



Christchurch
City Holdings
Limited

Statement of Intent

For the Year Ending 30 June 2022



A WHOLLY OWNED SUBSIDIARY of CHRISTCHURCH CITY COUNCIL



Introduction

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

The SoI 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.

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



Many of CCHL's investments have economic impacts into regions beyond Christchurch City, some are assets of national economic significance and not all are owned 100% by CCHL. The chart below brings these aspects of 'Community' focus and 'Commercial' focus together to highlight that inherently meeting all of these requirements will at times be internally conflicting. Accordingly, the roles of the independent subsidiary Boards is to review all of the needs on the businesses from shareholders, customers, regulators, our community and various legislative requirements. It is the role of the independent Board's to strike the best balance of these inputs when developing the SoI and long term strategy for each business.

CCHL articulates its key focuses to each independent board in an annual letter of expectation to that business. This is in turn informed by the annual letter of expectation received from CCHL's shareholder, Christchurch City Council. A good way to contextualise the various aspects in the model above is by considering our CCHL purpose:

"By being good kaitiaki, CCHL's purpose is to make a positive difference to our community by ensuring the city's major investments provide commercial returns and at the same time provide leadership in the areas that matter to the wellbeing of our residents and our environment".

The CCHL Group SoI has been prepared in the context of:

- our ultimate public ownership through Christchurch City Council;
- the Local Government Act provisions relevant to subsidiary companies;
- the Commerce Act provisions relevant to regulated activities;
- other relevant legislative provisions, while;
- noting the rights and interests of other shareholders where that is relevant.



CCHL is the commercial and investment arm of Christchurch City Council (the Council).

The CCHL Group is made up of six trading companies – Orion New Zealand Ltd (Orion), Christchurch International Airport Ltd (Christchurch Airport), Lyttelton Port Company Ltd (LPC), Enable Services Ltd (Enable), City Care Ltd (Citycare) and EcoCentral Ltd (EcoCentral).

Four of the CCHL subsidiaries are 100% owned, the other two are majority owned, being Orion (10.725% owned by Selwyn District Council) and Christchurch International Airport (25% owned by the Crown).

CCHL's purpose statement is focused on supporting the future growth of Christchurch by investing in key infrastructure assets that are commercially viable and environmentally and socially sustainable.

COVID-19 Impact

The impact of COVID-19 on some of our trading entities has been significant. However, the strength of the CCHL Group that holds a diverse group of key infrastructure assets is the ability to balance the challenges of some of the entities in the short term, with others that are not as badly impacted.

Whilst this does not mean the CCHL Group will not be negatively impacted, it does mean that we will make decisions today that support our strategic assets to recover more quickly and strongly in the long term. Balancing that, CCHL is fully aware of the implications of its decisions regarding managing cash returns to its shareholder and the wider community.

The lessons learned from the 2010/11 earthquakes on Christchurch and Canterbury businesses allowed us to:

- Respond quickly to the rapidly deteriorating impact as it emerged
- Recognise that decisions made in the heat of the crisis may impact on the ability of the entity to recover more quickly
- Capitalise on our ability to work together with the Group, our shareholder and the wider community as we balance the needs of now with that of future generations.

COVID-19 continues to impact the world and it is not expected to return to pre-COVID conditions anytime in the near future. With this in mind whilst our SoI provides Group financial forecasts for the next three years, these results may continue to be impacted by:

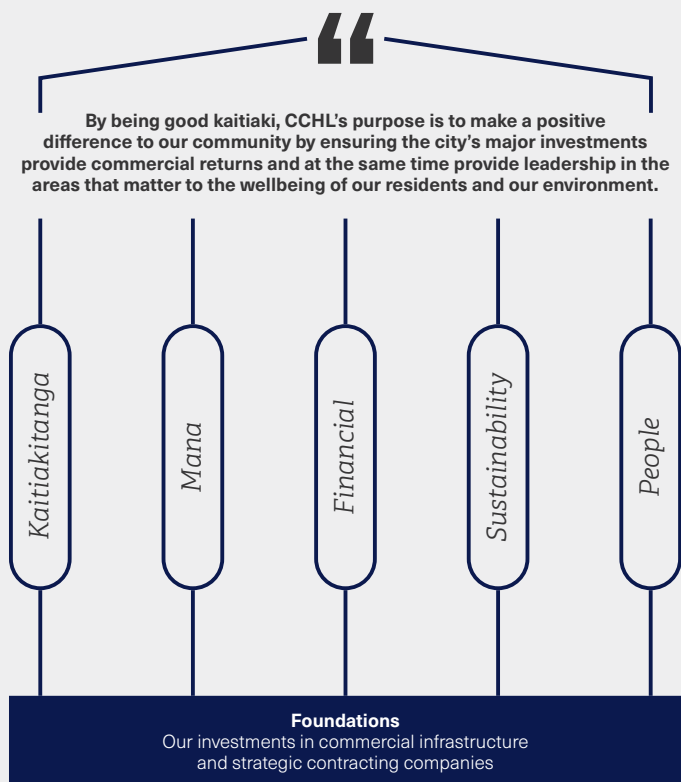
- Timing of our international borders being opened
- Recovery of tourism – including but not limited to the cruise industry
- Return to domestic and international air travel
- Lower customer demand in our electricity and fibre sectors
- Increased bad debt provisions
- Deferral of capital work programmes
- Impact of Government decisions on shovel-ready projects and tax legislation changes.

However, noting all the above, the scope of our business, our key roles and our commitment to our community remain unchanged despite the impacts of COVID-19.



CCHL strategic framework

The CCHL strategic framework helps shape our approach to how and what we do to pursue our purpose.



Kaitiakitanga

Our role as intergenerational guardians, reflective of the broader purpose of the CCHL Group and the duty of care that comes with our scale and financial strength in the context of protecting our environment and our ability to positively impact our community;

Mana

Recognising that we earn the trust of our community as a 'leader' through what we do and how we do it, being transparent and accountable and through driving meaningful collaborations;

Financial

A financially prudent approach to driving strong commercial returns and responsible stewardship of our commercial assets, enabling positive impact investments to support innovation, community and environmental outcomes;

Sustainability

Identifying the CCHL Group as a leader in social responsibility (Business for Good) and as a partner in addressing the impact of climate change through proactive, responsible and tangible environmental management;

People

Facilitating equality, diversity and fair remuneration, while building strong leadership and a dynamic and appropriately skilled workforce, while always ensuring the health, safety and wellbeing of our people remains front of mind.



Objectives

The core role of CCHL is to monitor the Council's commercial investments, which largely service the region's strategic infrastructure needs.

To achieve this, CCHL has the following key objectives:





Governance Best Practice

- To encourage exemplar leadership and best practice governance of our subsidiaries by appointing directors that have the appropriate mix of industry, sector, strategic, community focus, technical skills and diversity.
- Provide an environment for our commercial entities to perform without undue political influence, whilst ensuring alignment with the views of our ultimate shareholder.

Financial Returns and Enhanced Shareholder Value

- To build on and protect the financial strength of CCHL through appropriately directed commercial investment and a financially prudent capital structure.
- To encourage and facilitate the subsidiary companies to increase shareholder value and regional prosperity through growth, investment and strong financial returns, including dividend payments.

Reporting and Monitoring the Investment Portfolio

- To monitor the performance of each subsidiary against their stated economic, environmental and social performance objectives.
- To report quarterly to the Council on CCHL's performance.
- To advise the Council on strategic issues relating to its commercial investments including, but not limited to, ownership structures, capital structures and rates of return.
- To encourage intra-Group cooperation.

Community, Social and Environmental Outcomes

- To seek investment opportunities that have the potential to enhance the economic, social and environmental well-being of the region and identify future regional infrastructural needs.
- To actively support the Council's Strategic Priorities as outlined in their Strategic Framework:
 - Enabling active and connected communities to own their future
 - Meeting the challenge of climate change through every means available
 - Ensuring a high quality drinking water supply that is safe and sustainable
 - Accelerating the momentum the city needs
 - Ensuring rates are affordable and sustainable.

Diversity

We want the CCHL Group to represent the diversity of the communities that they serve within Otautahi Christchurch and Waitaha Canterbury and across Aotearoa New Zealand. We value diversity in all its forms and recognise the value that diversity of thought brings in terms of improved decision-making, better risk management, innovative thinking, community understanding and breadth of perspective.

In recent years we have made significant progress on our journey to being gender balanced with over 30% female Directors in our total Director pool. In addition the introduction of our Associate Director programme has provided an opportunity for prospective directors to experience and learn in a real Governance environment. This also adds to our future Director talent pool.

We note that gender is only one aspect of our diversity journey, so to reflect the importance of this to the Group and our community we will look to report on our diversity goals and progress as part of our annual reporting to our shareholder.



Nature and scope of activities

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 required to produce an annual SOI setting out its operational and financial intentions and key performance measures in respect on which the subsidiary is monitored.

Routine monitoring

Operating subsidiaries provide regular updates to CCHL which include *financial, strategic, risk and operational updates for any given period*. Financial reporting is required semi-annually for consolidated reporting purposes, with audited financial reporting required annually. Three 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.

Group Collaboration

CCHL can provide debt funding to subsidiaries within the Group through the CCHL Intra Group Funding Facility (IGFF) which utilises CCHL's strong credit rating and its trust and reputation in the marketplace, to access cost effective debt funding for the Group. CCHL also facilitates and promotes various other collaborative initiatives across the Group where there is alignment and mutual benefit.



Te Whāriki

During 2020, CCHL launched a pilot for a shared Human Capital Platform (Te Whāriki). The ambition of this project was to utilise the scale and diversity of our Group to create an ecosystem that transforms the way we work and develop the human capabilities needed for any future we will face individually and collectively. An ecosystem which:

- Leverages the talent and capabilities we already have
- Accelerates the development of new capabilities
- Attracts the best talent to the Group (and the region)
- Enables each organisation to access specialist capabilities when it needs them
- Helps to rebalance workloads and resourcing
- Allows the Group and each individual company to quickly adapt to changes in its operating environment.

After the success of the pilot, the CCHL Group has moved to formally launching the platform in the Group.



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.

The key priorities for Orion are 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.



Christchurch International Airport Ltd (CIAL)

Christchurch Airport first opened as a commercial airport in 1939 as a division of the Council.



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

Primarily, CIAL is responsible for the efficient and safe operation of airport infrastructure wherever requested to do so on a commercial basis by its various customers, while aiming to provide its diversity of users with modern, appropriate and efficient facilities and services.

The Christchurch Airport campus 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.

The Christchurch Airport campus 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 Christchurch Airport's Master Plan for commercial property development.

As a response to the risks to the CIAL business arising from the earthquakes, CIAL developed a strategy in 2014 focused on building breadth into its risk mitigation approach through developing further diversification into its revenue streams on the Christchurch campus via the three commercial pillars of Planes, Passengers and Property. Business risk diversification through property growth has underpinned the long term competitive position of Christchurch Airport's aeronautical services and de-risks Christchurch Airport against aviation volatility which can impact profitability.

In 2019, CIAL reached a point in its strategic journey where it wanted to build further depth into its risk mitigation approach to go alongside the breadth already achieved at the Christchurch campus. A market scan identified opportunities for CIAL to extend and expand the existing strategy out for the next twenty years, through investigating opportunities beyond a single site that support regional economic growth and lower carbon transport opportunities as they relate to aviation infrastructure in New Zealand. The first major step has been purchasing land in Central Otago to explore the potential for the long-term development of new aviation infrastructure in Central Otago to serve the aviation needs of the lower South Island for the next 75 years and beyond.



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. In 2014, CCHL acquired all shares in LPC and delisted from the NZX.

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.

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.

Key priorities for Lyttelton Port are to create an efficient, prosperous and sustainable port through working with customers, and the community, whilst ensuring their environmental footprint is minimised.



Enable Services Ltd (Enable)

Enable Services Limited (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 was awarded the Ultra-Fast Broadband contract to build and operate a fibre optic network for greater Christchurch. This build was completed in May 2018.

ESL owns the shares of Enable Networks Ltd. Collectively, both entities make up the Enable Group (Enable).

Enable provides world-class fibre broadband services reaching approximately 200,000 homes, businesses, schools, and healthcare and community service providers across Christchurch and in towns in Waimakariri and Selwyn. Enable provides its wholesale fibre broadband services to internet service providers (retailers) who then deliver broadband, voice, internet, TV, content and IT services to end customers. At December 2020, approximately 125,000 customers were connected to Enable's fibre broadband.

Enable's key priorities are ensuring as many people as possible are benefiting from and enjoying its fibre broadband services, and that these customers are receiving an excellent customer experience at all times. The business is also focused on continuing to build and strengthen its financial position, so it can provide greater value to the Christchurch community.



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.

Citycare Group has grown and matured into a leading national provider of 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 and construction.

Citycare is structured in to two sectors : Water and Property to differentiate the specific specialist services each sector offers.

Key priorities for Citycare are 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.



EcoCentral Ltd

EcoCentral manages the processing of household and commercial refuse and the automated sorting of recycling throughout Canterbury.



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 second-hand goods to the local community.

EcoCentral is aware of the essential service it provides Christchurch City and the need to ensure a stable future focused waste minimisation business.

Waste and recycling is undergoing global change and EcoCentral recognises that to be resilient and adopt new technologies, there may be commercial or partnership opportunities developed that benefit EcoCentral, CCHL and Canterbury.

Key priorities for EcoCentral are to be a key part of a waste and resource recovery system that minimises waste generation, maximises resource recovery, and works towards zero waste going to landfill.



RBL Property Ltd

In December 2020 the Red Bus operating business was sold to Ritchies transport.

The remaining assets being the land and buildings situated at Ferry Road which continue to be owned by the renamed entity RBL Property Ltd. The decision on the future ownership of these assets will be determined during the Sol Period, in consultation with the Council.



Development Christchurch Ltd (DCL)

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.



In June 2020, Christchurch City Council requested CCHL to move the urban development agency operations from DCL to ChristchurchNZ(CNZ). The remaining assets of DCL including the ownership investment in Christchurch Adventure Park are monitored by CCHL, with a services agreement with CNZ to manage the disposal of the remaining land assets.

CCHL Parent – other subsidiaries:

CCHL Parent 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.



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 CCHL 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'), within the strategic framework 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 (SoI) for the coming financial year for consideration by CCHL's shareholder, the Council. The SoI sets out the company's overall objectives, intentions and financial and performance targets.

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.

CCHL will provide a quarterly update to Council on Statement of Intent performance.

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 amount are donated to the Mayor's Welfare Fund Charitable Trust or nominated fund approved by Council.

The board generally meets on a monthly basis.



Board Committees

Audit and Risk Management Committee (ARMC)

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

Governance and Appointments Committee (GAC)

The GAC is responsible for recommending director appointments to its subsidiaries. It also assists in developing, reviewing and formalising the company's governance procedures. The GAC is led by the CCHL Chair.

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 SoI, suggests any changes that may be considered appropriate, and then forwards the draft SoI to the Council for consideration.

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.

Board appointments

All directors of subsidiary companies are selected for their commercial expertise and aptitude in accordance with the Council's appointments policy, with specific consideration to supporting CCHL's diversity and inclusion policy.

When identifying the skills, knowledge, and experience required of directors of a subsidiary, CCHL will consider how knowledge of tikanga Māori may be relevant to governance of the entity.

NZX Listing rules

CCHL has listed 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.
- Compliance with Financial Reporting Act 2013 and Part 7 of the Financial Markets Conduct Act.



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	2022	2023	2024
Shareholder's funds/total assets	41%	41%	41%

Accounting policies

CCHL has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, and generally accepted accounting practice.

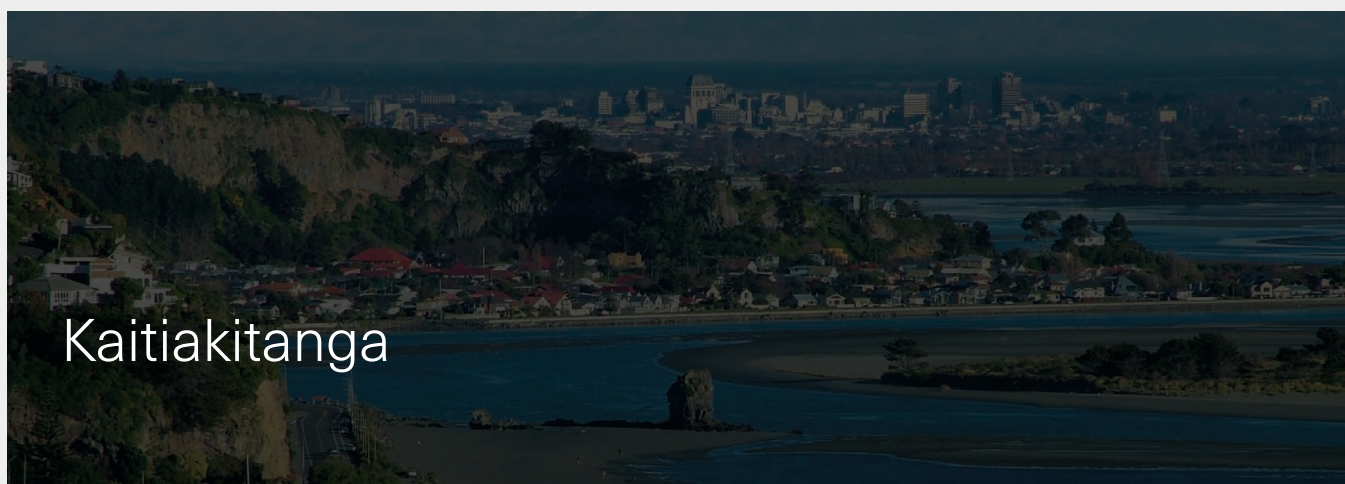
The detailed accounting policies are available in our most recent annual report as published on our company website.

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

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.



Performance measures



Objective

The CCHL Group will adopt strategies that are compatible with the strategic direction of its shareholder.

CCHL maintains contact with subsidiary company boards, and remains aware of their strategic and business issues.

The CCHL Group will work together to ensure leadership and collaboration where there is mutual benefit.

Key Performance Indicators

CCHL will actively engage with its operating subsidiaries and its shareholder to ensure strategic alignment with the Council's strategic priorities.

CCHL regularly receives a strategic performance report detailing financial, market and performance updates.

CCHL management meet with operating subsidiary management regularly to review current performance and strategic focus areas.

CCHL receive business plans from each operating subsidiary by 31 May each year.

Operating subsidiary Chair and CEO will meet with CCHL Board at least annually.

CCHL encourage group participation in Te Whāriki, Sustainability Working Group, CFO Group, CEO Group, Chairs and Audit Committee Chairs meetings.



Mana

Objective

CCHL Group are committed to showing leadership in emerging technology and innovation.

CCHL keeps Council informed of all significant matters relating to CCHL and its subsidiaries.

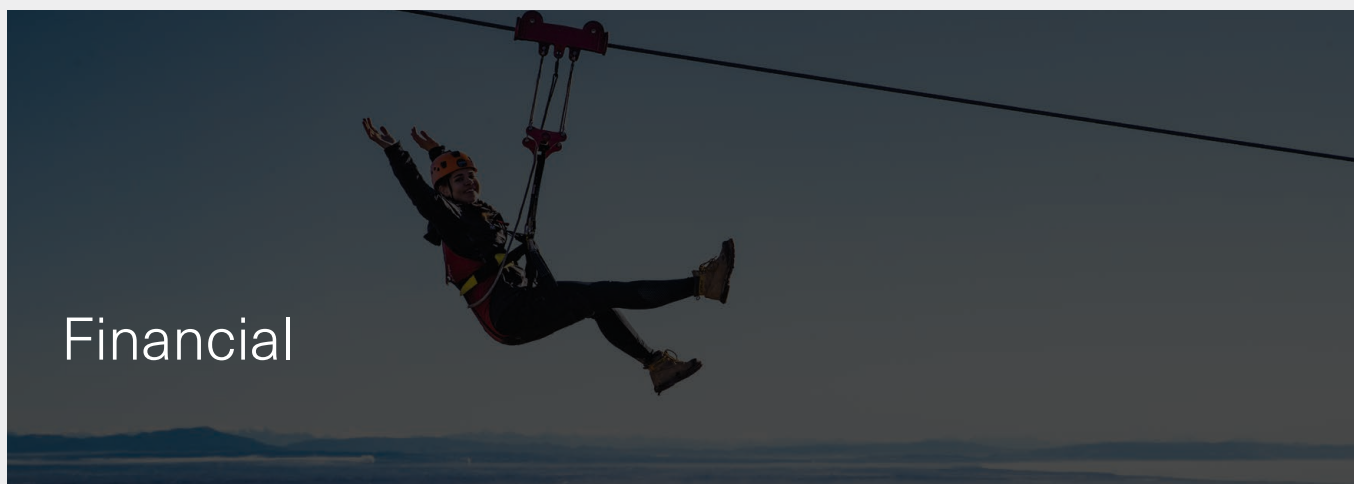
CCHL manages its continuous disclosure requirements for NZX effectively.

Key Performance Indicators

The CCHL Group uses the Te Whāriki platform in at least four projects per annum to explore, test, pilot, trial or implement new technologies or innovative work practices across the Group.

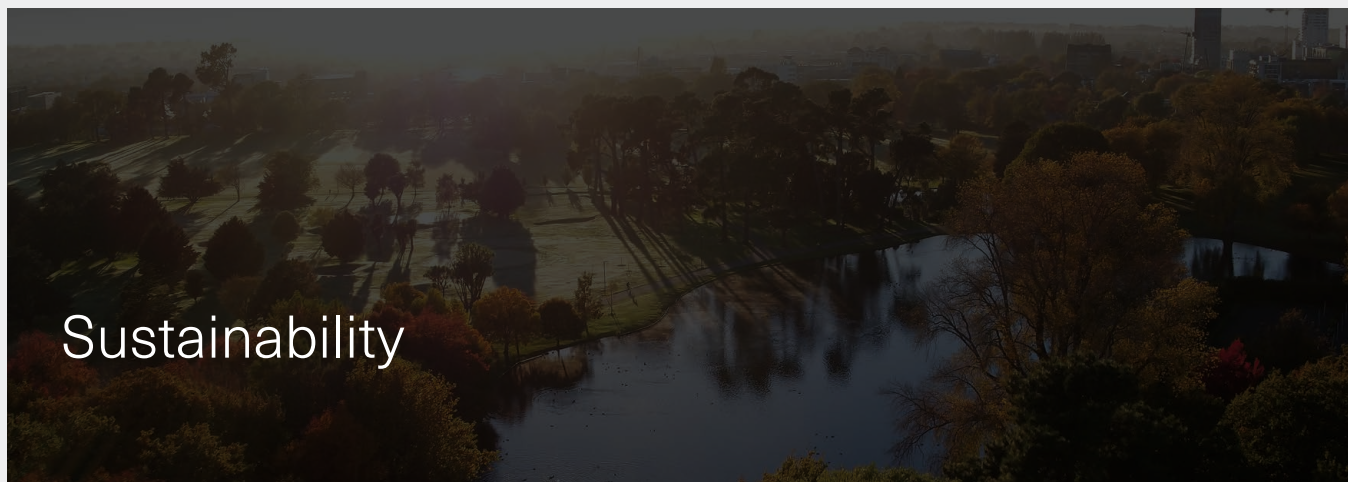
Major matters of urgency are reported to Council at the earliest opportunity under its 'no surprises' policy within the constraints of commercial sensitivity and NZX listing requirements.

Matters of material impact are disclosed in line with CCHL framework for continuous disclosure.



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

Group	Y/e 30 June	2022	2023	2024
	Net profit after tax (\$m)	65	83	98
	Net debt/net debt plus equity	52%	52%	51%
	Return on average equity	3.4%	4.2%	4.8%



Objective

CCHL Group companies demonstrate commitment to tangible climate action through Greenhouse Gas (GHG) emissions measurement and reduction targets and based on best practice.

Key Performance Indicators

CCHL Group will publish independently verified annual GHG emission footprints, alongside science-based reduction targets and timeframes for each subsidiary. This will provide the basis of a Group wide reduction target to be set by 31 December 2021.

CCHL Group companies set and attain environmental, social and innovative performance objectives that are compatible with their activities, commercial nature and other objectives.

CCHL Group will prepare a GHG emissions reduction management plan including a timeline to achieve a Group target of being net zero GHG emissions. CCHL Group will deliver an Integrated Reporting framework over the next three years.

CCHL Group will show sustainability leadership.

CCHL will establish a sustainability framework for our debt funding programme aligned with our IGFF.

CCHL Sustainability Working Group (SWG) will leverage joint capability for the benefit of all companies in the Group.

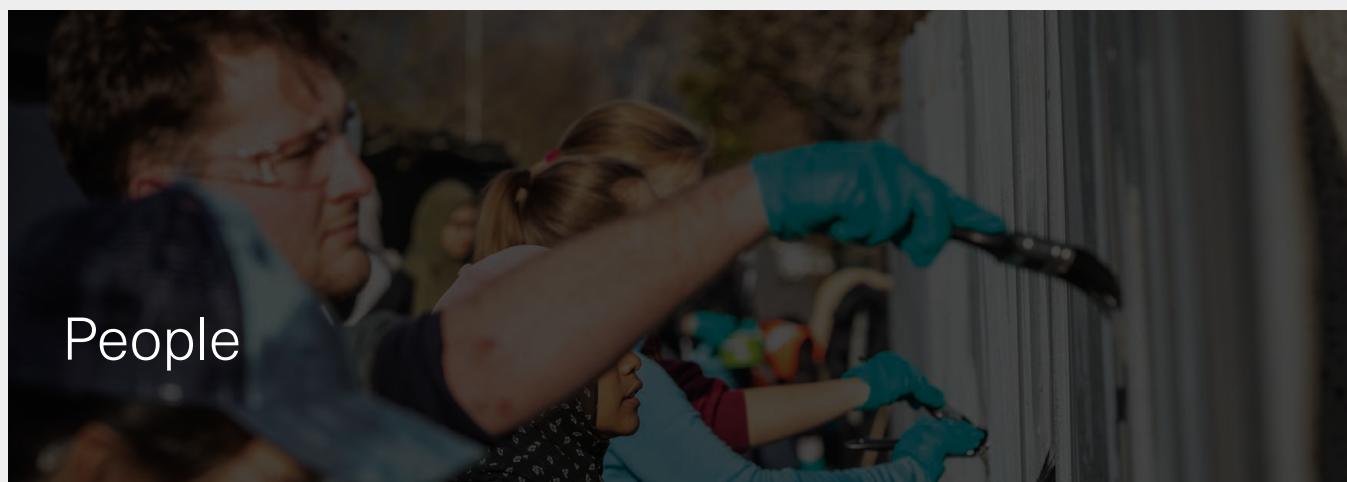
CCHL SWG will oversee active emission reduction workstreams, including making recommendations on opportunities to accelerate Group decarbonisation.

CCHL Group will show leadership and responsibility in relation to understanding and mitigating climate risk.

CCHL Group will assess and disclose climate change risks, compliant with TCFD reporting standards.

CCHL will demonstrate partnership towards sustainability goals.

CCHL SWG will proactively share learnings and successes with others, including the wider community.



Objective

CCHL Group continue to ensure the health, safety and wellbeing of all people working across the Group.

Key Performance Indicators

CCHL Group will show active improvement in continuing to work towards a living wage for all direct employees, including investing in training and staff development programmes.

CCHL will continue to support and encourage the use of Te Whāriki as a means of developing and sharing human resource throughout the Group.

CCHL's process for the selection and appointment of directors to the boards of subsidiary companies is aligned with governance best practice and reflects the shareholder's expectation of diverse and inclusive Boards for its CCTOs's.

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 promote and report on board diversity as part of its appointment process and include the process undertaken as part of its approval of appointments with Council.

CCHL will aim to increase our diversity on our boards and report on progress as part of our annual reporting to our shareholder.

CCHL will actively endorse the expectation of its shareholder that restraint is exercised in relation to the level of senior executive remuneration at its CCTOs'

CCHL will encourage its subsidiaries to report on and work to show a narrowing of the gap between the highest and lowest remuneration in each company.

Directors make an effective contribution to the CCHL board, and their conduct is in accordance with generally accepted standards.

An independent board effectiveness review with will be undertaken every 3 years, next due in 2022.

The Chair will actively monitor and approve any training requirements for the Board.

Develop future Governance talent for the region by continuing to deliver the CCHL Associate Director programme.

CCHL will hold regular meetings with and provide support to existing Associate Directors throughout the programme.

CCHL will establish an alumni programme for all previous Associate Directors and Intern Directors.



Statutory information requirements

The company will provide an annual Statement of Intent in accordance with Section 64(1) of the Local Government Act 2002.

CCHL will submit an annual report within three months of year end to the market and its shareholder. The annual report will include audited financial statements and commentary 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.

CCHL Group will also prepare an unaudited consolidated interim report to 31 December, that complies with NZ IAS 34 "Interim Financial Reporting". This will be prepared and released to the market by 28 February each year.

The company will provide regular updates to the Council on its activities and that 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.

Distributions to shareholder

The CCHL board will pay dividends to the shareholder after taking into account its profitability, debt levels, future investment requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

Dividend Payments

	FY22 \$m	FY23 \$m	FY24 \$m
Ordinary dividend	16.1	32.4	50.7

The Board will declare and pay a dividend to its shareholder in June of the financial year in which it relates.

COVID-19 has impacted on the ability for CCHL to continue to pay high dividend payout ratios, to its shareholder as it has done in the past. CCHL will continue to monitor the impact of COVID-19 on the financial results of our subsidiaries and will continue to update regularly with its shareholder the impact on future dividends.



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 significant 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. 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.
- Before a council-controlled organisation makes a decision that may significantly affect land or a body of water, it must take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga.



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. The Council has a contingent liability up to \$1.5 billion in respect of uncalled 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 2020 was independently valued at \$2.1 billion. This valuation is updated annually based on independent advice.