreign interference activity. We are not talking about regular diplomatic activity or lobbying here. Foreign interference is an act by a foreign state, often acting through a proxy, which is intended to influence, disrupt or subvert Aotearoa New Zealand's national interests through deception, corruption or coercion. The threat happens here and has become more stark over the past year with its tentacles reaching into a broader cross section of New Zealand's society.

The NZSIS works with domestic partners to ensure the foreign interference threat is well understood and to assure New Zealanders that no one should have to put up with interference from a foreign state. New Zealand is better placed by having this threat more openly discussed in our society. It is a positive development. We make ourselves a harder target when more people are aware of foreign interference and the tactics used. However, over time, this will naturally lead to those who undertake foreign interference to change their methods. We will need to be ready to adapt.

The threat of violent extremism is no less concerning. The National Terrorism Threat Level was revised to LOW in November 2022, but the likelihood of an attack in New Zealand remains a realistic possibility. The assessment was based on seeing fewer cases of individuals with the intent and capability to conduct an attack but that situation could change quickly and at any time.

Inflammatory and threatening violent abuse continues to find a home in online spaces and sadly it appears to target a wide variety of people often from already marginalised communities. These threats should be taken seriously and concerns should be reported but it can be challenging to understand the true intentions that lie behind the words. Increasingly, violent extremists will choose from a range of ideologies to justify acts of violence. Often the motivations are incoherent, making it difficult to form a clear assessment.

Kia mataara ki ngā tohu – Know the signs, our guide for identifying signs of violent extremism, has the potential to make a difference. In October 2022, the NZSIS produced its first ever resource to help people understand the real world behaviours and activities that could be exhibited by someone on the path towards carrying out an attack. It is a great example of how the NZSIS can partner with the general public to keep New Zealand safe.

The NZSIS, as an organisation, continues to experience a great deal of change and the past year has been no exception. Becoming more adaptable has been essential for responding to our dynamic operating environment. We are mindful of how critically important it is that we try to maintain technological ascendancy as best we can.

The role data can play in the intelligence and security landscape, both from a collection and defensive capability, cannot be overstated. We are focusing on how to stay ahead of the threats and opportunities presented by emerging technology such as artificial intelligence.



The increasingly complex geopolitical environment and the rapidly evolving violent extremism landscape means the pivotal role the NZSIS plays will only become more important.

I see our job as working closely with our colleagues in the wider national security system, and especially with our sister agency the Government Communications Security Bureau, to maximise the collective impact we all have on New Zealand's national security and wellbeing.

Our greatest impacts are made when we are partnered with other colleagues in the system. We will also be better placed to solve some of the biggest operating challenges in global intelligence if we can draw on each other's experience to co-create solutions.

Partners outside the world of intelligence are equally crucial to achieving better security outcomes. We have made significant progress in the last year in building connections with iwi, community groups and the private sector, but there is plenty more work to do.

Being able to build trust and confidence with New Zealanders about the work we do will remain a crucial element to our work. To me, this means being open and up front about the nature of the threats we face and what we are doing about them. It is also about maintaining a strong legal and compliance framework and meeting our obligations under Te Tiriti o Waitangi.

Our people are at the heart of everything we do and we will need to support them to do their jobs. I want to grow a workplace that is safe and

inclusive. It is a foundational requirement for me as a leader.

In the past year our people have faced particular challenges with building remediation work disrupting their working spaces and a higher level of turnover than normal. Fortunately, we are finishing the year in a much better place than we started on both counts. We were delighted to pick up a leadership prize at the 2022 Diversity Works Awards but we recognise that closing the gender pay gap in our organisation and supporting female staff into leadership roles must remain a top priority.

Together, our kaimahi are standing up to the complex challenge they are faced with and continue to contribute towards positive security outcomes for New Zealand. I knew I was going to be joining a team of high calibre individuals but having the opportunity to work with these people up close, I am even more impressed with the collective drive to make a difference each and every day. That drive is clearly part of the DNA of the NZSIS and will contribute to us living in a safer and more prosperous nation.

Ngā mihi.

Andrew Hampton  
Te Tumu Whakarae mō Te Pā Whakamarumarū  
Director-General of Security  
New Zealand Security Intelligence Service

# Who We Zre and what we do

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ā, he aha hoki ā  
mātou mahi

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# OVERVIEW TIROHANGA WHĀNUI

## Our agency

### Our Mission

**Keeping New Zealand and New Zealanders safe and secure.**

Our mission describes why we exist. We fulfil our mission across a range of functions.

- Detecting, investigating, assessing and mitigating threats through our security intelligence role.
- Collecting, analysing and reporting on intelligence relevant to New Zealand's security through our foreign intelligence function.
- Providing protective security services including advice about personnel, information, physical and national security risks.

### Our Vision

**Insight Advantage Guarding Aotearoa.**

Our vision is about knowing and protecting. It is about our ability to gather, integrate and make sense of complex information for decision making at pace. It is about being a guardian and protector building on the metaphors contained within Te Pā Whakamarumarū, the Sheltering Citadel. It embodies who we are and can be.

### Our Values



#### Collaborative

We are stronger together.



#### Driven

We go the extra mile.



#### Self-aware

We understand our impact. We own our behaviour.



#### Courageous

We walk towards the challenge.



#### Positive

We are constructive.

## Functions

The NZSIS is New Zealand’s domestic security intelligence agency and lead organisation for human intelligence (HUMINT), with a mission to keep New Zealand and New Zealanders safe and secure. We collect and analyse both security and foreign intelligence in line with the Government’s priorities to provide decision makers with sound national security advice. We also provide a range of protective security services to other government agencies.

Under the Intelligence and Security Act 2017 (ISA), the NZSIS has four core functions:

- intelligence collection and analysis
- protective security services, advice and assistance
- co-operation with other public authorities to facilitate their functions
- co-operation with other entities to respond to imminent threat.

Our people come from across New Zealand society and work in a variety of roles. As at 30 June 2023, the NZSIS has 420.2 FTE. We have shared enablement functions with the Government Communications Security Bureau (GCSB) and many of our shared staff are employed by the GCSB but work across both agencies. This supports ease of cooperation between our agencies.

## Funding

We are funded through Vote Security Intelligence. The Minister Responsible for the NZSIS is responsible for the single appropriation within this Vote.

The NZSIS’s Statement of Expenses and Capital Expenditure Against Appropriation is on page 70. Unlike other departments, we only provide a total in our annual reports. This is because the ISA provides for the intelligence and security agencies to protect certain information, in order to discharge their national security responsibilities effectively.

In Budget 2023, the NZSIS received:

- \$5.980 million over four years to help us address inflation-driven cost pressures
- \$645,000 over the next four years for the activities and capabilities of the NZSIS.

## National Security Intelligence Priorities – *Whakaarotau Marumaru Aotearoa*

The NZSIS works to the New Zealand Government’s National Security Intelligence Priorities – *Whakaarotau Marumaru Aotearoa* (NSIPs). These define key areas of national security interest, assisting agencies with related roles to make informed, joined-up decisions. A full description of the NSIPs is available on the Department of the Prime Minister and Cabinet’s website.

Some of the NSIPs that relate to the NZSIS are:

- foreign interference and espionage
- New Zealand’s strategic interests in the Pacific region
- terrorism and violent extremism
- global governance and strategic competition.

## Our Partnerships

### Domestic partnerships

As part of New Zealand's National Security Sector, the NZSIS works together with a range of agencies and organisations to help enhance New Zealand's national security.

The NZSIS, along with the GCSB and the National Assessments Bureau within the Department of the Prime Minister and Cabinet, form the core national intelligence, assessment and protective security functions within the New Zealand Intelligence Community (NZIC).

The NZSIS works closely with the GCSB. The two agencies are co-located and share a number of enablement functions including People and Capability, Technology Directorate, Corporate and Commercial Services, as well as a Security Services Group. The majority of shared enablement staff are employed by the GCSB, but work equally across both agencies.

The NZIC works alongside other agencies, such as New Zealand Police, New Zealand Customs Service, and Immigration New Zealand, to contribute to New Zealand's national security and the wellbeing of New Zealanders.

The NZIC has a crucial role to play in understanding the threats New Zealand faces and how to guard against those threats. By providing unique intelligence insights to policy and decision makers, the NZIC contributes to building a safer and more prosperous New Zealand.

To support the objective of enhancing national security, the NZIC also strives to advance New Zealand's international interests and reputation. By working with international partners the NZIC articulates New Zealand's national security priorities and interests on a global stage.

The NZSIS houses the Security Services Group, which supports the NZIC in protective security advice, and assurance. We provide advice on insider threat, advice and briefings on personnel security, as well as assurance functions to keep New Zealand's most sensitive information safe.

### International partnerships

The NZSIS's engagement with international partners aligns with the New Zealand Government priorities, including the NSIPs, and operates within the context of New Zealand's independent foreign policy.

Our international partnerships include the international intelligence and security partnership known as the Five Eyes. The Five Eyes is made up of New Zealand, Australia, Canada, the United Kingdom and the United States of America.

While New Zealand receives great benefit from the Five Eyes intelligence partnership, it also makes a unique and valued contribution to global efforts. In September 2022, we hosted the annual conference of Five Eyes partners. This conference brought together the leaders of the Five Eyes intelligence and security agencies, and covered a range of matters critical to New Zealand's national security, and that of our wider region.

Working closely with our Pacific partners remains important to us. The Indo-Pacific region has seen increased geostrategic competition in recent years and we have a role in supporting the resilience of our regional partners to ensure the stability and prosperity of the region. This is reflected in the Government's NSIP New Zealand's strategic interests in the Pacific region.

We also value the partnerships we have with many other states.

Any cooperation and intelligence sharing with international partners is subject to New Zealand's laws, including human rights obligations, and to the laws of partner countries that share information or other support with us.

## Our Strategy

NZSIS’s organisational strategy is firmly focussed on delivering our mission into the future. Specifically it’s about striving towards our vision by continuously improving our ability to find, understand and mitigate threats.

We live in a complex and ever-changing world where we face new challenges every day in our ability to identify, understand and mitigate threat. The NZSIS needs to continually prepare to ensure we are robust and ready to respond to whatever the future might bring. We are completing the refresh of our Discover Strategy to ensure it remains relevant and evolves with changing times.

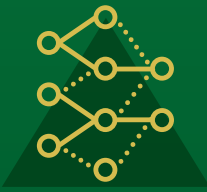
Our strategy is forward leaning and focuses on the pathways to take us through to 2029. The NZSIS’s impact depends on our ability to work collectively, and this strategy positions us to succeed. The strategy will have three focus areas shown on the following page.





**Delivering Impact**

The unique value we provide Aotearoa New Zealand is well known and understood. We are set up to partner with New Zealanders from across society to keep our country safe and secure. We are open and transparent in our communication and trusted to use secrecy as an important part of our work.



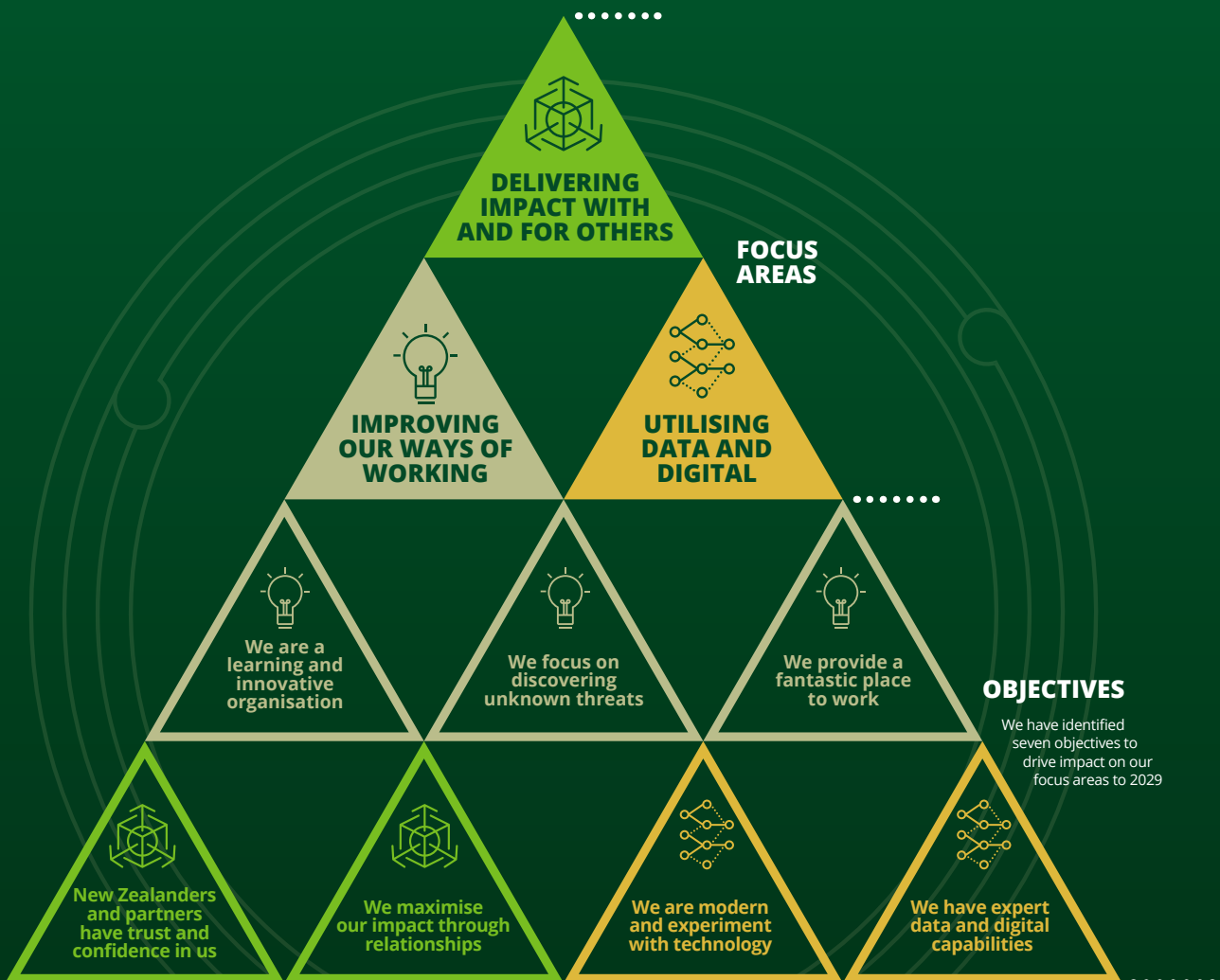
**Utilising Digitisation and Data**

Quality data is at the heart of our insights and decision-making. We are trusted and innovative users of data to solve the most complex challenges in security intelligence. Our people are equipped with the tools, data and skills they need to stay ahead of trends and emerging technologies.



**Improving our ways of Working**

NZSIS is a cohesive, professional, financially sustainable and well regarded organisation set up to adapt to the threats we face. Our people are put first and they are set up to succeed.





## Key highlights of 2022/23

### Nga mau nui o 2022/23



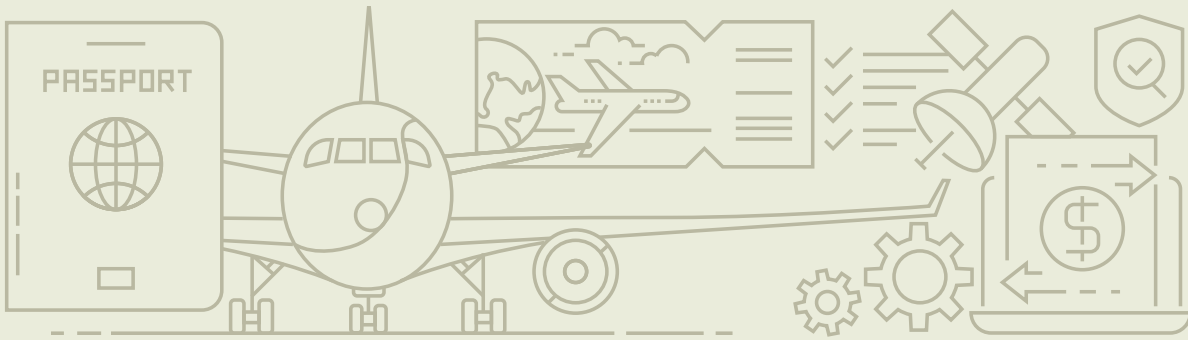
#### Security intelligence

##### **We contributed to New Zealand's counter-terrorism efforts in multiple ways.**

- We published and promoted *Kia mataara ki ngā tohu – Know the signs: a guide for identifying signs of violent extremism*, which has resulted in higher quality counter-terrorism leads being reported.
- We developed our counter-terrorism discovery effort, which has improved our understanding and identification of terrorist and violent extremist threats.
- A joint counter-terrorism leads effort with the New Zealand Police has improved our ability to work together on emerging counter-terrorism threats.
- We investigated individuals with violent extremist ideology and worked with other agencies to successfully mitigate the threat they posed.

##### **We continued to detect, investigate and mitigate espionage and foreign interference threats in New Zealand.**

- We responded to more espionage and foreign interference leads, providing assurance in the face of international border re-openings, significant international events, and rising strategic competition.
- We investigated the foreign interference and espionage activities of foreign states and worked with other agencies to mitigate the harms to our national security (refer Case Studies, page 26).
- We have continued to work with government, academia, media and industry to increase public awareness of the foreign interference and espionage threat in New Zealand, making it harder for foreign states to undertake interference in our community.
- We provided assessments and advice to several agencies about foreign interference, which supported cross-government decision-making and policy development.



## Protective Security

### We provided national security assessments to New Zealand government agencies to inform their decision-making.

- We completed a high volume of national security checks, responding to increased demand as the border re-opened and the Government introduced a large and nationally significant one-off residence visa category.
- We provided advice and assessments on a number of overseas investment transactions, including undersea cables, telecommunications infrastructure, logistics companies and power companies.
- We provided national security insights and advice on the development of the New Zealand Space Policy, which was released by the New Zealand Space Agency in May 2023.

### We continued to help protect people, information and assets.

- We worked with a number of Pacific partners to share expertise on how to build and implement protective security frameworks.
- We received an increase in the number of applications for Top Secret clearances with demand increasing by 23 percent.
- We rolled out Tiaki, the new security clearance management system, to 56 government agencies. This has improved the customer experience of the security clearance process, while making the administration of the process more efficient for the NZSIS.
- We provided protective security advice and information to more than 80 organisations across New Zealand.
- We implemented the revised New Zealand Government Security Classification System policy and provided standardised guidance and training across government.



### Foreign intelligence and international contribution

**Our work with Pacific governments to help build their security resilience contributed to regional prosperity and stability.**

- We increased capability building and information sharing with our Pacific partners.

### Accountability and Transparency

We established a permanent declassification team to review historic security records held by the NZSIS and prepare them for declassification. Records reviewed to date include the early activities of the Communist Party of New Zealand and German and Nazi activity in New Zealand in the period leading up to the outbreak of World War Two in 1939.

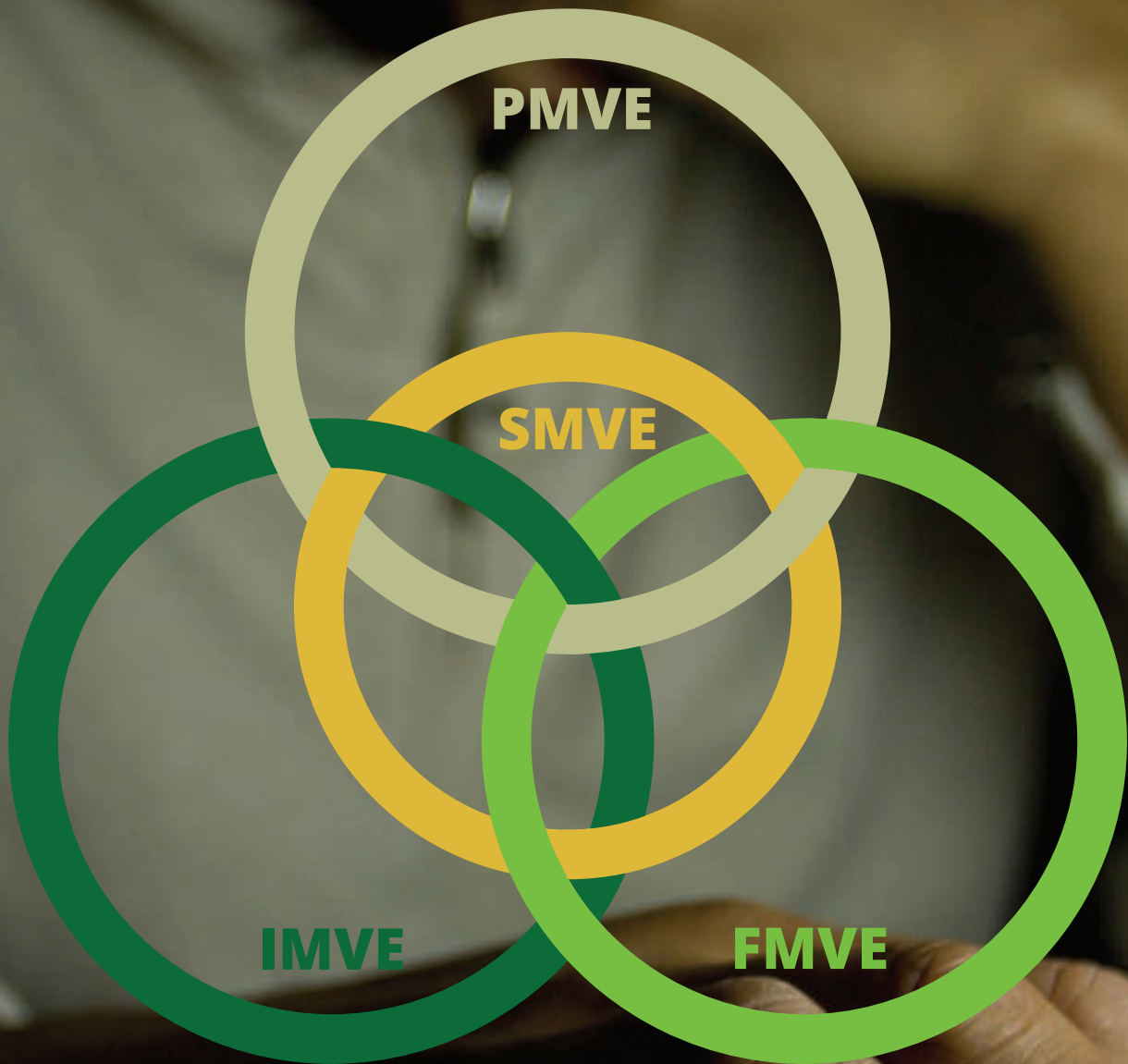
### Organisational Capability

- We continued to build Māori and te Tiriti capability across our organisation and worked to establish relationships with iwi leaders.
- Along with the GCSB, we were awarded the Leadership Award at the 2022 Diversity Works Awards, recognising our efforts to drive diversity and inclusion and create a welcoming and inclusive environment.
- We successfully navigated a difficult period of accommodation issues, with staff located across temporary sites while our headquarters underwent earthquake strengthening. With construction complete, our staff are returning to Pipitea House.

# Our work in 2022/23

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## PMVE

### Politically-Motivated Violent Extremism

Promoting the use of violence to achieve change to or within an existing political system.

## FMVE

### Faith-Motivated Violent Extremism

Promoting the use of violence to advance one's own spiritual or religious objectives.

## IMVE

### Identity-Motivated Violent Extremism

Promoting the use of violence to advance one's own perception of identity and/or denigrate others' perceived identities.

## SMVE

### Single Issue- Motivated Violent Extremism

Promoting the use of violence to achieve a desired outcome to a specific issue.



# SECURITY INTELLIGENCE HE MŌHIOHIO WHAKAHAUMARU

## Countering terrorism and violent extremism

The NZSIS investigates violent extremism threats against New Zealand's interests and works with other agencies to prevent these threats from escalating into acts of terrorism.

The NZSIS looks at global and domestic events and developments relating to violent extremism in order to understand the possible impact on violent extremist activity in New Zealand. The NZSIS assesses whether existing threats are increasing or diminishing, and works to detect and understand new or emerging threats.

### Violent extremism in New Zealand

There are a diverse range of ideologies and influences that motivate violent extremists in New Zealand. The last year has seen the emergence, both here and around the world, of individuals who explore a range of extremist beliefs without aligning with any one in particular. We have adopted the phrase 'mixed, unstable and unclear ideologies' to help us understand their unique characteristics.

The traditional identity, faith and political motivations are still identified in violent extremists we detect and monitor in New Zealand but this new trend has emerged around the edges.

The National Terrorism Threat Level was revised to LOW in November 2022, meaning that a terrorist attack in New Zealand is considered a realistic possibility. Online spaces remain a haven for inflammatory language and violent abuse but the vast majority of those making threats are unlikely to follow through by committing a violent act in the real world.

### Mixed, Unstable and Unclear Ideologies

The way people think about pathways to acts of terrorism and violent extremism is becoming less clear with individuals holding highly personalised ideologies with no strong commitment to a specific violent extremist or terrorist entity or group. This has meant we have had to change how we look at these people. Over 2022/23 we began to characterise these people as having 'mixed, unstable and unclear ideologies'. These people often explore a broad range of extremist beliefs over time, and adopt aspects of these beliefs that resonate with them personally.

The national security risk posed by individuals assessed to hold these ideologies varies based on the unique circumstances and mind-set of the individual.

Mixed ideologies refers to an adherence to multiple violent extremist beliefs at once, which may reinforce or appear to contradict one another. Unstable ideologies are when an individual's primary violent extremist ideology changes over time. Any shift might depend on external events or their own personal interest at a point in time and the range of beliefs they shift between may not be consistent. We categorise those with mixed, unstable and unclear ideologies by their primary ideology (such as identity-motivated) and this may change over time. This is why our graphs do not reflect mixed, unstable and unclear ideologies as an investigative area.

Unclear ideologies are those where an individual has expressed violent extremist views or intentions with no explicit or obvious ideology underpinning it. There are new violent extremist ideologies emerging which are labelled as unclear until further investigative and assessment activity can be undertaken.

Although each individual is different, we assess that fascination with violence and the ease of access to a wide variety of violent extremist material online highly likely facilitates the development of mixed, unstable and unclear ideologies. These ideologies tend to evolve over time and allow for individuals to make sense of and express their personal grievances.

A key challenge is that the online environment significantly contributes to the time-consuming and resource intensive challenge of discerning the mindset of individuals who have access to, and potentially hold, a wide range of extremist ideologies.

## Our work this year

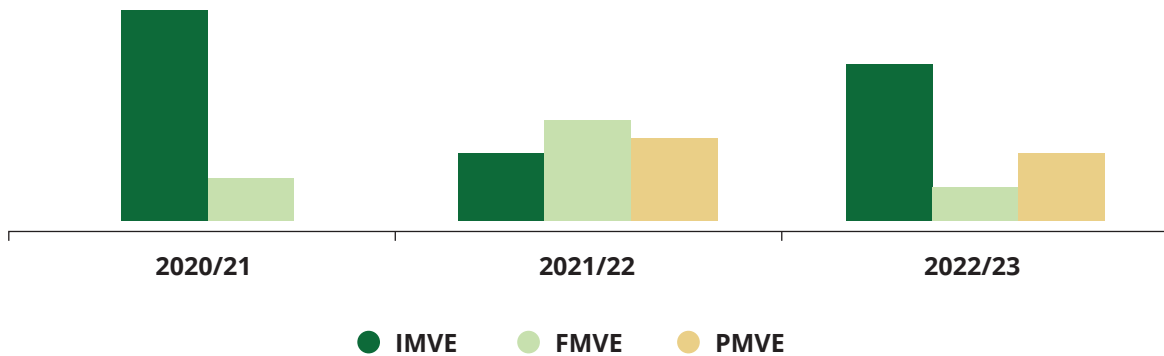
Understanding the way that people act is key to finding and mitigating threats. It is important for the NZSIS to understand the ideologies and motivations that can lead people to escalate to acts of terrorism and violent extremism. We use these ideologies to understand differences and commonalities of the actors, which gives the NZSIS insight into discovering new and emerging trends in each ideology.

The ideological split of counter-terrorism investigations is dependent on changes in the broader threat environment. Of the counter-terrorism investigations opened in 2022/23:

- almost two thirds related to individuals who have been assessed as adhering to an identity-motivated violent extremist ideology
- a quarter related to individuals who have been assessed as adhering to a politically-motivated violent extremist ideology
- approximately one in eight related to individuals who have been assessed as adhering to a faith-motivated violent extremist ideology.

We saw an increase in the proportion of identity-motivated investigations opened in 2022/23, and a decrease in the proportion of faith-motivated investigations opened. This is largely driven by a decrease in the overall number of faith-motivated threats identified this year rather than an increase in the overall number of identity-motivated threats.

Percentage of investigations opened by ideology, each year (2020/21– 2022/23)



## Discovering Threats

### Counter-terrorism strategic function

To understand what changes we may see in the terrorism and violent extremist environment, we established a strategic function for our counter-terrorism mission. The primary role of the strategic function is to produce analysis and reporting that supports decision makers in understanding and addressing issues related to the NZSIS’s counter-terrorism mandate. Our strategic analysis focusses on identifying and assessing broader trends across the NZSIS’s operational work with an emphasis on identifying opportunities and challenges for the NZSIS. This contributes to long-term planning and decision making. This function differs from our investigative function, which is focused on understanding the national security risk posed by an individual or group of concern.

### Counter-Terrorism Discovery

A key focus for the NZSIS this year has been on counter-terrorism discovery to improve our identification of terrorist and violent extremist threats. We have dedicated efforts to discovery projects, which consist of three key phases:

- horizon scanning (identifying unknown areas of possible national security concern)
- developing our strategic understanding of the threat
- generating high quality potential leads for further investigation.

Over the past year we have engaged with stakeholders about the guidance we published on indicators – *Kia mataara ki ngā tohu: Know the signs*. Our engagement was designed to build their confidence around the identification and reporting of indicators of concern to the NZSIS. This engagement has resulted in a higher quality of leads being reported.

### **Joint Counter-Terrorism Leads effort with New Zealand Police**

As part of working more closely with New Zealand Police, we have established a joint leads effort. This has led to even closer co-operation with Police, with each agency contributing its unique skills, insights, and capabilities to better identify, understand and mitigate threats from terrorism and violent extremism. We have also noticed the benefits of this collaboration in our ongoing work with Police on other investigations.

### **Royal Commission of Inquiry into the terrorist attack on Christchurch masjidain**

The NZSIS has continued to respond to recommendations made by the Report of the Royal Commission of Inquiry into the terrorist attack on Christchurch masjidain on 15 March 2019 (RCOI). The 51 shuhada killed in the attacks, their loved ones, those injured and traumatised, and the wider community have remained front of mind. The following initiatives that the NZSIS has contributed to, also respond to the RCOI:

- **Indicators Framework** – In October 2022, the NZSIS published *Kia mataara ki ngā tohu – Know the signs: a guide for identifying signs of violent extremism* in response to recommendation 13. The guide raises awareness of the indicators of violent extremism, to help people identify some of the key warning signs and understand how to respond to concerning behaviour or activities. It will be updated over time as the nature of violent extremist threats evolves, and new indicators emerge.

- **Security Threat Environment Assessment** – To contribute towards the intent of recommendation 17, the NZSIS produced *New Zealand's Security Threat Environment 2023: An Assessment by the New Zealand Security Intelligence Service*. This assesses the current nature of the threats for which the NZSIS has responsibility for detecting, investigating and assessing, and includes terrorism, violent extremism, foreign interference and espionage.
- **Intelligence and Security Act Review** – A number of recommendations related to the Intelligence and Security Act 2017 (ISA) were raised in the RCOI report. An independent statutory review of the ISA was brought forward in response, with the recommendations informing the terms of reference. This report, *Taumarū: Protecting Aotearoa New Zealand* as a free, open and democratic society was publicly released on 29 May 2023. The report has 52 recommendations on a range of matters, which are being considered by Government. The NZSIS supported the review, and will continue to support the Government's response.

## The Combined Threat Assessment Group

The Combined Threat Assessment Group (CTAG) is an interagency group hosted and led by the NZSIS. CTAG provides independent assessments to inform the National Security System and wider government agencies of the physical threat posed by terrorism to New Zealanders and New Zealand’s interests domestically and overseas.

Alongside NZSIS staff, CTAG includes representatives from the GCSB, New Zealand Defence Force, New Zealand Police, Department of Corrections, the Civil Aviation Authority and the National Assessments Bureau, with funding contributions from the Ministry of Foreign Affairs and Trade and the New Zealand Customs Service.

As the host agency, the NZSIS brings together insight from across government agencies to ensure that the Director-General of Security has the best advice to set the National Terrorism Threat Level appropriately. The National Terrorism Threat Level informs national security risk management and decision making processes. CTAG also prepares threat assessments on a wide range of domestic and global terrorism threat issues.

### The National Terrorism Threat Level

CTAG uses a five-tier framework to determine the threat of terrorist activity, which ranges from ‘Very Low’ to ‘Extreme’. The National Terrorism Threat Level, assessed by CTAG and set by the Director-General of Security, is used by government agencies to ensure they consistently manage risks associated with terrorism.

In the immediate aftermath of the 2019 Christchurch terror attack, the National Terrorism Threat Level was raised from ‘Low’ to ‘High’. This reflected the impact the attack had on New Zealand’s threat environment and the likelihood of a copycat or revenge attack against our interests offshore. Based on subsequent

intelligence assessments, the threat level was lowered to ‘Medium’ in April 2019.

A routine annual review of the domestic terrorism threat level was conducted in November 2022. The National Terrorism Threat Level was revised to ‘Low’, meaning a terrorist attack is assessed as a realistic possibility. This revision reflects the fact that CTAG has not sighted information to indicate New Zealand is currently the target of specific and credible attack plans by known violent extremists, either based in New Zealand or offshore.

A formal review of New Zealand’s terrorism threat environment and threat level takes place annually, but does not prevent a change in threat level at any time in response to emerging threats.

### New Zealand Terrorism Threat Level Definitions

Likelihood Assessment	Threat Level
Expected .....	<b>EXTREME</b>
Highly likely .....	<b>HIGH</b>
Feasible and could well occur .....	<b>MEDIUM</b>
Realistic possibility .....	<b>LOW</b>
Unlikely .....	<b>VERY LOW</b>

### Advice and intelligence support to the National Security System

CTAG prepares threat assessments and insights on terrorism and violent extremism issues to support policy and operational decision making across the National Security System.

As the world returns to more regular international travel and engagement following the Covid-19 pandemic, CTAG has provided threat assessments and intelligence support to guide the risk management decisions of the



system. A core part of this work is providing advice to the system ahead of designated major events, both onshore and offshore. Additionally, CTAG produces threat assessments for New Zealand Government agencies responsible for advising on safe travel practices, including for internationally protected persons.

Since 2020, CTAG has provided agencies with Threat Insight products to broaden the system's awareness of new and emerging violent extremist ideologies, tactics and thematic issues that hold the potential to impact New Zealand's threat environment.

## Countering espionage and interference

The NZSIS investigates and seeks to mitigate possible espionage and foreign interference threats taking place in or against New Zealand. We seek to understand and assess the threats and provide timely advice and intelligence reporting to help counter these activities.

Foreign interference is an act by a foreign state, often through a proxy, which is intended to influence, disrupt, or subvert New Zealand's national interests by deceptive, corruptive, or coercive means.

### Our work this year

The NZSIS works to identify and, where appropriate, mitigate foreign states from undertaking high harm intelligence and interference activities targeting New Zealand's interests.

We work to protect New Zealand against espionage and interference threats from a range of foreign states, and also prioritise identifying emerging threats and significant changes to our security environment. We produce unique intelligence insights that inform the National Security System and strengthen New Zealand's resilience (and that of our partners) to espionage and foreign interference threats.

In the past year, we have had an increase in investigative leads as a result of international border re-openings, significant international events, and rising strategic competition. At the same time, we continue to see an enduring

presence of foreign intelligence agents in New Zealand that we assess engage in espionage and interference activities against the New Zealand Government, our democracy, and our communities.

The NZSIS is aware of foreign interference occurring from a small number of states, including but not limited to the People's Republic of China (PRC), the Islamic Republic of Iran and Russia.

Given the complex and dynamic nature of espionage and interference threats, we prioritise the highest harm activities by actors demonstrating the most capability and intent to advance their interests at the expense of the New Zealand Government and our communities.

We work with domestic partners to foster an environment that prevents or makes it difficult for foreign states to undertake intelligence and interference activities targeting New Zealand and New Zealanders. We continue to value public and transparent conversations about New Zealand's national security as a key component of protecting our domestic security and democratic values.

Our work enables us to provide comprehensive advice to government agencies about the threats to New Zealand's interests in the dynamic geopolitical environment. We work closely with our government partners to provide advice and assistance to a wide range of individuals and entities both inside and outside government.

## Discovering threats

The NZSIS takes a proactive approach to threat detection. We have focused on ensuring that we have the right processes and relationships to identify threats early, and in time to manage the national security harm. Over the past year we have implemented a new leads coordination system to manage prioritisation and review of counter-espionage and interference leads. This system has ensured that leads are actioned and followed up in a manner proportionate to the threat posed.

We continue to undertake discovery projects to improve our ability to identify espionage and interference threats in New Zealand or against New Zealand's interests. These projects use information from a variety of data sources to help us identify individuals and entities linked to malicious intelligence activity. The NZSIS is incorporating these efforts into establishing enduring processes in order to identify previously unknown threats and generate actionable leads.

Our intelligence reporting supports decision making for areas of significant national priorities and events. We have begun preparations for ensuring the integrity of the 2023 General Election, including participating in inter-agency groups where required.

### Investigating and mitigating threats

Our investigations focus on the foreign interference and espionage activities of a small number of foreign states, and where possible seek to mitigate the harms to our national security.

We evaluate leads against foreign interference and espionage indicators and prioritise our investigative activities according to the assessed level of national security risk. Where possible, we seek to mitigate national security threats including by providing reporting and briefing stakeholders.



#### CASE STUDY:

### FOREIGN AGENT RESIDING IN NEW ZEALAND

The NZSIS identified that a foreign national residing in New Zealand was likely acting as an agent of a foreign intelligence service. In response, the NZSIS undertook activity to determine the nature of the foreign national's relationship to the intelligence service, and discovered contact with assessed intelligence officers. The foreign national was providing information on their activities and contacts in New Zealand likely in response to the intelligence officers' requirements. The NZSIS has taken action to mitigate the threat by providing protective security briefings and advice to relevant New Zealand Government agencies.

### Informing our stakeholders

The NZSIS works closely with domestic and international partners and stakeholders to investigate, understand, and mitigate threats from foreign interference and espionage. This includes providing reporting and assessments, policy advice, and on occasion operational support to other agencies.

To support cross-government decision making and policy development to counter foreign interference, we provide unique assessments and advice to a number of agencies.

- In providing assessments to the Electoral Commission, we are helping to ensure the integrity of the 2023 General Election.
- We provided an assessment to the Independent Electoral Review Panel on political and election interference and state-sponsored disinformation to inform their review of electoral law. Gaps in existing legislation provide opportunities for foreign state actors to interfere in New Zealand's electoral process.

### Supporting the security of local authorities

Helping all parts of the New Zealand Government system understand the impacts of foreign interference and espionage is key to protecting our national interests. Previously, when local government authorities received information requests under the Local Government Official Information and Meetings Act 1987 (LGOIMA), they did not have the ability to withhold information under national security grounds, where it was a relevant consideration.

The NZSIS provided input into a review of the LGOIMA with a view to aligning its withholding provisions with those in the Official Information Act 1982. Specifically, these amendments allow local authorities to withhold information that may prejudice the security or defence of New Zealand or the international relations of the Government of New Zealand. This will better enable the NZSIS to share information with local authorities, particularly on foreign interference risks and how to mitigate them.

#### CASE STUDY:

### WE ARE COLLABORATING AGAINST ADVERSARY INTELLIGENCE SERVICES

Increased collaboration with domestic and international partners continues to bolster the NZSIS's ability to identify previously unknown individuals of security concern, as well as to increase our confidence in the assessments we provide to New Zealand Government. Through increased sharing the NZSIS also seeks to harden the global operating environment for foreign intelligence services.

## Customer Engagement

The Intelligence Customer Centre (ICC) leads the provision of intelligence products to customers on behalf of Intelligence Community agencies. By having a combination of GCSB, NZSIS and Department of the Prime Minister and Cabinet staff, our customers have a single point of contact and get the right information at the right time in a coordinated way. This is done through a range of activities, including in-person read services and digital read folders.

Our delivery and coordination improved this year, both internally and between agencies, leading to excellent feedback from customers. This demonstrates a positive impact on the New Zealand Government's ability to understand and respond to global developments.

During 2022/23 the ICC supported customers with classified intelligence relating to a number of significant events. We continue to run Introduction to Intelligence courses for attendees across 18 different government agencies. We ran five of these courses in the past year supporting the staff in these agencies to understand how we can help them and what we can provide to assist New Zealand's decision makers.

## National Security Assessments

The NZSIS provides national security assessments to New Zealand Government agencies in order to inform their decision making.

We screen individuals seeking access to sensitive information or assets, or a location where these assets may be secured, and individuals seeking physical entry to New Zealand to understand their relevance to national security. The NZSIS assesses these individuals against a range of national security harms including terrorism, espionage, and foreign interference.

There was an increased demand for national security assessments as more people crossed our border and more investment came into New Zealand. This occurred over a short period of time leading to a high level of demand on our services. This demand was underpinned by an evolving national security threatscape, international geopolitical events, and domestic Government policies and initiatives aimed at stimulating New Zealand's post-Covid-19 economic recovery.

## National Security Checks

One of the NZSIS's statutory functions is providing protective security services, advice, and assistance, which includes providing advice about national security risks. This includes national security risks associated with citizenship applications and border security as part of our role to support the Department of Internal Affairs, Immigration New Zealand (INZ), and the Civil Aviation Authority to make informed decisions. These agencies can request the NZSIS undertake checks to support their work.



### We conduct national security checks to inform Immigration New Zealand

The NZSIS undertakes national security checks to identify threats and inform INZ. The assessments support INZ’s ability to make informed decisions to ensure the people coming into New Zealand on temporary and permanent visas are not linked to any groups of concern.

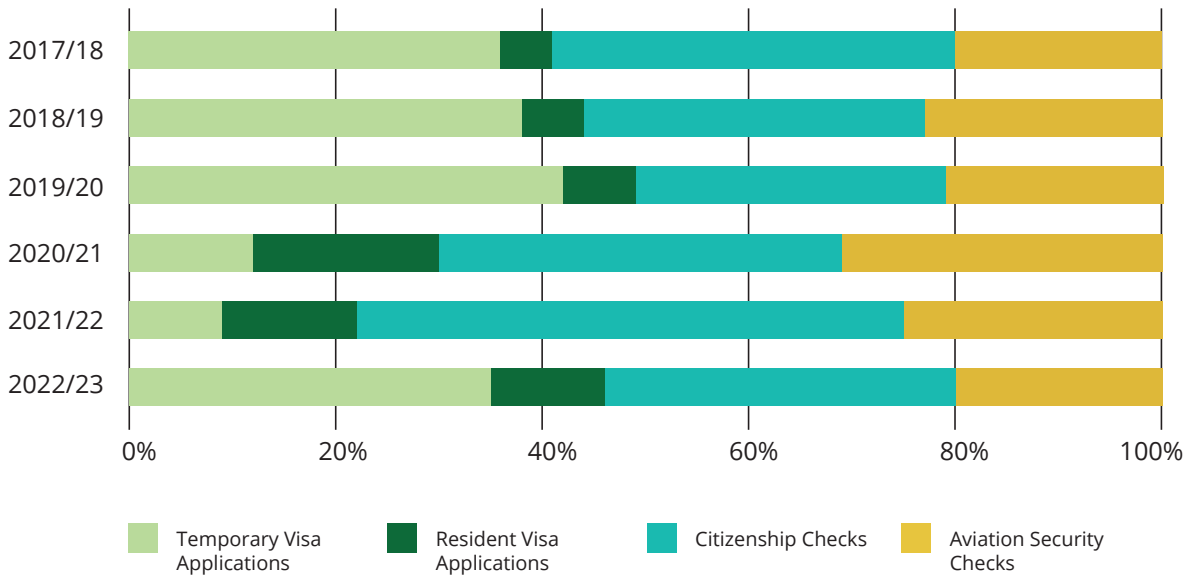
This reporting year we experienced an increase of national security checks. This included the introduction of a large and nationally significant one-off residence visa category, for which the majority of national security check referrals were received during this performance year. This coincided with a large influx of temporary visa

applications for tourism and study purposes, due to the border re-opening.

We aim to complete 90 percent of national security checks within 14 days for temporary visa applications, and within six months for residence visa applications.

In recognition of increased demand for service, we are reviewing our processes across the national security check system to ensure we have a risk-based approach that is responsive to the changing threat environment.

#### Distribution of Applications



## Overseas Investment

Foreign direct investment in New Zealand is broadly considered to provide positive outcomes. However, occasionally foreign investment can involve risks, including national security risks that need to be balanced with benefits for New Zealand.

The regulation of foreign direct investment falls under the Overseas Investment Act 2005 administered by the Overseas Investment Office, which is part of Land Information New Zealand.

Both the NZSIS and GCSB support the Overseas Investment Office by providing national security advice on transactions which have been referred or notified under the Overseas Investment Act. We work with the GCSB to provide assurance to decision makers, as well as ensuring that investment into some of New Zealand's most important and sensitive assets is done in a way that takes into account national security.

The NZSIS also produces security assessments and supplementary reporting that support this function more broadly, for example reporting on national security risks facing sectors in New Zealand or thematic areas of emerging national security concern from a foreign direct investment perspective.

These assessments and reports ensure that significant or sensitive foreign investment promotes New Zealand's prosperity and economic security while not compromising national security.

Over the reporting year, the NZSIS has provided advice on all transactions notified to the Overseas Investment Office under the Overseas Investment Act's National Security and Public Order regime, which came into force in 2021. These transactions involved assessment from a national security perspective of investment into businesses deemed by legislation to be strategically important businesses, for example businesses holding significant amounts of data, businesses developing sensitive dual-use technologies and businesses that are critical direct suppliers to sensitive areas of government. We assessed 23 National Security and Public Order transactions during the reporting period.

The NZSIS has also provided national security advice on transactions that are called in for wider 'national interest' assessments under the Overseas Investment Act. These transactions are typically financially significant and often involve some of New Zealand's largest businesses or highest levels of foreign direct investment. Examples where the NZSIS contributed intelligence insights in the reporting period include investment into undersea cables, telecommunications infrastructure, logistics companies, and power companies.

## Space and High-altitude Activity Assessments

New Zealand's space industry provides significant economic opportunities for the country. New Zealand provides a uniquely beneficial environment for space-related activities because our uncluttered air space provides multiple launch windows. We also have a modern legislative environment that allows for a safe, sustainable, and thriving space industry.

The Outer Space and High-altitude Activities Act (OSHAA) 2017 provides a regulatory framework to manage any risks to New Zealand's national security and interests from outer-space and high-altitude activities.

The NZSIS has a lead role in undertaking national security threat assessments for all activities licensed or permitted under OSHAA and providing national security risk advice on outer space and high-altitude activities to the Minister Responsible. We work closely with the GCSB who conduct risk assessments for the growing space industry. For activities governed by the OSHAA, this national security risk advice is used to inform the Ministerial-level consultation required by the Act.

The NZSIS also undertakes national security threat assessments for Radio Spectrum Management as part of the Radio Spectrum Licencing regime.

During the reporting period, the NZSIS provided:

- 18 security assessments on space-related activities under OSHAA
- 45 security assessments under the Radio Spectrum Licencing regime.

### **New Zealand Space Policy**

Over the year, the NZSIS provided insights and advice on the development of the New Zealand Space Policy, which was released by the New Zealand Space Agency in May 2023.

The Space Policy includes an objective to Protect and Enhance New Zealand's National Security Interests. The NZSIS will continue to support the New Zealand Space Agency in its efforts to safely grow the space sector in New Zealand, and to use space assets to protect and advance New Zealand's national security interests.

# FOREIGN INTELLIGENCE AND INTERNATIONAL CONTRIBUTION HE MŌHIOHIO NŌ TĀWĀHI ME TE WHAI WĀHI KI TE AO

## Pacific Regional Security

New Zealand has a critical, long-term and non-discretionary stake in supporting and advancing peace, stability, prosperity and resilience in the Pacific.

Our role is to work with our Pacific counterparts to support a secure and prosperous Pacific region, and work with Pacific leaders to protect our shared fundamental values of democracy, human rights, and the rule of law.

Over the previous year, our region's security threat environment has become increasingly complex and challenging to navigate. Our place in the Pacific region, and our influence in the South Pacific, has required New Zealand to manage heightened strategic tension, disruption and risks.

During the reporting period, the NZSIS refreshed our Pacific Security Mission strategy to more directly and actively support the New Zealand Government's revised strategic priorities in the Pacific. We will achieve this through the detection, disruption and deterrence of activities which undermine New Zealand's and our Pacific partners' national security.

Our Pacific Security Mission goals are pursued through three lines of effort, conducted in close coordination with domestic and foreign partners:

- Intelligence Cooperation involves intelligence diplomacy, including information sharing and joint investigations, as a reliable and trusted intelligence and security partner among Pacific counterparts.
- Intelligence Operations are required to identify national security risks in the Pacific region as a foundation for ongoing intelligence cooperation.
- Building Partner Capability efforts contribute to the maturing of intelligence and security practices and infrastructure among NZSIS's Pacific counterparts to improve their capability and capacity to manage geo-strategic challenges.

# PROTECTIVE SECURITY HE WHAKAHAUMARU TAUTIAKI

## National Security Clearances

To keep New Zealand safe we help our partners across the New Zealand Government decide whether they can trust someone with access to classified information or resources. We work to deliver real value and expertise so that our agency partners, candidates and clearance holders can trust our processes and take positive actions.

### Tiaki – the new security clearance system

2022/23 was a significant year for how we conduct national security clearance assessments, with the launch of the new security clearance management system – Tiaki.

Every year, Tiaki will be used by more than 20,000 people to apply for, and provide references for, security clearances, and more than 50 government agencies to actively manage their security clearances. Tiaki has significantly improved the experience customers have when applying for a security clearance by providing an accessible, easy to use, modern online platform.

The type of information the NZSIS receives from customers and referees has also been updated. The security clearance application forms have been modernised to reflect New Zealand’s community, ensuring an inclusive approach for all customers. The NZSIS has also changed the type of information gathered from customers, for example asking for information about people’s online activities. This means that the NZSIS receives the most relevant information needed to assess a person’s suitability to access classified information.

### Demand

The overall demand for security clearances from across government has not changed over the past two years. However the composition of demand has changed. There has been a 10 percent decrease in confidential level security clearances and a surge in demand of 23 percent for top secret security clearances.

Since January 2023 there has been an increasing trend for top secret security clearances which is expected to continue for the following reporting period.

**Table 1: Average monthly demand of national security clearance applications**

	2021/22	2022/23	CHANGE
Confidential	229	206	-10%
Secret	145	144	-1%
Top Secret	111	136	23%
Top Secret Special	47	45	-4%
<b>Total</b>	<b>532</b>	<b>531</b>	<b>-0.19%</b>





## Security clearance complexity

As a result of the increased information collected through Tiaki, there has been a 114 percent increase in the total number of applications that require more in-depth enquiries (refer to table 2). These are referred to as complex cases.

The nature of complex cases means that specialised Vetting staff are required to undertake more extensive enquiries to gather further information and often involve multiple interviews with an applicant, obtaining information from other government agencies and third parties. Complex cases take considerably more time and effort to complete. The increase in complex cases has a direct impact on the volume of standard cases that can be completed.

**Table 2: Total number of complex cases.**

	2021/22	2022/23	CHANGE
Confidential	399	606	67%
Secret	239	525	120%
Top Secret	108	462	328%
Top Secret Special	56	120	114%
<b>Total</b>	<b>802</b>	<b>1713</b>	<b>114%</b>

## Total inventory levels of security clearance

There has been an increase of 185 percent in the total number of security clearance applications with the NZSIS Vetting Team for processing, in comparison to the previous reporting period. As mentioned above this is a direct result of an increase in the number of complex cases requiring more in-depth enquiries.

**Table 3: Total inventory of national security clearance applications**

	2020/21	2021/22	2022/23
Confidential	102	123	381
Secret	115	100	353
Top Secret	665	217	519
Top Secret Special	148	48	139
<b>Total Inventory</b>	<b>1030</b>	<b>488</b>	<b>1,392</b>

## Total application time<sup>1</sup>

The total median application time for all standard<sup>2</sup> clearance levels is within the agreed targets (refer to table 4).

The total median application time for all standard confidential and secret security clearance applications has increased to 14 working days. However the total median application time for all standard top secret and top secret special applications has reduced by 11 percent. This is a direct result of the business improvement activities completed during the year and the realisation of time saving benefits.

**Table 4: Total median application time**

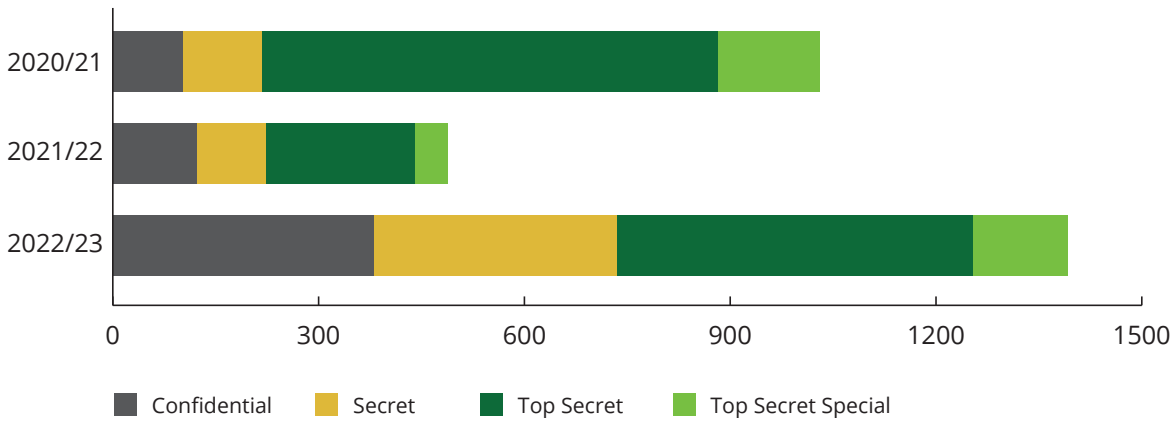
	2021/22	2022/23	CHANGE	TARGET TOTAL APPLICATION TIME
Confidential	10	14	40%	15 working days
Secret	12	14	17%	15 working days
Top Secret	44	39	-11%	50 working days
Top Secret Special	38	34	-11%	60 working days

## Timeliness

The timeliness results (refer to performance measures) for three of four security clearance levels was above the target of 80 percent, and were achieved. During 2022/23, the implementation of our largest business improvement project enhanced the way all clearance levels are processed. The benefits of these improvement activities have now been realised. This is the first time the timeliness key performance indicators have been achieved for three out of four security clearance levels.

The top secret timeliness result was 76 percent. This is four percent under the target and is a direct reflection of the increase in demand for top secret security clearances. Although the processing time decreased from 44 working days to 39 working days, this result was not enough to meet the growing demand for top secret security clearances and the increase in complex cases.

1. Total Application Time is the total time taken to complete an application from when it is received to when a recommendation is issued. This includes the time a case is unassigned and the processing time. This is measured in the median number of working days.
2. A 'standard' application form does not require any further in depth enquiries.



### Unassigned application queue

The ‘unassigned application queue’ measures the number of applications waiting to be processed. For this KPI to be successful the numbers of applications need to be at or below the target.

In 2022/23 the Security Vetting Unit achieved the unassigned queue targets for two out of four clearance levels. Again, this is a direct reflection of the increase in ‘complex’ cases and increase in demand.

**Table 5: Comparison of Unassigned targets to actual number**

	TARGET - JUNE 2022	ACTUAL - JUNE 2023 <sup>3</sup>	DIFFERENCE
Confidential	150	225	-75
Secret	350	222	128
Top Secret	250	339	-89
Top Secret Special	110	88	22

3. Ideally, the actual number should be at or below the target.

## How we have been performing on national security clearances

National security clearance recommendations form part of our Protective Security performance measures. This is how our vetting assessment response time has performed over the past five years.

### Timeliness

All standard vetting assessment security clearance advice to government agencies including the New Zealand Intelligence Community regarding security clearance applications received from 1 July to 30 June will meet the following timeliness standards:

PERFORMANCE MEASURE	BUDGET STANDARD	2018/19	2019/20	2020/21	2021/22	2022/23
Top Secret Special (estimated volume: 300 – 500)	80% within 60 working days	54%	37%	65%	75%	92%
Top Secret (estimated volume: 900 – 1,300)	80% within 50 working days	24%	11%	23%	60%	76%
Secret (estimated volume: 1,800 – 2,100)	80% within 15 working days	11%	1%	46%	69%	82%
Confidential (estimated volume: 2,600 – 3,200)	80% within 15 working days	7%	8%	66%	87%	84%

In 2019/20 we introduced two new measures for vetting; one relating to the inventory of clearances and a quality assurance measure. This is how we have performed on those measures over the past four years.

### Unassigned applications

By 30 June the number of security clearance applications waiting for vetting to proceed will reduce to the following levels.

PERFORMANCE MEASURE <sup>4</sup>	BUDGET STANDARD	2018/19	2019/20	2020/21	2021/22	2022/23
Top Secret Special (baseline 41)	110	New measure in 2019/20	287	85	13	88
Top Secret (baseline 51)	250	New measure in 2019/20	713	441	73	339
Secret (baseline 141)	350	New measure in 2019/20	726	21	66	222
Confidential (baseline 44)	150	New measure in 2019/20	284	30	79	225

### Quality Assurance

PERFORMANCE MEASURE	BUDGET STANDARD	2018/19	2019/20	2020/21	2021/22	2022/23
Security vetting recommendations made to government agencies are consistent with PSR guidelines (including procedural fairness)	20% random sample of all vetting recommendations demonstrates compliance	New measure in 2019/20	Achieved	Achieved	Achieved	Achieved

4. Baseline figures as at 30 June 2022. The budget targets are at or close to the number required to maintain a sustainable flow of applications. The budget targets assume that current projections of demand for security clearances will not be exceeded.



## Protective Security Requirements

The Protective Security Requirements (PSR) is the New Zealand Government's best practice security policy framework. It provides advice and guidance to support organisations to build their security capability across the four pillars of security governance, personnel security, information security, and physical security.

It outlines 20 mandatory requirements, which provide a foundation for strong security practice, as well as a capability model and information system to support organisations to develop a security system that is scalable and fit for their individual environments. The PSR framework and support mechanisms are continually reviewed and updated to ensure they remain best practice.

### Our work this year

The PSR Unit underwent a restructure in July 2022 to address the changing operating environment. This meant the majority of the year was focused on delivering core functions, embedding the new structure, and identifying smarter ways to engage with and meet the needs of customers and stakeholders. This has included:

- creating new roles focused on research, analysis, and digital channels
- establishing a regular PSR newsletter to New Zealand Government agencies
- re-establishing government Chief Security Officer and PSR forums
- refreshing the All-of-Government Protective Security Services sub-panel
- establishing a quarterly commercial suppliers' forum.

There are 37 government agencies mandated to implement the PSR framework and an additional six agencies that voluntarily implement the PSR framework. These agencies report on their protective security capability to the NZSIS

on an annual basis. Through individualised engagements, quarterly forums and monthly newsletters aimed at uplifting protective security capability across the system, the NZSIS regularly engages with mandated and voluntary agencies, and with additional Crown Research Institutes and Universities across New Zealand, comprising more than 80 organisations. These engagements have better enabled the NZSIS to recognise and respond to customer needs.

### Engagement with Health agencies to adopt the PSR

The NZSIS has provided protective security advice and guidance on the PSR Framework to health agencies throughout the recent health sector transformation.

The NZSIS continues to support Te Whatu Ora and Te Aka Whai Ora as they voluntarily adopt the PSR framework, aligning them with Manatū Hauora (mandated to implement the PSR in 2014). This will enable the health sector to improve awareness and understanding of the threat environment they operate across their workforce, as well as aligning with the Government's expectations for managing personnel, physical, and information security.

### We work with our Pacific partners to build capability

We work with a number of Pacific partners to share expertise on how to build and implement protective security frameworks that help protect

people, assets and information from harm. The aim of this engagement is to support Pacific partners to implement their own bespoke arrangements that respond to their individual security environment and needs.

## We keep the PSR updated

### Review of the PSR Assurance Framework

In September 2022, the NZSIS initiated a review of the PSR Assurance Framework and Capability Maturity Model (PSR Assurance Framework). The purpose of the PSR Assurance Framework is to:

- enable organisations to regularly review and assess their capability against the PSR policy requirements and identify areas for improvement to address their security risks
- provide assurance to organisational leaders, the Government Protective Security Lead (GPSL), Government Chief Information Security Officer (GCISO), and wider New Zealand Government that the Government's security practices are fit for purpose
- inform plans and investment to uplift security capability to address New Zealand's critical protective security risks.

The purpose of the review was to assess the function, value and usability of the PSR Assurance Framework and ensure that it remains fit-for-purpose. In January and February 2023, the NZSIS held workshops and discussions with more than 40 New Zealand Government agencies, Functional and System Leads, and All-of-Government Protective Security Sub-Panel members.

The review found that there was a compelling case for change, identifying core user needs when using the PSR Assurance Framework, what worked, and what didn't work.

Based on user feedback, substantial improvements have been specified and a multi-year work programme is planned to start in the 2023/24 financial year.

### Security Classification System Policy review and implementation

The Royal Commission of Inquiry into the terrorist attack on Christchurch masjidain recommended improvements in line with a 2018 review of the New Zealand Security Classification system. As PSR lead, the NZSIS has been delivering work in response to this recommendation.

In July 2022 the revised New Zealand Government Security Classification System (Classification System) policy came into force. The new policy will:

- improve consistency and use of the Classification System through easier to understand policy and standardised guidance and training across government
- enable purposeful information sharing through more accurate classification and a more deliberate approach
- increase transparency and public engagement through regular declassification of information.

The NZSIS undertook a communication programme that included educating agencies on the Classification System changes, and the requirement for PSR-mandated agencies to report back to the NZSIS on how they will implement the updated policy in their organisation.

From 2023/24 onwards, the NZSIS will assess overall system performance as part of its Annual Assurance to determine how well the Classification System objectives are being met.

## Government Protective Security Lead

The Director-General of Security fulfils the functional Government Protective Security Lead (GPSL) role. This takes an integrated, proactive and strategic approach to protective security that draws on the NZSIS's wide range of existing functions and expertise. Maintaining the PSR policy framework, providing protective security advice to customers, and administering the national security clearance vetting system are some of the key ways in which we deliver the GPSL strategy.

The GPSL works closely with the Government Chief Information Security Officer, a system lead role held by the Director-General of the GCSB and supported by the National Cyber Security Centre. While the GPSL and Government Chief Information Security Officer have distinct mandates and work programmes, we share a common objective of supporting New Zealand Government agencies to enhance their understanding of risk and develop necessary protective security capability.

The NZSIS actively seeks the input of the Government Chief Information Security Officer and National Cyber Security Centre in developing our work programme. This helps ensure we are taking a holistic approach to providing customers with advice and support, including in information security and governance. We also undertake joint outreach with the National Cyber Security Centre and provide integrated feedback and input into broader system issues and advice.

## We provide policy advice on protective security issues

The NZSIS provides protective security advice and input into policy work across government, including:

- managing national security risks in procurement
- critical infrastructure resilience
- Te Kawa Mataaho Public Service Commission guidance on issues such as hybrid working.

We supported the Department of the Prime Minister and Cabinet, and other agencies, to brief a range of government and non-government customers on the risk of foreign interference, including providing protective security advice to ensure entities understand how to limit the risk to their people, information and assets.

## Working with Universities and Researchers

In 2021, the NZSIS developed *Trusted Research – Guidance for Institutions and Researchers* in collaboration with Te Pūkai Tara – Universities New Zealand and Science New Zealand. It aims to help New Zealand's world-leading research and innovation sector get the most out of international scientific collaboration while protecting their intellectual property, sensitive research, and personal information, and has been used to support broader foreign interference awareness and capability building with government and non-government stakeholders.

During 2022, Te Pūkai Tara – Universities New Zealand continued to move forward with *Trusted Research*.

- The *Trusted Research–Protective Security Requirements Guide for Senior Leaders*, which provides high-level advice about how senior leaders should consider their university's ongoing response to the ever-changing and increasingly complex geopolitical environment.
- New online training module – *An Introduction to the Trusted Research–Protective Security Requirements*, aimed at raising awareness about risks relating to foreign interference and export controls compliance in university research activities.

These products demonstrate the value of the NZSIS in developing enduring partnerships with nationally significant sectors to build protective security capability that sectors can own and lead.

### **Protecting procurement processes**

A major focus of cross-government policy efforts to counter foreign interference and espionage is mitigating the risks to public procurement. During the 2022/23 year, various teams within the NZSIS contributed to advancing this objective. The NZSIS played a key role in informing the Ministry of Business, Innovation and Employment's new guidance on mitigating national security risks to procurement and will involve targeted support from the NZSIS for implementation and PSR Self-Assessment Reporting.

The NZSIS also provided briefings and advice to various government agencies to support their internal decision-making on procurement matters. We have worked with other government agencies, including Waka Kotahi on their specific procurement projects, and the Ministry of Transport in their development of a risk matrix for undertaking procurement.



## Protecting people, information, and assets

Given the NZSIS's Protective Security Requirements and Government Protective Security Lead responsibilities, we strive to be protective security exemplars.

Alongside the GCSB, we seek to continuously improve our protective security practices and ensure they remain relevant. These efforts ensure New Zealand's most sensitive information, facilities and assets are protected.

### Our work this year

The NZSIS hosts the NZIC's Security Services Group, which provides protective security services to the NZSIS, the GCSB, and the National Security Group in the Department of the Prime Minister and Cabinet. The NZSIS's work includes undertaking internal security investigations, providing personnel, IT security and physical security advice across the NZIC. The NZSIS also hosts some critical security advice and support functions to enable our unique operational and corporate business activity to be protected.

### We address the risk of insider threats

The NZSIS has a specific responsibility to lead on countering insider threats and to support personnel security functions across government.

An insider threat, or insider, is a person who exploits, or intends to exploit, their legitimate access to an organisation's assets to harm the security of their organisation or New Zealand, either wittingly or unwittingly, through espionage, terrorism, unauthorised disclosure of information or loss or degradation of a resource or capability.

The NZSIS's work in this area includes establishing best practice for identifying and mitigating insider threats, and working with government agencies to prevent, mitigate, and respond to actual or potential insider threats.

In the past year, the NZSIS has established a Strategic Intelligence function focused on providing strategic analysis and assessments about protective security.

Insiders' motivations are complex, varied, and often depend on unique circumstances or situations. Stressors affect individuals differently, and a combination of factors can push an

insider towards engaging in insider threat activity. Internationally, in the wake of Covid-19, disillusionment and distrust have become influential insider threat motivations. Consistent with this trend, a rise in societal distrust and disillusionment could motivate insider threat activity within New Zealand Government agencies.

### Assurance Functions

The NZSIS offers proactive advice and guidance on maintaining the best balance between operational requirements, and the effective security of physical sites and IT systems. Through the proactive monitoring and analysis of subscribing agency networks, the NZSIS offers assurance on the use of highly sensitive information assets and system access.

### Enabling Operational Activity

The NZSIS works across a large part of the NZIC to provide function support platforms and to offer key advice on how both corporate and collection activity can be conducted safely, securely, and with effective risk management.

Operating under both legislative and internal policy guidance, the NZSIS works across the NZIC to source, manage, and maintain Assumed Identities to protect NZSIS and GCSB staff undertaking operational (and corporate) activities.

### NZIC Psychology Services

The NZSIS includes the NZIC Psychology Services Team. This function was established to support the wellbeing of NZIC employees, and to ensure that those joining the intelligence community can manage the particular challenges of working in this unique environment.

We work to support the NZIC to help identify, manage the risks associated with, and achieve better outcomes for people whose actions indicate they may be or could become an insider threat to the NZIC.

# ACCOUNTABILITY AND TRANSPARENCY TE NOHO HAEPAPA ME TE PŪATAATA HOKI

## Accessing Information

The NZSIS aims to be as open as possible about our work, while ensuring there is no risk of compromise to national security. We are subject to both the Official Information Act 1982 and Privacy Act 2020.

### Information Requests

The NZSIS is subject to the Official Information Act 1982 (OIA) and the Privacy Act 2020. We aim to be as transparent as possible in responding to requests made under these Acts while safeguarding important matters such as the security or defence of New Zealand. Each request is assessed individually, and matters such as national security concerns are considered within the guiding statutory principles.

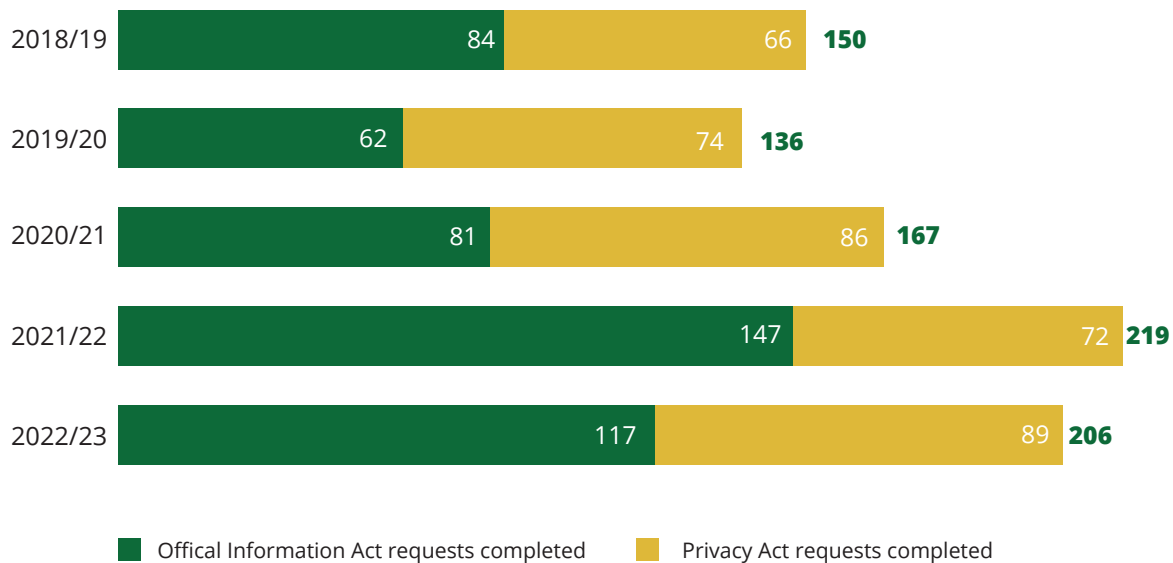
For the period from 1 July 2022 to 30 June 2023, the NZSIS:

- completed 117 OIA requests, with eight requests not completed within the legislated timeframe
- completed 89 Privacy Act Requests, with all requests completed within the legislated timeframe.

The NZSIS aims to complete all information requests within the legislated timeframe. A range of factors including Covid-19, staff turnover and accommodation issues impacted the NZSIS's ability to respond to information requests within the legislated timeframe during the previous financial year. This meant we started the 2022/23 year with a number of requests that were already late. These were cleared by November 2022, and for the remainder of the reporting period all requests were completed within the legislated timeframe.

The median response time was 19 working days across all OIA and Privacy Act requests.

### Number of information requests completed





The NZSIS was notified of six complaints by the Office of the Ombudsman during the 1 July 2022 – 30 June 2023 period.

- Two complaints were resolved in the NZSIS's favour.
- The Ombudsman formed a final opinion against the NZSIS in two complaints.
- Two complaints are still being considered.

In addition, a complaint received in the previous year was resolved to the satisfaction of both parties.

Four complaints were raised with the Office of the Privacy Commissioner during the reporting year in relation to Privacy Act requests. All of the complaints were resolved to the satisfaction of the Office of the Privacy Commissioner, which found the NZSIS had not breached the complainants' privacy.

## How we have performed on accountability measures

The transparency and accountability performance measures are part of Output: Ministerial Support and Responses to Information Requests. This is how we have performed over the past five financial years on supporting access to information and on advising the Minister responsible for the NZSIS.

### Transparency

PERFORMANCE MEASURE	BUDGET STANDARD	2018/19	2019/20	2020/21	2021/22	2022/23
Percentage of agency OIA requests completed within the legislated timeframe.	100%	99%	93%	100%	91.83%	93.16%
Percentage of agency Privacy Act requests completed within the legislated timeframe.	100%	Combined OIA and Privacy Act measure (as above)		100%	98.61%	100%

### Advice to Minister responsible for the NZSIS

PERFORMANCE MEASURE	BUDGET STANDARD	2018/19	2019/20	2020/21	2021/22	2022/23
Minister responsible for NZSIS satisfaction with NZSIS advice.	3.5 or above on a 5 point scale	4.86	5	5	4.86	4.86

### **Declassifying historical records**

Following an 18-month proof of concept, in June 2023 a small permanent declassification team was established to review historic security records held by the NZSIS, many of which were inherited from predecessor organisations. The aim, subject to the requirements of protecting security, is to progressively declassify these records and make them available to the public. This is to better inform the public, including academics and researchers, about historical security issues and demonstrates the NZSIS's commitment to transparency.

Over the past year we have identified and prepared for declassification records that are considered to be of significant public interest. Records reviewed to date include the early activities of the Communist Party of New Zealand and German and Nazi activity in New Zealand in the period leading up to the outbreak of World War Two in 1939.

We expect to begin publicly releasing some of these historical records in the next year.

## **Compliance and Oversight**

### **Compliance systems**

It is critical to the retention of government and public trust and confidence that we have robust processes in place to ensure compliance with the law at all times. Noting the ability to use intrusive activities and to gain access to sensitive information, we have a responsibility to ensure that we use our authorised activities and access in a lawful, necessary, and proportionate manner.

To accomplish this, the NZSIS has a compliance framework, runs a regular programme of audits and reviews and has an in-house legal team that provides advice and guidance to ensure legality and proportionality. We encourage a culture of self-reporting of compliance incidents, which are reported to the Inspector-General of Intelligence and Security (IGIS), and of regular engagement with the legal team.

### **Oversight**

Aside from our own internal processes, the NZSIS is subject to the oversight of several external bodies. Like other public sector agencies, this includes the Ombudsman, the Privacy Commissioner, Office of the Auditor-General, and Te Kawa Mataaho – the Public Service Commission. We are also subject to robust oversight from the Intelligence and Security Committee, and Office of the Inspector-General of Intelligence and Security.

### **The Intelligence and Security Committee**

The Intelligence and Security Committee (ISC) is a parliamentary body. It looks at the intelligence and security agencies and examines the policy, administration, and expenditure of each organisation.

The ISC must have between five and seven members, comprising the Prime Minister, the Leader of the Opposition, and other members of Parliament nominated by the Prime Minister and the Leader of the Opposition.

### **Office of the Inspector-General of Intelligence and Security**

The Office of the Inspector-General of Intelligence and Security is the key oversight body of the intelligence agencies. It is an important mechanism to provide independent assurance that the agencies are acting within the law and with propriety. The Office of the IGIS also independently investigates complaints relating to the activities of the NZSIS made by members of the public and reviews all authorisations issued.

The NZSIS has ongoing engagement with staff from the Office of the IGIS (at varying levels) relating to compliance issues, and also provides information and resources in support of IGIS investigations and queries.

Each year the IGIS reviews the intelligence and security agencies for a certification of the compliance systems. The IGIS looks at five areas:

- operational policy and procedure
- internal compliance programmes
- self-reporting and investigation of compliance incidents
- training
- responsiveness to oversight.

The NZSIS rated well-developed in all areas except operational policy and procedure. Well-developed is defined as *“Systems are predominantly well-developed, well-maintained and effective, but some change is needed to make them fully sound. Necessary improvements are in development and/or require further time and resourcing to implement.”*

In operational policy and procedure the NZSIS rated under-developed, which the IGIS defines as *“Systems require significant change to function effectively. Necessary improvements require substantial planning and resourcing and may require medium to long term programmes of change.”* The NZSIS accepts this rating and we are addressing this as a priority area for 2023/24.

The NZSIS recognises the importance of the IGIS’s role, and continues to work cooperatively with the Inspector-General to respond to recommendations in their reports.

### **Ministerial Policy Statements**

The ISA sets out objectives and functions of the GCSB and NZSIS, and provides the mechanism for the agencies to carry out otherwise unlawful activities. There are 10 Ministerial Policy Statements that set out Ministerial expectations for the NZSIS. They provide guidance for the agencies on how certain lawful activities should be conducted.

## Statement on Warrants

In accordance with section 221(2) of the Intelligence and Security Act 2017 (ISA), the following statements are provided for the period 1 July 2022 to 30 June 2023.

### Co-operation

*(section 221(2)(a) and (b) of the ISA)*

There was one occasion on which the NZSIS provided assistance under section 13(1)(b) of the ISA to the New Zealand Police or New Zealand Defence Force to facilitate their functions.

No assistance was provided to other agencies under section 14 of the ISA to respond to an imminent threat.

### Intelligence Warrants

*(section 221(1)(c) to (g) of the ISA)*

Type 1 intelligence warrants

- a. Ten applications for Type 1 intelligence warrants were made and approved under sections 58 and 59 of the ISA. No applications under sections 58 or 59 were declined.
- b. No applications for an urgent Type 1 intelligence warrant were made under section 71 of the ISA. No applications under section 71 were declined.
- c. No applications for a joint Type 1 intelligence warrant were made under section 56 of the ISA.

Type 2 intelligence warrants

- a. Three applications for Type 2 intelligence warrants were made and approved under section 60 of the ISA. No applications under section 60 were declined.
- b. No applications for an urgent Type 2 intelligence warrant were made under section 72 of the ISA.
- c. No applications for a joint Type 2 intelligence warrant were made under section 56 of the ISA.

### Very Urgent authorisations

*(section 221(2)(1)(e) of the ISA)*

No very urgent authorisations were given by the Director-General under section 78 of the ISA.

### Restricted Information

*(section 221(2)(f) of the ISA)*

No applications were made for permission to access restricted information under section 136 of the ISA.

### Business Records Directions

*(section 221(2)(h) of the ISA)*

188 business records directions were issued to business agencies under section 150 of the ISA.

## Our Sustainability Reporting

We are committed to meeting the requirements of the Carbon Neutral Government Programme (CNGP). We have chosen the 2018/19 financial year as our base year as this represents a typical 12-month period before Covid-19 impacted on our operations.

### Independent Verification

The NZSIS has completed verification with TOITU, to have its emissions independently verified against ISO14064-1:2018, the 2018/19 (baseline year), and 2021/22. The emissions reported in this annual report have not been independently verified for FY2022/23.

The greenhouse gas emissions measurement (emissions data and calculations) reported in this annual report have been calculated in a variety of ways; based on solid supplier data where it is available and practical, internal records, and an extrapolation of a sample of underlying financial records for certain emission sources.

In 2022/23 (based on our sampled data and extrapolation) we emitted 1,932 Tonnes CO<sub>2</sub>-e. This compares to 1,330 Tonnes CO<sub>2</sub>-e in 2021/22. Most of our emissions came from passenger transport, as well as from electricity and motor vehicles.

### Our Reduction Targets

The Government has set the following emission reduction targets for government departments, as required by the CNGP.

**2025 target:** Gross emissions (all Categories) to be no more than 1,306 Tonnes CO<sub>2</sub>-e, or a 21% reduction in gross emissions (all Categories) compared to the base year FY 18/19.

**2030 target:** Gross emissions (all Categories) to be no more than 959 Tonnes CO<sub>2</sub>-e, or a 42% reduction in gross emissions (all Categories) compared to base year FY 18/19.

### Initiatives for reducing emissions, and progress towards these

We are still undertaking work, including undertaking consultation with staff, to complete and approve our emission reduction plans. Further research and analysis is required to understand the impact that reduction emission plans would have on the NZSIS before they are approved. The final plan will focus on the areas of greatest emissions, and the potential of programmes to achieve emission reductions.

Now that we have verified baseline year data, we have the opportunity to have more meaningful conversations surrounding the exact emission sources to target therein.

Work is underway to develop a Carbon reduction plan, for SLT approval in the coming months.

### Improving our data

The NZSIS is in the early stages of the CNGP. The NZSIS has identified that it needs to make improvements to its emission data collection methods, and is planning on making these improvements over the next year. We have improved our supplier relationships and have better source data quality than previously. We are looking to launch a Carbon data capture process within our ERP system to improve our Carbon data at a transaction level.

# Organisational Capability

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# OUR PEOPLE Ō MĀTAU TĀNGATA

## Recruiting and retaining our talent

The Intelligence Community Shared Services People and Capability team provides a number of initiatives to the NZSIS and the GCSB, to support the continued growth of their workforces, and to help retain and develop existing staff. This work aims to ensure the New Zealand Intelligence Community (NZIC) has the best and most representative workforce possible to meet the expectations of the New Zealand Government and the public.

### Beyond Ordinary People

The NZSIS is a public service department with 420.2 full-time equivalent staff made up from 428 staff, as at 30 June 2023. As we have a number of shared functions with the GCSB, there are additional staff employed by the GCSB who work across both agencies.

The success of our agency does not just depend on our technological capabilities, our legal authorities, our strong partnerships or our social licence. Ultimately it depends on the quality, diversity, professionalism and technical capabilities of our people.

In recent years we have faced workforce disruptions from Covid-19, building remediation and increased competition from public and private sectors for the skills and expertise of our people. The NZSIS continues to prioritise initiatives to attract and retain a diverse

workforce, including competitive remuneration, closing gender and ethnic pay gaps, enabling more flexible working, investing in employee development and fostering an inclusive culture.

### Turnover

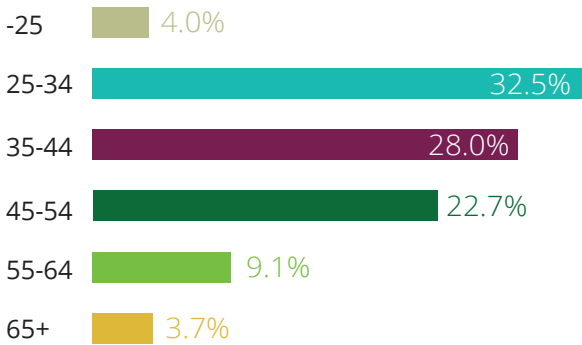
The NZSIS has seen a reduction in staff turnover by nine percentage points – from 20.3 percent in 2021/22 to 11.3 percent at 30 June 2023. When investigated, employees consistently report the primary reason for leaving is career development. Almost half (47.7 percent) of our permanent staff who ended their employment with the NZSIS are in the 25-34 age group.

Our average tenure for permanent staff is 5.6 years. There has been no change since last year. Over the 12 months to 30 June 2023, the majority of our core workforce (63.6 percent) who ended their employment with us left between one and five years of joining.

**TABLE: NZSIS Core Unplanned Staff Turnover (2018/19 – 2022/23)**

	2018/19	2019/20	2020/21	2021/22	2022/23
Staff Turnover	12.1%	12.3%	12.5%	20.3%	11.3%
Public Service	11.8%	10.1%	10.5%	17.3%	15.9%

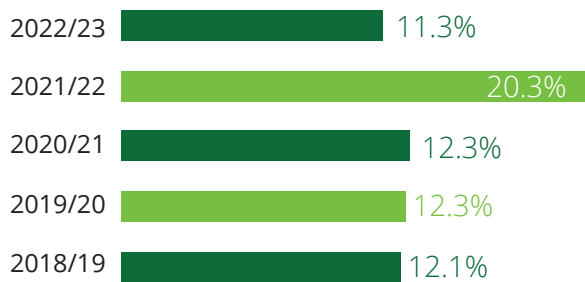
**GRAPH: NZSIS Age Demographic Breakdown as at 30 June 2023**



**Age demographics**

The majority of our workforce is younger than 45 years old (64.9 percent). This is reflective of our average age (41.0 years), which has decreased slightly by 0.3 years since 2021/22. Of our workforce, almost half (45.1 percent) started within the past three years.

**GRAPH: NZSIS Core Unplanned Staff Turnover**



**Retention and Recruitment**

The tight and competitive labour market, building remediation issues, and a five year high of 20.3 percent turnover in 2021/22 resulted in the NZSIS carrying a number of vacancies throughout early 2022/23.

We responded to this by putting significant effort into ensuring recruitment activities were prioritised, and increasing induction intakes to expedite the on-boarding of new employees. Additionally, along with the GCSB, we completed implementation of our new joint remuneration framework that provides market aligned remuneration for our people and enables us to compete for talent more effectively in the market.

Following these activities our turnover has steadily declined, returning to a more manageable level of 11.3 percent at 30 June 2023.

## Promoting diversity and inclusion

### Gender diversity

At 30 June 2023, women made up 33.3 percent of the NZSIS's senior management. This is a decrease of 19.1 percentage points since last year. There are two key factors driving this:

- for these reporting purposes we have changed our definition of “senior management” to align with the Public Service Commission Te Kawa Mataaho’s 2023 definition. This has reduced the number of roles considered as senior management, and those in roles which were removed identified as female.
- of the new starters who have joined this group since 1 July 2022, all have identified as male.

**Table 2: NZSIS Gender Representation (2018/19 – 2022/23)<sup>5</sup>**

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Senior Management (Tier 2 and 3)</b>					
Men	69.0%	75.0%	61.5%	42.9%	61.9%
Women	31.0%	25.0%	38.5%	52.4%	33.3%
Undisclosed	-	-	-	4.8%	4.8%
<b>All Staff</b>					
Men	53.3%	52.6%	52.5%	55.0%	55.4%
Women	46.7%	47.4%	46.0%	44.5%	43.2%
Undisclosed	-	-	1.5%	0.5%	1.4%

5. This year we have excluded those roles that are professional, specialist or support staff that do not have a management function as a significant part of their role to align with The Public Service Commission Te Kawa Mataaho’s definition of Senior Management.

## Gender Pay Gap

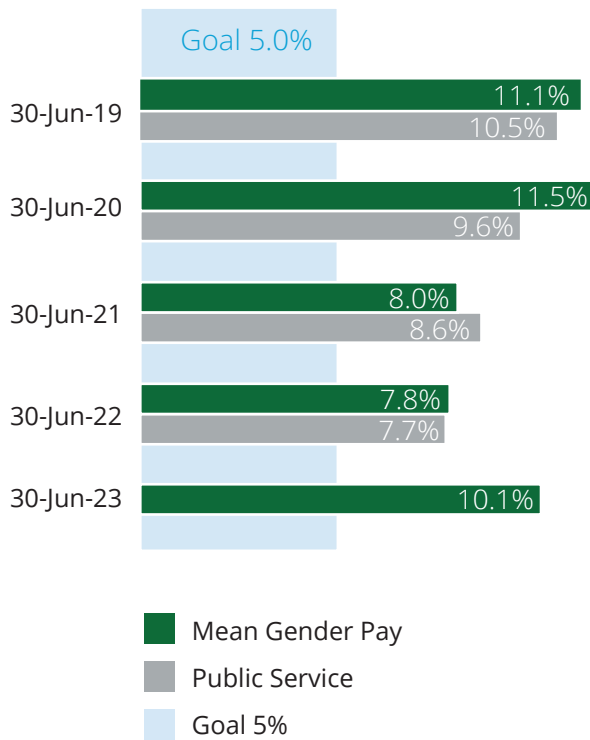
Addressing our gender pay gap<sup>6</sup> is a key feature of the NZSIS and GCSB's 2021-2025 Diversity and Inclusion Strategy. Our gender pay gap goal is no more than five percent.

As seen in graph, over the past three years, the NZSIS was tracking positively on gender pay gap measures, having increased representation of women at the senior management level and reducing our gender pay gap to 7.8 percent at 30 June 2022.

Our progress did not last throughout the reporting period, however, and at 30 June 2023, the NZSIS's average gender pay gap was 10.1 percent. This is an increase of 2.3 percentage points since last year and is due to a decline in the representation of women at the senior management level. The decline in representation of women in senior management, and increase in our gender pay gap, is of concern to us. We are actively exploring the rationale for why this is, which will inform what action is required to address this. Alongside this, we will use the review of our *Kia Toipoto Pay Gap Action Plan* to identify ways we can bring our gender pay gap down, alongside other pay gaps.

6. The gender pay gap is a high level indicator of the difference between female and male earnings. It is a comparison of the annual fulltime salary earned by male and female staff, including permanent, fixed-term and seconded out staff in accordance with Te Kawa Mataaho guidance on calculating the gap.

**Graph: NZSIS Mean Gender Pay Gap**



## Ethnic diversity

Staff can choose whether or not to disclose their ethnicity. Ninety-six and a half percent of our workforce disclosed at least one ethnicity, exceeding our 90 percent targeted disclosure rate for robustness of analysis. This is a decrease of 0.7 percentage points since last year. Since 2021/22, the percentage of staff who identify as New Zealand Māori, Asian, Pacific Peoples or Middle Eastern, Latin America or American (MELAA) increased by 1.9 percentage points.

**Table 3: NZSIS Staff Ethnicity (2018/19 – 2022/23)<sup>7</sup>**

	2018/19	2019/20	2020/21	2021/22	2022/23
European	71.2%	73.1%	81.1%	78.9%	79.4%
New Zealander <sup>27</sup>	27.5%	25.2%	20.7%	17.4%	-
New Zealand Māori	5.1%	6.8%	6.1%	6.1%	7.5%
Asian	5.7%	5.1%	5.6%	6.8%	6.8%
Pacific Peoples	2.8%	3.7%	4.1%	3.9%	4.8%
MELAA	1.6%	1.4%	2.3%	1.6%	1.2%
Other	0.3%	0.3%	0.3%	0.5%	14.5%

**Table 4: NZSIS Senior Management Disclosed Ethnicity (2023)<sup>8</sup>**

SENIOR MANAGEMENT (TIER 2 AND 3)	2022/23
European	81.0%
New Zealand Māori	4.8%
Asian	4.8%
Pacific Peoples	-
MELAA	-
Other	14.3%

7. These metrics cover the number of employees who identify themselves as having a certain ethnicity. They are calculated by taking the number of people who identify themselves as being in the ethnic group divided by the number of people who have provided an ethnicity. A person may identify with multiple ethnicities. This means the total of all percentages can add up to more than 100 percent. Metrics are taken 'as at 30 June' of the relevant year.
8. For 2022/23, staff who have self-identified their ethnicity as New Zealander fall under "Other" based on Stats NZ ethnicity groupings.

## Ethnic Pay Gaps<sup>9</sup>

European is the only ethnicity with a negative average ethnic pay gap (in favour). This means on average Europeans are earning 5.2 percent more than non-Europeans. We are undertaking work to address this.

**Table 5: NZSIS's Ethnic Pay Gaps (30 June 2023)**

ETHNIC GROUP	AVERAGE PAY GAP
European	-5.2%
New Zealand Māori	3.9%
Asian	14.4%
Pacific Peoples	17.6%

## Kia Toipoto Pay Gap Report and Action Plan

In 2022 the Public Service Commission Te Kawa Mataaho provided new guidance and expectations for reducing pay gaps. This is known as the Kia Toipoto Pay Gap Action Plan. It is a three year plan focused on addressing all pay gaps – gender, Māori, Pacific, ethnic, and other minorities (i.e. rainbow and disabled communities).

From August to October 2022 we partnered with staff to develop an action plan for our agency. We developed simple achievable actions for the short, medium, and long term. Since November 2022 we have:

- increased the number of ethnicities we collect information on, and run a campaign for staff to self-identify their ethnicities
- updated our job and pay band matrix to provide transparent data to staff
- developed a myth busting booklet to help break down barriers to entry in the NZIC.

Te Kawa Mataaho has openly acknowledged the quality of our report and action plan, highlighting it as an exemplar for the public service.

9. This is the first year Pacific Peoples has been included as there are now 20 or more that identify within this group. MELAA has been excluded as the number of staff identifying with this ethnicity is under the number needed for statistical robustness. An ethnic pay gap measures the difference between the average (or median) salary for an ethnic group and average (or median) salary of all those not in that ethnic group, expressed as a percentage of the average (or median) salary of those not in the ethnic group.



## Success stories

### **Neurodiversity Support Group – Step into the light**

Our employee-led-networks help develop and implement policy, process, and change initiatives. They give valuable insights to help create a culture of belonging. The Neurodiversity Support Group recently helped to review, update and implement our Reasonable Accommodation policy. Collaborative workshops were held with Neurodiversity Support Group members to help the GCSB and NZSIS to:

- Understand what a day in the life of our neurodiverse staff looked like – the challenges they faced and what was working well.
- Explore the future workplace and what was needed to support our neurodiverse staff to thrive.

Members had the opportunity to help shape the policy and ensure what we created addressed the real challenges faced by the neurodiverse community. The NSG also came up with the theme “Step into the light”, which will be woven throughout associated documentation and communications.

The Neurodiversity Support Group continue to provide support with the implementation of the policy. The group is helping to develop training and education resources for our managers and staff. This will help our people better understand neurodiversity and how they can support, work with, or manage neurodiverse staff.

### **Winners of the 2022 Diversity Works Leadership Award**

Together with the GCSB we won the Medium-Large Organisation Award in the Leadership category. We were awarded for driving diversity and inclusion across our agencies, and creating a welcoming and inclusive environment.

Our application focused on how we have built leadership capability for everyone. We spoke about our targeted diversity and inclusion learning programme for leaders and staff; and how this positively changed our workforce demographics and the experiences of our people.

Our success at the Awards comes down to a genuine belief in diversity and inclusion, supported by strong leadership, and a clear strategy to build a more diverse and inclusive workplace.

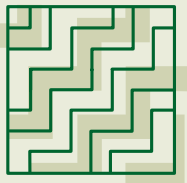
## Progress against Te Kawa Mataaho Papa Pounamu Commitments



### Addressing bias

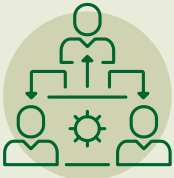
- 85.54 percent of NZSIS leaders and 90.48 percent of our Tier 2 and 3 leaders completed our Understanding & Managing Unconscious Bias learning module.
- We launched the Reasonable Accommodation policy alongside our neurodiverse and disabled staff, and ongoing work to implement training and education for managers and staff.

### Cultural competence



- 61.45 percent of NZSIS leaders have completed the Crown-Māori Relations programme, leading to increased understanding of New Zealand's history and the Treaty of Waitangi.
- Offerings will be expanded in 2023/24 to include workshops on engagement and application in the workplace.
- Continued development of our Māori cultural capability, including design and development of learning resources for managers and staff. More information can be found in our Māori cultural capability section.

### Inclusive Leadership



- Development of a manager induction pathway is underway, which will build management capability in alignment with inclusive leadership practices. Implementation is planned for late 2023.
- Awarded the Leadership Award at the 2022 Diversity Works Awards with the GCSB, recognising our efforts to drive diversity and inclusion and create a welcoming and inclusive environment.

### Employee-led networks



- Regrouped after Covid-19 and building disruptions to reinvigorate our employee-led networks (ELNs).
- Reviewed how we engage with ELNs, which resulted in better engagement with senior leadership and increased organisational support with network initiatives.
- Workshop held with ELNs to better understand what they wanted to achieve in 2023/24 and where support was required.

### Building relationships



- Established quarterly morning teas for new and existing staff to introduce our ELNs and groups, contributing to enquiries from staff interested in finding out more, or looking to join.
- Supported ELNs to attend partner diversity and inclusion conferences to enable them learn from others and share our ongoing journey in this space.

## Providing a safe and healthy work place

While our people are focused on protecting New Zealand, our Health and Safety Team are focussed on the ongoing health, wellbeing and physical safety of our people. We continue to take a pragmatic approach to health and safety, while ensuring that we are complying with the Health and Safety at Work Act 2015.

### Our approach to health and safety

#### Risk Management



To reduce the likelihood of low-frequency, high-impact catastrophic incidents our focus continues to identify and improve outcomes for NZSIS critical risks by putting controls and monitoring processes in place.

The Health and Safety Risk Management focus is split across safety risks and psychosocial risks, such as engaging with objectionable material or working unsociable hours.

#### Infrastructure



The NZSIS Head Office located on Pipitea Street operated at reduced occupancy between December 2021 and June 2023 due to an earthquake risk assessment of the building. Engineers prepared detailed seismic assessments and remedial works were undertaken. The building is now cleared to return to full occupancy.

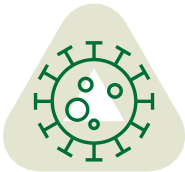
#### Worker Engagement and Participation



We have focused on improving worker engagement. The inaugural NZIC Health and Safety Representative Conference was held in May 2023 bringing together 33 representatives across the GCSB and NZSIS.

We have a 100 percent completion rate for all new starters completing the Health and Safety Induction Module.

#### Covid-19



The establishment of the Covid-19 Management Team enhanced our capability and preparedness for future emergencies and incidents.

Covid-19 changed some of the ways we work. Health and safety is responding to that change and putting in systems and processes to promote sustainable worker health and wellbeing.

### Annual Safety Performance Scorecard - NZSIS



Close calls / non injury



Restricted work Injuries<sup>10</sup>



First aid Injuries



Environmental Events

10. A restricted work injury is any work-related injury that prevents an employee or contractor from performing one or more of the routine functions associated with their job for a full working day.

## SYSTEMS AND SETTINGS NGĀ PŪNAHA ME NGĀ TUKANGA

### Focusing on Data

The new role of Director of Data and Information acts as the agency's Chief Data Officer, and is enabling the NZSIS to be more strategic and forward thinking in how it manages and exploits the growing data-rich world. It also provides leadership in support of the NZSIS's specific legislative requirements around access to and use of data.

A key focus for the NZSIS is developing a data strategy, supporting data cultural change, and enhancing the value gained from data. We will also continue our valuable work on managing data as an asset, through-life handling and the disposal and declassification of information.

Beyond the data we have a Multi-Classification Work programme which has piloted new ways of working.

### Review of the Intelligence and Security Act 2017 (ISA)

The ISA requires periodic reviews of the GCSB, the NZSIS and the ISA itself. Sir Terence Arnold KC and Matanuku Mahuika, with Dr Penelope Ridings as a special advisor, completed the first review on 31 January 2023. This review was brought forward to address issues raised by the Royal Commission of Inquiry into the terrorist attack on Christchurch masjidain (RCOI). The terms of reference focussed on considering the RCOI's recommendations about the ISA and identifying any improvements that could be made to the ISA to ensure it continues to be clear, effective and fit for purpose.

The review's report, *Taumarū: Protecting Aotearoa New Zealand as a free, open and democratic society*, was made publicly available in May 2023. The report has 52 recommendations on a range of matters, which are being considered by Government. The NZSIS and GCSB provided information to assist the reviewers to conduct their review.

The Government response to the report is being jointly led by the Prime Minister and the Minister Responsible for the NZSIS and the Minister Responsible for the GCSB. The Department of the Prime Minister and Cabinet administers the ISA and is the lead agency for responding to the review. The NZSIS and GCSB are supporting the Government's response.

## MĀORI CULTURAL CAPABILITY TE WHANAKETANGA O TE AO MĀORI

This past year has seen the NZSIS together with the GCSB having succeeded in initiatives and efforts to enhance our agency's understanding and integration of Māori culture and values.

The NZSIS acknowledges it is critical to recognise the place of Māori as tangata whenua, and our role in supporting the Government to fulfil its stewardship responsibility to strengthen the Crown's relationship with Māori. As part of the NZIC, we have continued to build on last year's progress by seeking out distant horizons, drawing them nearer and holding fast to the achievements in which we attain along the way.

Ka huri te kei o te waka ki te pae tawhiti

Kia hoe ngātahi ki te pae tata

Ki te whei ao, ki te ao mārama

The waka turns towards the distant horizon

Let us collectively make headway and paddle together as one, through  
the glimmer of dawn to the break of day

The NZIC has made headway on board our waka. One notable achievement is the introduction of Te Tiriti o Waitangi into our organisational strategy. This key shift is a step towards recognising how Māori values and principles should be incorporated into our operations and shows our strong commitment to being part of an honourable treaty partner.

As we continue on our journey towards te pae tawhiti we reflect on our past year under three key areas:

- Te pae tawhiti
- Whāia kia tata
- Whakamaua kia tīna

## **Te pae tawhiti** distant horizons

### **Our hopes and aspiration for improved cultural capability**

To promote capability uplift, the agencies recruited staff with a specific focus on Māori cultural capability. Their role is to build our capability framework and begin language planning; this will outline how we mature as an organisation on this cultural capability journey. This mahi will significantly contribute to how we as a community effectively integrate and improve our understanding of Māori language, customs and culture.

We held Māori capability workshops to ensure all staff are informed and engaged in the capability uplift process. We also conducted a capability survey, which will inform our capability uplift plan and te ao Māori strategy. A high response rate was received, with results indicating a widespread desire among staff to continue improving their understanding and engagement with Māori culture and values.

We remain committed to continuing to build greater understanding of te ao Māori, te reo Māori, tikanga and Te Tiriti o Waitangi (the Treaty of Waitangi / te Tiriti) throughout our day-to-day activities and interactions. The GCSB continues to draw close to our distant horizons.

## **Whāia kia tata** pursue and draw near

### **How our progress tracks against the objectives set**

We developed interactive pepeha and mihi tools with the GCSB in the previous financial year. These continued to be popular with staff from both the GCSB and NZSIS this year, with 115 staff accessing the resources. These resources facilitate understanding and engagement with Māori cultural protocols, helping our staff take steps towards improving their cultural competence.

We continued to grow Māori language class options for staff.

We also actively participated in the review of the Intelligence and Security Act 2017 and the national security strategy. Our te ao Māori team provided advice relating to te Tiriti in these reviews, ensuring that the principles of te Tiriti are duly considered in this legislation and policy-making process. We continue our mahi to pursue and draw near our objectives.

Notably, our pōhiri process for new staff Inductions has been updated to better reflect appropriate mihi or whaikōrero. By providing an opportunity for our leaders to welcome staff with the appropriate mihi or whaikōrero we continue to show our commitment to being a culturally responsive workplace.

## Whakamaua kia tīna hold fast to those of which we have attained

### Objectives we achieved and celebrate

We continue to strengthen our practice and recognise our achievements. In line with our efforts to promote the principles of te Tiriti, we conducted workshops with leaders, agency partners, and key Māori stakeholders, including Iwi Chairs representatives. This enabled open dialogue and reflection on our roles and responsibilities as a treaty partner. Through this, we are developing our robust te Tiriti framework that helps us promote fairness, equity, and partnership, and represent Māori perspectives in our decision-making processes.

We were proud to reflect Māori customs, values and protocols at the Five Eyes conference we hosted in September 2022.

At this, we incorporated Māori practices alongside mana whenua (pōhiri, karakia, whaikōrero, and mihimihi).

We celebrated Matariki 2022, the first Mātauranga Māori public holiday, by organising a hāngī for all staff. This event aimed to foster a sense of unity and appreciation for Māori culture among staff and an opportunity to grow awareness around the significance and importance of this national event.

We also observed Māori Language Week with enthusiasm. This event marked 50 years since the Māori language petition was taken to Parliament. Māori language activities were organised throughout the week to encourage engagement and support for te reo.

We are also proud to have embraced te ao Māori into our induction process, inter-weaving appropriate pōhiri and encouraging our leaders to welcome staff with mihi or whaikōrero. We remain committed to being a culturally responsive workplace.

## Hei whakakapi Conclusion

We acknowledge that while our movement is steady we are making headway on-board our waka towards te pae tawhiti. In the last year we have taken significant steps to understand and embrace Māori culture and values in our mahi. This illustrates the NZSIS's desire to uplift Māori capability and our efforts to build a culturally competent organisation. We have a long journey ahead of us and we acknowledge we are still in the phase of gathering resource, however, we are proud of how we are tracking on our journey of 'he waka eke noa'.



# Financial Statements

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## STATEMENT OF RESPONSIBILITY

I am responsible, as the Director-General of Security, and Chief Executive of the New Zealand Security Intelligence Service (NZSIS), for:

- The preparation of the NZSIS's financial statements, and the statement of expenses and capital expenditure, and for the judgements expressed in them;
- Having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting;
- Ensuring that end of year performance information on each appropriation administered by the NZSIS is provided in accordance with sections 19A to 19C of the Public Finance Act 1989, whether or not that information is included in this annual report; and
- The accuracy of any end of year performance information prepared by the NZSIS, whether or not that information is included in the annual report.

In my opinion:

- This annual report fairly reflects the organisational health and capability of the NZSIS.
- The Statement of Expenses and Capital Expenditure against Appropriation fairly reflects the total actual expenses and capital expenditure incurred for the year against the NZSIS's appropriation for the financial year ended 30 June 2023.



**Andrew Hampton**

Director-General of Security  
Te Tumu Whakarae mō Te Pā Whakamarumarū

29 September 2023

## INDEPENDENT AUDITOR'S REPORT

To the readers of the New Zealand Security Intelligence Service's statement of expenses and capital expenditure against appropriation for the year ended 30 June 2023

The Auditor-General is the auditor of the New Zealand Security Intelligence Service (the NZSIS). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of the statement of expenses and capital expenditure against appropriation of the NZSIS for the year ended 30 June 2023 on page 70.

### Opinion

In our opinion the statement of expenses and capital expenditure against appropriation of the NZSIS for the year ended 30 June 2023 is presented fairly, in all material respects, in accordance with the requirements of section 221(4)(a) of the Intelligence and Security Act 2017.

Our audit was completed on 29 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Director-General of Security and our responsibilities relating to the information to be audited, we comment on other information, and we explain our independence.

### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of the Director-General of Security for the information to be audited

The Director-General of Security is responsible on behalf of the NZSIS for preparing a statement of expenses and capital expenditure against appropriation of the NZSIS that is presented fairly, in accordance with the requirements of the Intelligence and Security Act 2017.

The Director-General of Security is responsible for such internal control as is determined is necessary to enable the preparation of the information to be audited that is free from material misstatement, whether due to fraud or error.

In preparing the information to be audited, the Director-General of Security is responsible on behalf of the NZSIS for assessing the NZSIS's ability to continue as a going concern. The Director-General of Security is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the NZSIS, or there is no realistic alternative but to do so.

The Director-General of Security's responsibilities arise from the Public Finance Act 1989 and the Intelligence and Security Act 2017.

## Responsibilities of the auditor for the information to be audited

Our objectives are to obtain reasonable assurance about whether the information we audited, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the information we audited.

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Estimates and Supplementary Estimates of Appropriations 2022/23 for Vote Security Intelligence.

We did not evaluate the security and controls over the electronic publication of the information we audited.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NZSIS's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director-General of Security.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Director-General of Security and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NZSIS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NZSIS to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the information we audited, including the disclosures,

## AUDIT NEW ZEALAND

Mana Arotake Aotearoa

and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation in accordance with the requirements of the Intelligence and Security Act 2017.

We communicate with the Director-General of Security regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Director-General of Security is responsible for the other information. The other information comprises the information included on pages 5 to 66, but does not include the information we audited, and our auditor's report thereon.

Our opinion on the information we audited does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the information we audited or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independence

We are independent of the NZSIS in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the NZSIS.



**S B Lucy**

Audit New Zealand

On behalf of the Auditor-General  
Wellington, New Zealand

# STATEMENT OF EXPENSES AND CAPITAL EXPENDITURE AGAINST APPROPRIATION

FOR THE YEAR ENDED 30 JUNE 2023

	\$000
Total Appropriation	\$113,530
Actual Expenditure	\$101,507

The "Total Appropriation" in the table above incorporates both operating expenses and capital expenditure forecast for the year. The "Actual Expenditure" includes the actual operating expenses and the actual capital expenditure incurred.







**Te Pā Whakamarumarū**  
New Zealand Security  
Intelligence Service