



Christchurch City Holdings Limited

STATEMENT OF INTENT

FOR THE YEAR ENDING 30 JUNE 2020



Introduction

This Statement of Intent (Sol) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

The Sol sets out for Christchurch City Holdings Limited (CCHL) and its subsidiaries the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of the group may be judged in relation to its objectives.

The Sol is a public and legally required document, reviewed and agreed annually with its shareholder, the Christchurch City Council, and covers a three year period.

CCHL is recognised as a council-controlled organisation (CCO) for the purposes of the Local Government Act 2002.

Nature and scope of our activities

CCHL is the commercial and investment arm of the Council. It was incorporated on 12 May 1993 to act as the holding company for the Council's commercial investments. As a result, it is a council controlled organisation under the Local Government Act 2002.

CCHL has eight direct Operating Subsidiaries, being Orion New Zealand Ltd (Orion), Christchurch International Airport Ltd (CIAL), Lyttelton Port Company Ltd (LPC), Enable Services Ltd (ESL), City Care Limited (Citycare), Red Bus Limited (Red Bus), EcoCentral Limited (EcoCentral) and Development Christchurch Limited (DCL). Six of these are 100% owned, the other two are majority owned by CCHL, being Orion (10.725% owned by Selwyn District Council) and CIAL (25% owned by the Crown).

CCHL's mission is to support the future growth of Christchurch by investing in key infrastructure assets that are commercially viable and environmentally and socially sustainable. CCHL's approach is to work with the Council to identify infrastructure needs of the region not being filled by the private sector or existing Council operations. This led to the establishment of entities such as ESL and DCL. This approach has resulted in CCHL and the Council (through its ownership of CCHL) owning a valuable portfolio of trading companies with strategic assets.

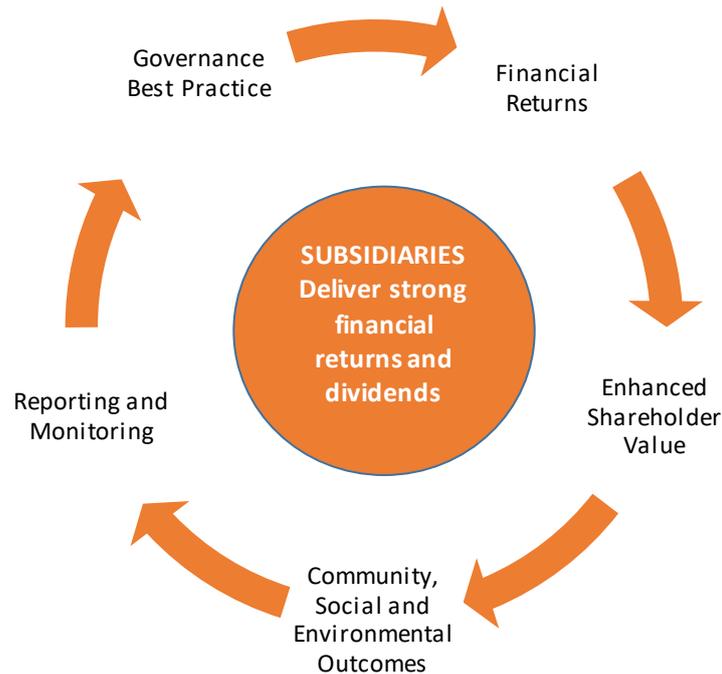
Continuing with this approach may result in CCHL's portfolio changing over time to meet the Christchurch region's infrastructure needs.

Objectives

The core role of CCHL is to monitor the Council's existing investments, which largely service the region's existing infrastructure needs. The general objective of the CCHL investments are to deliver strong financial returns and dividends to the Council.

CCHL is mindful of the significant investment by the Council in its operations, and of the need to preserve and grow shareholder value and the level of dividends to the Council.

In light of the above, CCHL's objectives are as follows:



Governance Best Practice

- To encourage exemplar leadership and best practice governance of our subsidiaries by recommending diverse Boards that have the appropriate mix of industry, sector, strategic, community focus and technical skills

Financial Returns and Enhanced Shareholder Value

- To build the financial strength of CCHL through appropriately directed commercial investment, in a manner consistent with the approach set out in the acquisition/divestment policy and through efficient financial practices.
- To encourage and facilitate the subsidiary companies to increase shareholder value and regional prosperity through growth, investment and dividend payments.

Reporting and Monitoring the Investment Portfolio

- To advise the Council on strategic issues relating to its trading investments including, but not limited to, ownership structures, capital structures and rates of return.
- To encourage intra-group cooperation.
- To monitor the performance of each subsidiary against their stated economic, environmental and social performance objectives and against relevant industry benchmarks.
- To perform functions required by the Council which include:
 - Grouping together the Council's ownership of its subsidiary companies;
 - Separation of the subsidiary companies from the ordinary operations of the Council;
 - Smoothing the cash flows to the Council from its subsidiary companies;
 - Enabling diversification of the City's income streams for the benefit of ratepayers; and
 - Encouraging CCHL Group subsidiaries to focus on achieving the expectations set out in the shareholder letter of expectation.

Community, Social and Environmental Outcomes

- To identify, in conjunction with relevant parties, present and future regional infrastructural needs, and to support the establishment and maintenance of resilient infrastructure in Christchurch and Canterbury.
- To seek, on behalf of the Council, investment opportunities that have the potential to enhance the economic, social and environmental well-being of the region, to provide an adequate return, and to meet the strategic objectives of the Council. In order to balance these objectives, CCHL may in appropriate circumstances accept a lower return or slower route to profitability.
- To Support the Council's Strategic Priorities as outlined in their Strategic Framework and encourage our subsidiaries to focus on those that are relevant to them to provide leadership for the city. Strategic Priorities include:
 - Enabling active citizenship and connected communities
 - Maximising opportunities to develop a vibrant, prosperous and sustainable 21st century city
 - Climate change leadership
 - Informed and proactive approaches to natural hazard risks
 - increasing active, public and shared transport opportunities and use
 - Safe and sustainable water supply and improved waterway.
- To manage the expectations that some of our subsidiaries are not owned wholly for commercial gain, and balance the optimal mix of commercial and community benefits.
- To promote within the group:
 - Social and Corporate responsibility;
 - Rigorous health, safety and wellbeing management and reporting;
 - Sound and equitable employment practices in accordance with the CCHL policy on Diversity & Inclusion;
 - The need to show significant restraint in terms of the level of executive remuneration, and achieve greater equitable relativity within our companies.
 - Environmental sustainability in accordance with the CCHL policy on Sustainability;
 - Innovative practices with specific emphasis on disruptive or new technologies
 - A community focus; and
 - Taking other initiatives at the request of the Council

Nature and scope of activities

The company was established in May 1993 to act as the holding company for the Council's commercial investments.

The CCHL group structure is summarised as follows:



CCHL also holds 100% of the shares in four shelf companies. These companies have no assets or liabilities and are non-trading, but have the potential to be activated in the future subject to prior consultation with the Council.

CCHL exercises its role in relation to its objectives through a variety of means, including:

- **Letters of Expectation** – sent by CCHL to each Operating Subsidiary each year, setting out CCHL’s shareholder expectations for the subsidiaries’ scope of activity and financial performance.
- **Statements of Intent (SOI)** – each Operating Subsidiary is a Council-controlled trading organisation under the Local Government Act 2002, so must produce an annual SOI setting out its operational and financial intentions. Although SOIs are adopted by each subsidiary without requiring formal CCHL approval, they provide CCHL with the opportunity to review the subsidiary’s intentions and raise any matters of concern in advance.
- **Routine monitoring** – each Operating Subsidiary provides formal quarterly reporting to CCHL for review, including operational performance and progress against SOI targets. Full financial statements are required semi-annually for consolidated reporting purposes, with audited financial reporting required annually. 3 year business plans are also provided annually.

- **Appointment of directors** – CCHL selects and appoints all directors to its subsidiaries following approval by Council, except for Orion and CIAL where the minority shareholders have certain appointment rights. In addition CCHL has the ability to remove its appointed Operating Subsidiary directors as it sees fit.

CCHL may provide debt funding to a subsidiary company on agreed terms, subject to meeting the requirements of the CCHL Master Trust Deed and funding facility agreements.

Activities of the subsidiary companies are as follows:

Orion New Zealand Ltd (Orion)

CCHL acquired its 89.275% stake in Orion from the Council in 1993. The remaining 10.725% is held by the Selwyn District Council. Orion originally carried out electricity retail and distribution activities, but sold its electricity retail activities following the energy industry reforms introduced in 1998.

Orion owns and operates the electricity distribution network between the Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur’s Pass. It has approximately 200,000 customer connections, and is NZ’s third largest electricity distribution business (*EDB*) when compared on line revenue, asset size and system length (km).

Orion also owns the electrical contracting business Connetics Limited. Connetics is a contracting service provider to utility network operators, local authorities, developers and commercial/industrial customers. Connetics employs approximately two thirds of the Orion group employees and comprises approximately 2% of the Orion group’s operating assets. Connetics is a strategically owned asset for Orion, as it undertakes approximately half of Orion’s network fieldwork and it is an important part of Orion’s emergency response capability.

Maintaining a resilient network that provides continuity of supply, and working with the community to establish an effective way forward with disruptive technologies impacting on their business are the key priorities for Orion over the next few years.



Christchurch International Airport Ltd (CIAL)

Christchurch Airport first opened as a commercial airport in 1939 as a division of the Council. CIAL was incorporated in 1988 to operate the airport business. Primarily, CIAL is responsible for the efficient and safe operation of the Airport, while aiming to provide the Airport's diversity of users with modern, appropriate and efficient facilities and services.

CCHL acquired its 75% stake in CIAL from the Council in 1995. The remaining 25% stake is held by the Crown.

The Airport is located 10 kilometres northwest of Christchurch city centre, on the western city development edge and is a critical piece of national and regional infrastructure. As the gateway for Christchurch and the South Island, the Airport is NZ's second largest airport based on passenger numbers and the busiest and most strategic air connection for South Island trade and tourism markets.

CIAL has a land holding of approximately 1,000 hectares (including the Airport). While this land is held for airport purposes, land not needed for immediate aeronautical and terminal activity has been identified in CIAL's Master Plan for commercial property development. Business risk diversification through property growth underpins the long term competitive position of CIAL's aeronautical services and derisks CIAL against aviation volatility which can impact profitability.

Key initiatives for CIAL continues to be focused around Planes, Passengers and Property, as it continues to balance its core purpose of providing airport services with ensuing stability to its income streams by being a landlord.



Lyttelton Port Company Ltd (LPC)

The first port at Lyttelton was established in 1849. LPC was established in 1988 under the Port Companies Act 1988 to take over the Port's commercial role including the land, assets and facilities.

CCHL acquired the Council's shares in 1995, and in 1996 LPC was listed on the NZX main board, following the decision by Hurunui and Selwyn District Councils to sell their shares. The following year the other regional authorities followed suit, resulting in CCHL being the largest shareholder with 65%. CCHL continued to acquire shares over the years, until October 2014 when it acquired the remaining shares to achieve 100% ownership, and delisted LPC.

Lyttelton Port is the South Island's largest port by volume and the third largest container port in NZ processing over 400,000 TEUs (20-foot equivalent units) of containerised cargo in FY17 (its highest annual volume).

LPC's revenue is received from shipping and shipping related services, including stevedoring and cargo handling for a diverse range of cargo. It owns two Inland Ports which improve the

Port's connectivity for South Island trade – CityDepot is located 6 kilometres from Lyttelton, and MidlandPort at Rolleston which provides a direct daily rail link with the Lyttelton Port.

Implementation of the Port Recovery Plan approved in November 2015 is the key priority for Lyttelton Port over the next few years.



Enable Services Ltd (ESL)

ESL was established in February 2007 by CCHL to investigate the opportunity of developing a fibre optic network covering key public and private business locations throughout greater Christchurch. ESL participated in the Government's partner selection process and, in conjunction with CIP, established ENL in May 2011. ESL was then awarded the Ultra-Fast Broadband contract to build and operate a fibre optic network for greater Christchurch.

The completed network will extend across greater Christchurch and to a number of towns in the Waimakariri and Selwyn Districts. The network build was completed in May 2018, eighteen months ahead of its contractual requirement.

Enable Services owns the shares of Enable Networks Ltd, meaning the city of Christchurch now controls ownership of its fibre network.



City Care Ltd (Citycare)

Citycare was formed in 1999 to acquire the Works Operations Unit of the Council. At that time Citycare was a company operating solely in Christchurch, providing services to the Council only. CCHL acquired the shares in Citycare from the Council in 2002.

In 2002, Citycare entered into the Auckland market, through an acquisition. Since then the Citycare group has grown and matured into a leading national provider of construction, maintenance and management services for parks, public gardens, sports fields, cemeteries, waterways, coastal areas, buildings and public facilities, roading networks and water, wastewater and stormwater networks. Citycare provides these infrastructure services from 17 locations throughout the country.

Citycare is structured into three sectors: Water, Property, and Civil, to differentiate the specific specialist services each sector offers.

Citycare will continue to drive growth through its core business units, with a main focus on customer acquisition, delivering operational excellence and continuing to build on its strong health and safety culture.



Red Bus Ltd

Red Bus was established in 1991 after the transport industry was deregulated. CCHL acquired Red Bus from the Council in 1995. It operates urban and school bus routes within Christchurch city and tourism and coach services across the South Island.

Red Bus's primary revenue is from fixed income contracts for its urban routes with Environment Canterbury and is not driven by passenger numbers. In 2015 Red Bus established Red Travel, a division that provides coach and tourism services, initially supplying the local regional community.

In 2016, Red Travel was boosted by the acquisition of Aaron Travel, a tourism company with 10 coaches increasing the Red Travel fleet to 24 vehicles.



EcoCentral Ltd

In 1997, the Council established a charitable trust to sort plastics, paper and recycle whole bottles. In 2005 it won a contract to take over the transfer stations, and became Terranova. Meta NZ (a subsidiary of Terranova) took over responsibility for the recycling plants and won a contract to operate a materials recycling facility from the Council in 2009. The Council (through EcoCentral) then bought Meta's operations in 2009 and sold its shares in EcoCentral to CCHL in 2011.



EcoCentral manages the processing of household and commercial refuse and the automated sorting of recycling throughout Canterbury. Since the 2010/2011 Canterbury earthquakes EcoCentral has had strong revenue streams, mostly (73% in FY17) from user charges received at its three refuse centres. EcoCentral has a long term Council contract to operate the recycling plant which generates revenue from the sale of recycled products mostly to offshore markets. It also runs an EcoShop that sells secondhand goods to the local community.

Ecocentral will continue to drive other waste initiatives, and work with Council to implement as appropriate for the Christchurch community.

Development Christchurch Ltd

CCHL established DCL in July 2015 at the request of the Council to deliver on the Council’s ambition to drive investment opportunities, encourage urban development, aid regeneration and engage the community in activities that will benefit Christchurch.

DCL worked with the Council on the New Brighton urban redevelopment and produced a Land Development Strategy for Christchurch city which involves a framework for working with private partners to develop surplus Council land for specific regeneration outcomes.



Corporate Governance

This statement gives readers an overview of the company’s main corporate governance policies, practices and processes adopted or followed by the CCHL Board.

Role of the Board of Directors

The Board is responsible for the strategic direction and control of the company's activities. The Board guides and monitors the business and affairs of CCHL on behalf of the shareholder, Christchurch City Council ('the Council'), to whom it is accountable, within the framework of the mission and objectives that are set out in this Statement of Intent.

The Chief Executive is responsible for the day to day management of the company.

All directors are required to comply with a formal Code of Conduct, which is based on the New Zealand Institute of Directors' Principles of Best Practice.

The Chair will conduct a board effectiveness review with the Board on a periodic basis.

Responsibility to shareholder

Statement of Intent

In accordance with the Local Government Act 2002, the company submits a draft Statement of Intent (Sol) for the coming financial year for consideration by CCHL's shareholder, the Council. The Sol sets out the company's overall objectives, intentions and financial and performance targets. Having considered any comments on the Sol by the Council, the company issues its Sol in final form.

Information flows

The Board aims to keep the Council informed of all major developments affecting the company's and group's state of affairs, while at the same time recognising that commercial sensitivity may preclude certain information from being made public. Within this constraint, information is communicated to the Council through quarterly reports to the Council detailing performance against statement of intent targets, periodic workshops/briefings and regular discussions with Council management.

The Board recommends to the Council the appointment of new directors to subsidiary companies under Council policies on Director Appointment and Remuneration. CCHL also seeks input from Council on the draft subsidiary company Sols, and receives the final Sols once approved by the subsidiary boards.

Board composition and fees

The Board comprises eight directors - four Councillors and four Independent directors.

All Councillor directors are required to retire by rotation within three months following the triennial local government elections, but are eligible to be re-appointed. Where there are four or more non-Councillor directors, two of those directors must retire by rotation annually, but may offer themselves for re-appointment. Appointments to CCHL are made in accordance with the Council policy on Appointment and Remuneration of Directors.

Fees for the CCHL Board and all subsidiary boards are set triennially. In relation to the CCHL Board fees, CCHL recommends fee levels to the Council, based on commercial norms, but discounted to reflect a public service element. In relation to subsidiary Board fees, CCHL will

approve the Board fees, based on commercial norms, but discounted to reflect a public service element. Where a director provides professional services over and above the normal role of a director, they are entitled to charge for those services at commercial rates provided the conditions of the Board's Conflict of Interest policy are met.

The Board has resolved on the request of Council that no fees are to be paid to Councillor directors, but the equivalent are donated to the Mayor's Welfare Fund or nominated fund approved by Council.

The Board generally meets at monthly intervals, and more often when required.

Board Committees

Audit and Risk Management Committee

The responsibilities of the Audit and Risk Management Committee include reviewing the company's accounting policies, reporting practices and resultant financial statements. The committee will also consider external audit reports, external audit appointments, audit relationship matters and fees, and risk management issues. The CCHL Chairperson cannot be the chair of the Audit and Risk Management Committee.

Governance and Appointments Committee

A key objective of this committee, which is led by the CCHL Chairperson, is to assist in developing, reviewing and formalising the company's governance procedures. Additionally the committee is responsible for recommending director appointments to CCTOs and other subsidiaries.

Funding Sub Committee

In 2017 a Funding Sub Committee was established to manage the roll out of the debt capital market programme. The Chair of the Funding Sub Committee is the Chair of the Audit and Risk Committee.

Other committees

The board establishes other committees on an as needed basis to deal effectively with issues as they arise.

Remuneration Policy

The company is especially conscious of its public responsibilities in the setting of remuneration for senior executives, which is closely managed by the Board and made publicly available via the annual report.

The company has policies and procedures in place to ensure remuneration levels are set at responsible limits that are able to attract and retain the people we need to manage and operate the business. These include.

- Delegated financial authorities for hiring of new employees and remuneration setting.
- An annual staff appraisal and pay review process.
- Market appraisal of remuneration levels of key staff.

Subsidiary companies

Monitoring

Each subsidiary submits annually a draft Statement of Intent. CCHL reviews the Sol, suggests any changes that may be considered appropriate, and then forwards the draft Sol to the Council for consideration. The Council may also suggest changes.

Representatives of the subsidiary board and management meet with CCHL at least twice each year, to discuss the company's strategic direction and any significant issues that arise. The Board also receives such other reports as are necessary to perform its monitoring function. However, CCHL does not involve itself in the management of the subsidiary companies.

Board appointments

All directors of subsidiary companies are selected for their commercial expertise and aptitude in accordance with the Council's appointments policy.

Financial

Directors review parent company financial and other reports monthly, and provide formal consolidated group financial statements to the shareholder and market twice annually – for the half year to 31 December (unaudited) and for the year ended 30 June (audited).

Ratio of shareholder's funds to total assets¹

The forecast ratio of shareholder's funds to total assets for the next three years is:

Group	Y/e 30 June	2020	2021	2022
Shareholder's funds/total assets		42%	42%	44%

Accounting policies

CCHL has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. The detailed accounting policies are available in our most recent annual report as published on our company website.

Refer <https://www.cchl.co.nz/annual-reports>

The key performance targets of CCHL group are to achieve or better the financial results set out in the following table:

¹ "Shareholders' funds" are defined as the sum of paid up capital, capital reserves and revenue reserves of the parent company. "Total assets" are defined as the total book value of all assets of the parent company as disclosed in the statement of financial position.

Group	Y/e 30 June	2020	2021	2022
Net profit after tax (\$m)		92	117	113
Net debt/net debt plus equity		52%	52%	51%
Interest cover (EBIT/interest)		2.8	3.0	2.8
Return on average equity		4.9%	6.1%	5.6%
Ordinary dividends (\$m)		45.1	51.0	51.8
Special dividends (\$m)		3.2	-	-

In 2017 CCHL established a new bond programme in the debt capital market by issuing a fixed rate 5 year bond. This was followed up with a fixed rate 6 year bond issue in 2018.

The key purpose of these issues was to fund CCHL's capital release commitments, and to diversify CCHL's source of debt funding.

CCHL has listed these Bonds on the NZX Debt Market. With this comes additional reporting requirements including:

- Continuous Disclosure requirements including material information in relation to CCHL that a reasonable person would expect, if it were generally available to the market, to have a material effect on the price of the Bonds.
- Half year preliminary announcement
- Compliance with Financial Reporting Act 2013 and Part 7 of the Financial Markets Conduct Act.
- Other administrative information including but not limited to:
 - Proposal to amend conditions of bonds
 - Change in directors/officers or auditor
 - Change of contact details for CCHL
 - Change to credit rating

Other performance measures

In addition to the above financial performance measures, the CCHL Board will use the following measures to assess its performance over the 2019/20 financial year.

Governance, Monitoring and Reporting

	Objective	Performance target
1.	CCHL maintains a strategic direction that is consistent with that of 100% shareholder Christchurch City Council (CCC).	CCHL will submit a draft Sol for 2020/2021 for approval to CCC by 1 March 2020. CCHL will issue letters of expectation to and engage with subsidiary companies prior to the 2020 Sol round regarding the structure and content of the group Sols. CCHL will review the companies' performance in the context of its statutory obligations under the Local Government Act
2.	CCHL keeps CCC informed of all significant matters relating to	Major matters of urgency are reported to CCC at the earliest opportunity.

	CCHL and its subsidiaries, within the constraints of commercial sensitivity and NZX listing requirements	CCHL will provide a quarterly report showing progress against Sol targets which will be submitted to the agreed Council Committee CCHL will attend Committee meetings and report as required
3.	CCHL manages its continuous disclosure requirements for NZX effectively	Matters of material impact are disclosed in line with CCHL framework for continuous disclosure.
4.	Corporate governance procedures are appropriate, documented and reflect best practice.	The company's policies will be reviewed in accordance with a schedule approved by the Board.
5.	Directors make an effective contribution to the CCHL board, and their conduct is in accordance with generally accepted standards.	The Chair will conduct a board effectiveness review with the Board.
6.	CCHL's process for the selection and appointment of directors to the boards of subsidiary companies is rigorous and impartial and is aligned with governance best practice including supporting diversity of thought around the board table.	The process followed for each appointment to a subsidiary company board is transparent, fully documented and in line with approved policies and procedures. CCHL will actively monitor board diversity (considering all relevant diversity perspectives/measures) across the CCHL Group.
7.	CCHL maintains contact with subsidiary company boards, and remains aware of their strategic and business issues.	CCHL receives a report noting progress against performance on a quarterly basis from its subsidiaries. CCHL management will meet with subsidiary company management regularly to review current performance and strategic focus areas.

Strategic, financial and sustainability objectives

	Objective	Performance target
1.	CCHL and its subsidiary companies have sufficient (but not excessive) financial flexibility, whether through their own capital structures or through the availability of capital from CCHL, to undertake	CCHL will monitor its capital structure and that of each subsidiary company on an ongoing basis CCHL will implement an intra-group funding programme to support the growth of its subsidiaries and provide lower cost of funding for the group

	growth and investment initiatives.	
2.	Subsidiary companies adopt strategies that are compatible with the strategic direction of CCHL and CCC.	<p>CCHL will actively engage with subsidiary companies to ensure they are strategically aligned with shareholder expectations.</p> <p>CCHL will continue to work actively with its subsidiaries to ensure that (where appropriate) regional growth initiatives are included in their business strategies.</p>
3.	Subsidiary companies set and attain environmental, social and innovative performance objectives that are compatible with their activities, commercial nature and other objectives.	<p>CCHL will encourage its subsidiary companies to include relevant and appropriate environmental, social and innovative objectives and performance targets in their respective Sols.</p> <p>CCHL will work with its subsidiary companies to create an Integrated reporting framework over the next three years.</p>
4.	CCHL financial and distribution performance meets the shareholder's expectations.	CCHL pays a dividend for the 2020 financial year that meets or exceeds budget, and achieves the other budgeted key performance measures set out in this Sol.
5.	CCHL's investments provide an appropriate return in relation to their business risk, and against external benchmarks.	CCHL will annually review the performance of its major subsidiary companies against external benchmarks, and assess the value of the investment in the individual company in relation to its inherent business risk and community benefits.
6.	CCHL's treasury management policies and practices are consistent with best practice.	CCHL's treasury management policies are reviewed on an annual basis.

Distributions to shareholder

CCHL will pay dividends to the shareholder after taking into account its profitability and future investment requirements. The dividends payable to the shareholder will be determined by the Board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

The ordinary dividends are forecast to be paid in three instalments in October, December and June of each financial year. CCHL note the request of its shareholder to maximise its dividend returns, but note this needs to be balanced against the CCHL requirement to manage and reduce its existing debt levels over time..To manage our shareholder requirements, CCHL will continue to forecast its dividend returns at a level that it can meet with a high degree of certainty over the next three years to allow Council to plan accordingly.

Forecast dividend payments (excluding any adjustments relating to subvention payments) are set out in the "Performance Targets and Measures" section.

Information to be provided

Statutory information requirements

The company will provide an annual Statement of Intent in accordance with Section 64(1) of the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the shareholder.

CCHL will submit an annual report to the market and its shareholder. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period, and to comply with the requirements of the Companies Act, Financial Reporting Act, Financial Markets Authority and the NZX listing rules.

The company will also prepare interim consolidated financial statements to 31 December, and a review of the period, that comply with NZ IAS 34 "Interim Financial Reporting" by 28 February.

Other information to meet the needs of the Council

The company will provide quarterly reports to the Council on its activities and the results of its subsidiary companies. It will operate on a "no surprises" basis in respect of significant shareholder-related matters, to the fullest extent possible in the context of commercial sensitivity, confidentiality agreements and NZX listing continuous disclosure requirements.

Acquisition/divestment policy

CCHL

In relation to the potential acquisition or divestment of assets/investments (i.e. equity interests, shares, or equivalent) held directly by CCHL (parent entity), CCHL will seek Council approval of any transaction which results in a change to the ownership interest held by CCHL.

Subsidiary of CCHL

In relation to the potential acquisition or divestment of assets/investments (i.e. equity interests, shares, or equivalent) by a subsidiary of CCHL (subsidiary entity), CCHL will adopt the following approach:

- If the transaction is a Major Transaction (as defined by the Companies Act), CCHL will consider the proposal, and as the shareholder of the subsidiary, CCHL is required to either approve or not approve the transaction. In accordance with, and subject to, the Information Flows paragraphs of the Responsibility to Shareholder section of this Sol and the "no surprises" policy, CCHL will consult with Council, prior to determining whether or not to approve the proposed transaction.
- If the transaction is material, but not a Major Transaction, CCHL will request that the subsidiary companies consult with CCHL prior to entering into the proposed transaction, and CCHL will inform Council under the "no surprises" policy.
- If the transaction otherwise requires shareholder approval from CCHL, CCHL will assess the transaction and determine whether or not to approve it, and CCHL will keep Council informed under the "no surprises" policy.

Activities for which compensation is sought from any local authority

Currently there are no activities for which compensation will be sought from any local authority.

It is noted that the Council has a contingent liability to the extent of \$1.3 billion in respect of unpaid issued capital in CCHL. There is no current intention to make a call on any uncalled capital.

Commercial value of shareholder's investment

The Council's investment in CCHL as at 30 June 2018 was independently valued at \$2.1 billion.

Role in the Christchurch City Council group and regional economy

CCHL's objectives with regard to commercial relationships within the Christchurch City Council group, and its role in the growth of the regional economy, are set out in the "performance measures and targets" section.