



# Statement of Intent

**CITYCARE LIMITED**  
2020/21



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## 1 INTRODUCTION (RĀRANGI ŪPOKO)

This Statement of Intent (Sol) is prepared in accordance with Section 64(1) of the Local Government Act 2002. The Sol specifies for City Care Limited (Citycare or the Company) the objectives, the nature and scope of the activities to be undertaken. It also specifies the performance targets and other measures by which the performance of the Company may be judged in relation to its objectives.

Nau mai ki te Pānui Whāinga o Citycare 2020/21.

Kei roto i tēnei puka ngā whāinga me te āhua o ngā mahi kua oti i a mātou o Citycare.

Ka mea atu hoki te puka nei i ngā paearu me ngā paeine e tohu nei mēnā rānei kua tutuki ngā whāinga o te Kamupene nei.

The Sol is a public and legally required document, reviewed and agreed annually with the Shareholder, Christchurch City Holdings Ltd (CCHL) and covers a three year period. This Sol covers the period from 1 July 2020 to 30 June 2023.

Contact details for both the Chair and Chief Executive Officer are Citycare's registered office:

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PO Box 7669, Christchurch

Telephone: 03 941 7200

Web: [www.citycare.co.nz](http://www.citycare.co.nz)

Email: [citycare@citycare.co.nz](mailto:citycare@citycare.co.nz)

Citycare is a Council-Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002.

## 2 OBJECTIVES (NGĀ WHĀINGA)

Citycare is a leading national provider of infrastructure maintenance, asset management/optimisation and construction services.

### 2.1. Values

Citycare's values are: **We Discover. We Deliver. We Care.**

Nāia ngā uara o Citycare: **Ka Tūhuratia Mātou. Ka Puakina Mātou. Ka Kumanutia Mātou.**

These values support and guide the organisation in all our dealings with our stakeholders and the communities we work in.

### 2.2. Strategic Priorities

Citycare's key strategic priorities and objectives are to:

- Deliver profitable and sustainable growth across all areas of the Citycare business, operating the business in a way that generates strong financial returns and dividend streams for the Shareholder.
- Deliver operational excellence that meets or exceeds client expectations, driving greater customer loyalty and value and maximising opportunities to develop vibrant, prosperous and sustainable 21<sup>st</sup> century cities.
- Continue to actively develop and deploy ideas, innovation and new disruptive technologies that enhance the products, processes and services provided to our clients and connect the communities Citycare operates in.

- Further expand our sustainability agenda through support of social enterprises, active involvement in local communities and environmental change leadership, to help meet the needs of today without compromising needs of future generations.
- Continue to be wholly committed to the safety and wellbeing of our employees and of the many subcontractors, suppliers and public we work with.
- Wear the 'first responder' badge with pride and respond passionately, responsibly and safely to any event or emergency, always displaying an innate empathy for the impacted communities.

### 3 NATURE AND SCOPE OF ACTIVITIES (TE ĀHUA O NGĀ MAHI)

Citycare delivers infrastructure design, maintenance, asset management/optimisation and construction services. The Citycare sector-led, operational delivery model includes the:

- Design, construction and maintenance for water, wastewater and stormwater networks, with a focus on smarter management and optimisation of water sector infrastructure assets to ensure safe and sustainable water supply through **Citycare Water**;
- End-to-end design, construction and maintenance of public and private building and greenspace facilities through **Citycare Property**; and
- Roding, landscapes and subdivisions construction and maintenance through **Citycare Civil**.

Citycare has a 75% shareholding in Apex Environmental Limited and enjoys a range of collaborative working partnerships, including Joint Ventures and subsidiary company ownership models.

The Company's current area of operations is New Zealand and it is open to investigating opportunities in Australia and the Pacific, in circumstances where there are synergies with the existing business.

### 4 KAITIAKITANGA – WE CARE (KAITIAKITANGA – KA KUMANUTIA MĀTOU)

#### 4.1 Stronger Communities

Strong communities and relationships are essential to our success. Citycare's Community Guardians platform is an umbrella vehicle for all community initiatives being embarked on or supported by the Company nationwide. This enables Citycare to more clearly demonstrate the role of the Company in the achievement of sustainable and meaningful community outcomes aligned with client expectations.

The Community Guardians platform moves Citycare away from a more traditional community sponsorship space, into an arena where it is facilitating and enabling community partnerships and action, thereby driving social impact aligned with local government interest in community connection and positive social, cultural, environmental and economic outcomes.

#### 4.2 Emergency Response

Citycare is proud of its track record as a first responder to natural disasters (earthquakes, fires and flooding) and it continues to invest in processes, systems, people and plant to meet the Company's contractual obligations to respond to emergency situations and call-outs. We have some 1250 trained field staff, administrative support, project support and management staff, along with associated plant and equipment available nationwide to respond to or work on, emergency related tasks.

This is underpinned by a comprehensive Business Continuity Plan able to be activated in the event of any significant incident, which draws on first-hand experience of a number of challenging emergency incidents and disaster response situations.

#### **4.3 Good Kaitiaki**

Citycare also acknowledges that there may be commercial opportunities within, or in partnership with, other CCHL group companies and will work with them, where appropriate, to explore any opportunities that could be mutually beneficial. As a larger purchaser of materials and equipment around New Zealand, Citycare actively participates in the 'All of Government' procurement initiative to maximise the value from this spend.

## **5 MANA – WE DISCOVER (MANA – KA TŪHURATIA MĀTOU)**

In support of building trust within the communities that we work, our aim is to be as open and transparent in our actions and reporting as possible while not impacting on our commercial position.

### **5.1 Innovation, Disruptive and New Technologies**

Citycare is wholly committed to exploiting the growing convergence between OT (Operational Technology) and IT (Information Technology) and to demonstrate thought leadership through stimulating and implementing relevant and practical disruption opportunities that will allow Citycare to optimise its service offerings and drive productivity benefits.

This is aligned to a growing wave of customer interest in emerging technologies. This includes Big Data and Artificial Intelligence (AI) and drives Citycare's continued investment in its EventManager job management platform, the adoption of IOT and AI, and in Citycare's commitment to empowering our people to share, develop and drive their own productivity enhancing ideas.

Re-positioning Citycare as a thought leader and market leading innovator will in turn drive a virtuous circle of opportunity that allows Citycare to evolve its service proposition, enhances customer and industry perception of Citycare, and enable us to meet the commitments in this Sol.

### **5.2 Strategic Focus**

The Board sets the strategic direction of the Company and participates in developing strategic plans, approves budgets and monitors Company performance monthly.

Citycare's strategic focus 2020-23 is to improve profitability, enhance customer relationships and to establish a more complete sustainability footprint, through delivering against the strategic priorities laid out in Section 2.2. Aligned with this is a relentless commitment and drive to improve the Company's safety performance and to continue to prioritise the health, safety and general wellbeing of all Citycare employees and supply partners, aligning with our vision of We Discover, We Deliver, We Care. Ka Tūhuratia Mātou, Ka Puakina Mātou, Ka Kumanutia Mātou.

The sector-led business model the Company moved to is now well understood by both our existing and prospective customers. Citycare continues to drive safe operational excellence across each of these key sectors. This is particularly relevant when it comes to the successful introduction of new ideas, innovation and relevant disruptive technologies that help the company to drive greater operational efficiencies and more customer value through our products and services.

### **5.3 Company Governance**

Citycare's Board of Directors is responsible for the corporate governance of the Company. The Board and management are committed to ensuring the Company operates to the recognised principles of best practice governance and adheres to high ethical standards.

#### **5.4 Board Role and Responsibility**

Citycare's Board of Directors is appointed by the Shareholder and is responsible for the direction and control of the Company's activities. The primary objective of the Board is to build long-term Shareholder value with due regard to other stakeholder interests. The Board does this by setting strategic direction and context and focusing on issues critical for its successful execution.

The role and responsibilities of the Board are formalised in the Board Charter, which is reviewed periodically. The purpose of the Board Charter is to provide high standards of corporate governance and to clarify the Board's role and responsibilities. Some of the Board's responsibilities are delegated to Board Committees. The roles of the committees are described in Section 5.13.

The Board has delegated to the Chief Executive Officer the day-to-day leadership and management of the Company. The Chief Executive Officer has formally delegated certain authorities to direct reports and has established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

The Board endorses and adheres to the principles of the Institute of Directors of New Zealand and the Four Pillars of Governance Best Practice for New Zealand Directors.

#### **5.5 Board Composition**

The Company's Constitution provides that the Board will consist of a maximum of seven Directors. Currently the Board comprises six independent non-executive Directors. The Company supports the Shareholder's Associate Director Programme which aims to enhance the governance capability of senior leaders who are embarking on a governance career, offering emerging directors the opportunity to accelerate their boardroom experience through a 12-18 month period as an Associate Director on one of the CCHL group of companies' boards.

Directors retire and are eligible for re-election by rotation in accordance with CCHL Policy on Appointment and Remuneration of Directors September 2007. Retiring Directors are eligible for re-election.

The Shareholder has the right to appoint a Chair and, if it considers appropriate, a Deputy Chair for such periods as it sees fit. If the Shareholder does not exercise that right, then the Board may elect their own Chair or Deputy Chair.

The Chair's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the Chief Executive Officer, who is not a member of the Board.

#### **5.6 Conflicts of Interest**

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between the Company and their own interests. The Board Charter outlines the Board's policy on conflicts of interest. Where conflicts of interest do exist at law, then the Director/s concerned must disclose their interest, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

The Company maintains a Board and Management Interests Register and reviews this register at each Board meeting. Citycare's Conflict of Interest Policy clearly outlines corporate and employee expectations related to actual and potential conflicts of interest and provides a substantive framework to manage this.

#### **5.7 Nominations and Appointment of New Directors**

The procedures for appointing and removing Directors are governed by the Company's Constitution. When considering candidates to act as Director, the Shareholder considers such

factors as it deems appropriate, including the experience, qualifications, availability and judgement of a candidate, and the candidate's ability to work alongside other Directors.

### **5.8 Board Meetings**

The Board has regular meetings throughout the year and also meets as required between the scheduled meetings.

The Chair and Chief Executive Officer establish meeting agendas to ensure adequate coverage of all key issues. The Directors generally receive Board papers one week in advance of Board meetings, except in the case of special meetings for which the time period may be shorter.

The Board encourages scheduled presentations at Board meetings by managers who can furnish additional insight into items being discussed or who have future potential that could or should be demonstrated to the Board.

Directors are entitled to have access, at all reasonable times to all relevant Company information and to the Company's management team. Any Director is entitled to obtain independent professional advice relating to the affairs of the Company or to his or her other responsibilities as a Director. If a Director considers such advice necessary, the Director shall first gain the approval of the Chair, and having done so, shall be free to proceed.

The Board meets regularly in Director-only sessions, without the Chief Executive Officer or other management present.

### **5.9 Director Induction and Education**

Upon appointment to the Board, all new Directors undergo a tailored induction programme appropriate to their experience to familiarise them with Citycare's business and strategy. The programme includes one-on-one meetings with management and visits to key Company sites.

Directors are expected to keep themselves informed of changes and trends in the Company's business and in the environment and markets in which the Company operates.

All Directors undertake continuous development so that they may appropriately and effectively perform their duties.

### **5.10 Board Performance Review**

The Board reviews its own performance and the performance of the Chief Executive Officer regularly. The process includes one-on-one meetings between the Chair and each Director, as well as regular Board discussions on governance and performance issues.

### **5.11 Chief Executive Officer Performance Review**

The Board reviews the performance of the Chief Executive Officer against key performance objectives at least once a year.

### **5.12 Director and Officer Insurance**

The Company has arranged liability insurance for Directors and Officers. This insurance ensures that, generally, Directors will incur no monetary loss as a result of actions undertaken by them as Directors of the Company arising out of acts or omissions of Directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.



The Company indemnifies the Directors and holds them harmless, to the extent possible by law and as allowed under the Company's Constitution, against any proceedings incurred, suffered or expended by or threatened against the Directors with respect to any act or omission in their capacity as a Director. The indemnity excludes: gross negligence or wilful default, deliberate action outside the scope of the delegated authority, criminal liability, breaches of duty under section 131 of the Companies Act 1993 and any other liability for which giving an indemnity is prohibited by law.

### **5.13 Board Committees**

The Board has three formally constituted committees, the Risk, Audit and Finance Committee, the Health and Safety Committee, and the People and Culture Committee. These committees all have Board-approved Terms of Reference outlining the committees' authority, duties, responsibilities and relationship with the Board. Other committees may be established as and when required.

#### ***Risk, Audit and Finance Committee***

The objective of the Risk, Audit and Finance Committee is to provide independent assurance and assistance to the Board on the Company's risk, control and compliance framework, and its external accountability and reporting responsibilities.

The Risk, Audit and Finance Committee is chaired by a Director who is not the Board Chair. It comprises of non-executive members of the Board as appointed by the Board from time to time. The Chief Executive Officer and Executive General Manager Finance and Administration also attend meetings but are not members of the committee. Any non-executive Directors who are not committee members may also attend meetings of the committee.

The Risk, Audit and Finance Committee shall assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to risk management and systems of internal control, general business practice assurance, reporting of financial information and regulatory disclosure requirements (including all related audit matters) and financial management.

Meetings are scheduled during the year to coincide with the timing of the various responsibilities of the committee. The committee has direct communication with and unrestricted access to the external and internal auditors.

In fulfilling its responsibilities, the Risk, Audit and Finance Committee receives regular reports from management as well as the internal and external auditors. The Risk, Audit and Finance Committee meets (at least) annually with the external auditor without the presence of management.

The committee makes recommendations to the Board for its consideration.

#### ***Health and Safety Committee***

The objective of the Health and Safety Committee is to provide independent assurance and assistance to the Board and Chief Executive Officer on the Company's health and safety performance, systems and processes, compliance and reporting responsibilities.

The Health and Safety Committee comprises two non-executive Directors of the Board as appointed by the Board. The Citycare Chief Executive Officer, EGM People, Safety and Sustainability, operational EGMs, the Group Health and Safety Manager and no less than three field staff are required to attend the Health and Safety Committee meetings but are not members of the committee. Any non-executive Directors who are not committee members may also attend Health and Safety Committee meetings.

The Health and Safety Committee shall assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to its strategy, policy, systems oversight,

monitoring and corporate governance responsibilities in relation to health and safety matters arising out of Citycare's activities as they affect employees, contractors, visitors, customers and the communities in which Citycare operates.

Four meetings are held each year and members of the Committee will also undertake site visits.

In fulfilling its responsibilities, the Health and Safety Committee receives regular reports from management through the Board reporting process. It also receives incident information whenever significant events occur. The need for access to auditors, legal or independent professional advice is to be determined by the committee as and when required to fulfil its obligations.

The committee makes recommendations to the Board for its consideration if required.

### ***People and Culture Committee***

The objective of the People and Culture Committee is to provide independent assurance and assistance to the Board on the Company remuneration strategy, the Company's people related strategies and Chief Executive Officer's employment conditions.

The People and Culture Committee comprises three non-executive members of the Board as appointed by the Board – currently the committee Chair is the Board Chair.

The frequency of meetings is determined by the committee Chair to align with the Company remuneration cycles.

The People and Culture Committee shall assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the remuneration strategy and any frameworks, the remuneration arrangements, including any incentive plans for the Chief Executive Officer and other Executive team members, the remuneration, recruitment, retention and termination policies and practices with regard to the Chief Executive Officer, the People and Culture strategy and high level initiatives, reviewing succession plans for the Executive team and providing assurance that there are robust succession planning processes in place, reviewing the training and development plans for the Executive Team and the Company's disclosure obligations for executive remuneration reporting.

In fulfilling its responsibilities, the People and Culture Committee seeks and receives independent advice and timely evaluation reports on current market remuneration information.

The committee makes recommendations to the Board for its consideration.

### **5.14 No Surprises**

Noting that CCHL has a debt security listed on the NZX, Citycare acknowledges that, as a CCHL subsidiary, it is under continuous disclosure requirements as set out in Section 10.1 of the NZX rules, as it would apply to the CCHL group.

Further to this, the Company will continue to operate on a 'no surprises' basis in respect of significant Shareholder-related matters, notwithstanding the context related to matters of commercial sensitivity and/or with confidentiality obligations. This is to include as much advance notification as possible pertaining to issues that may:

- have a material financial impact on the Shareholder;
- have adverse implications on the Company or the Shareholder's reputation; or
- give rise to unsolicited or adverse media enquiries/content.

### 5.15 Sol Reporting

In accordance with the Local Government Act 2002, the Company will submit to the Shareholder a draft Sol by 28 February 2020, for the coming financial year. The Sol sets out the objectives, activities, intentions, financial and performance targets.

After due consideration and discussion with the Shareholder and completion of the annual business planning and budgeting, the final Sol is approved by the Board of Directors and delivered to the Shareholder in June 2020.

### 5.16 Regular Shareholder Reporting

Citycare will provide regular updates to our shareholder in accordance with the Local Government Act 2002 Amendment Bill No. 2 on the ongoing performance of the entity against the Sol targets. The Company may also provide the Shareholder with strategic updates.

### 5.17 Annual Report

An Annual Report will be submitted to the Shareholder and will include audited financial statements and such other information as necessary to permit an informed assessment of the Company's performance and financial position during the reporting period.

The reports will outline the Company's objectives and performance in terms of financial, environmental and social inputs, outputs and outcomes, as well as performance against the stated Sol targets.

Citycare will provide further information requested by the Shareholder in accordance with the requirements of the Local Government Act 2002.

### 5.18 Special Shareholder Requests

At the request of the Shareholder, the Company may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of providing such activities. Currently, no such activities are undertaken or contemplated.

## 6 FINANCIAL – WE DELIVER (AHUMONI – KA PUAKINA MĀTOU)

The financial performance targets as detailed in Table 1 show the revenue, profit and financial ratio expectations for the next three years.

**Table 1 – Medium-term Financial Targets**

\$000's	2020/21	2021/22	2022/23
Revenue (Group)	286,102	300,356	314,045
Net Profit After Tax (Group)	2,855	3,415	3,788
Return on Average Equity (Group)	5.0%	5.8%	6.2%
Shareholder Funds to Total Assets (Group)	51.7%	52.3%	53.1%
Total Debt (excluding leasing and acquisitions)	5,574	3,183	1,751

**Table 2 – Medium-term Financial Targets – Apex Environmental Ltd**

\$000's	2020/21	2021/22	2022/23
Net Profit After Tax	443	503	567

**6.1 Revenue**

With the impact of COVID-19, Citycare expects and is forecasting a decline in opex and discretionary spending from our clients, which will result in a subsequent decrease in revenue for Citycare over the next 12 months followed by modest growth over the latter part of the reporting period.

**6.2 Net Profit after Tax**

The reporting period sees pressure continuing on margins, particularly with local councils where pressure on costs is being experienced. However, company cost reductions are assisting with maintaining earnings over the reporting period.

**6.3 Return on Average Equity**

During the three year forecast period, the Company's financial gearing is expected to remain at an acceptable level which results in a strong balance sheet which will support funding of future growth opportunities and appropriate investment in new technologies, plant and equipment as these opportunities arise.

**6.4 Shareholder Funds to Total Assets**

The Shareholder Funds to Total Assets ratio includes the IFRS 16 Lease adjustment where an asset called the Right of Use Asset is included in Total Assets (with an off-setting lease liability) and this asset is circa \$10m. This has increased our total assets base.

The Shareholder Funds to Total assets remains above 50% in the forecast period.

**6.5 Debt Management**

During the forecast period, excluding any major investments or acquisitions, the borrowings will see a modest decline which will support any future opportunities.

**6.6 IGFF as a Source of Debt Funding**

The company has taken advantage of the funding lines provided by CCHL and in July 2019 drew down \$10m of a \$15m facility. The \$10m is fixed for 2 years. This IGFF has worked extremely well and seen a reduction in both our interest rate and our bank facility fees.

**6.7 Dividend Payments**

The Directors have considered the dividend policy and, having regard for the current financial position and the investment required for the business over the forecast period, consider that a dividend policy of 50% of NPAT is sustainable.

Ordinary dividends are paid in two instalments, in March of each financial year and October of the following financial year. Any dividends will be paid to the Shareholder after taking into account the Company's profitability and future investment requirements. The Board will determine the dividends payable after considering the Company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

To assist the Shareholder with budgeting, the forecast ordinary dividends payable to the Shareholder are detailed in Table 3.

**Table 3 – Shareholder Dividend Distribution**

\$000's	2020/21	2021/22	2022/23
Dividend Paid	1,853	1,567	1,801
Declared Dividend 50% of NPAT	1,428	1,708	1,894

### **6.8 Capital Investment**

In line with the delegated authorities, all new capital investment via tenders or acquisitions require presentation of a sound business case, including the associated risk profile and projected ROI and NPV. This is further supported by a full investment review one year on for all investments, business acquisitions or new purchases that require Board approval.

### **6.9 Controlling and Managing Risk**

The Company has a formal risk management framework which identifies the key risks and outlines the appropriate risk management and mitigation plans. The risk management framework is reported to and reviewed by the Board quarterly and delegated to the Risk, Audit and Finance and Health and Safety Committees where appropriate. Mitigation plans are controlled and administered by Management.

### **6.10 Insurance**

The Board satisfies itself that adequate insurance is in place for the Company's size and risk profile. External advice is received by the Board as appropriate.

### **6.11 Estimate of Commercial Value of Shareholder's Investment**

Citycare estimates the commercial value of our Shareholder's investment in the Citycare Group is at least that which is stated as Shareholder's equity in our audited financial statements. We reassess this value annually when we prepare our audited financial statements.

### **6.12 Accounting Policies**

Citycare 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, which is published on our Company website.

### **6.13 Acquisition/Divestment Procedures**

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of Citycare. When the subscription, acquisition or divestment is considered by the Board to be significant to the Company's business operations, it will be subject to consultation with the Shareholder. Major transactions as defined by the Companies Act 1993, Section 129(2), will be subject to the Shareholder's approval by special resolution.

Where the Company decides to incorporate or subscribe for shares in subsidiaries to undertake its commercial activities, the Company will ensure effective management. Board control of any subsidiary is exercised by Citycare's Directors and staff.

## 7 SUSTAINABILITY – WE CARE (TOITŪ TE TAI AO – KA KUMANUTIA MĀTOU)

### 7.1 Sustainability and Environmental Leadership

In 2019 Citycare updated its Sustainability Charter and Framework, aligning it with the UN Sustainable Development Goals and establishing a re-invigorated platform for future sustainability and environmental performance metrics and ambition. The focus was on eight of the 17 articulated UN Sustainable Development Goals where Citycare can drive the most positive sustainability leadership. The key to continued success is in maintaining close collaboration with key clients, subcontractors and suppliers, increasingly basing supplier and partner procurement decisions on aligned sustainability and environmental leadership goals.

This approach recognises the importance of the economic wellbeing of Citycare's customer relationships, the engagement and diversity of our workforce and Citycare's commitment to climate action and responsible environmental consumption.



The framework continues to include rigour around initiatives that reinforce Citycare's commitment to sustainability.

The Company's commitment to creating healthy environments, prevention of pollution and sustainability of natural resources is reflected through our ISO14001 environmental management certification.

### 7.2 Greenhouse Gases

Citycare is committed to the annual measurement and reduction of Greenhouse Gas emissions with the goal of being net carbon neutral by 2035. With over 90% of our current reported emissions generated by fossil fuelled vehicles and plant we will continue our policy to replace these, where practical, with electric, hybrid or low emission alternatives. In addition, we will continually investigate and embrace new technologies and methodologies to reduce our emissions as they become available or are developed.

The Company's Greenhouse Gases reduction targets are detailed in Section 9, Table 5 of this Sol.

### 7.3 Waste Minimisation

We will identify the source, type and quantity of waste generated both internally, and that which is as a result of the work we carry out on behalf of our clients, examples include green waste as part of Property or excavated material from our Water and Civil businesses. We will use this information to create waste management plans to ensure that sustainable waste minimisation


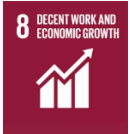



practices, based on the three R's (reduce, reuse, and recycle), are implemented. We will also work with our customers and waste disposal agencies to find different and innovative ways to carry out the work we do which will reduce waste, the associated generated greenhouse gases and to provide financial benefits with reduction of waste disposal costs.

The Company will measure its waste to landfill annually and set a reduction target as per Section 9 of this Sol.




#### **7.4 Sustainability 10 Year Plan**

Over the next 12 months, we will develop and finalise a 10-year sustainability plan which highlights our aspirations and goals by 2030. To support this plan, each year we will review our targets and actions in our Sol, and the business plans, to ensure we work towards these aspirations. These targets drive our commitment to sustainability and how we can improve our impact on the environment. The following plan is the first draft and will be finalised over the next 12 months.

## 10 Year Sustainability Goals

	Why it is important to us	The challenges ahead	Our Goals for 2030	What we are going to do	UN Sustainable Goals
<b>ECONOMIC WELLBEING</b>	Financial success will allow us to support our people and communities and invest in our future.	Achieving profitable growth in markets that are cost driven. Developing long term partnerships with central and local government.	Citycare to be 'partner of choice' for our customers in the way we perform, the way we behave and the standards we set.  Revenue to exceed \$0.5 billion with a minimum EBIT of 5%.	We are going to protect and grow our current business activities through innovation and client satisfaction.  We will seek opportunities to diversify our business through joint ventures, alliances and acquisitions.	 
<b>THRIVING PEOPLE</b>	Keeping safe and developing a diverse workforce is the backbone of the long-term sustainability of our Company.	Providing a skilled workforce that meets the needs of our business and the diversity of our communities.  Keeping our people safe.	Have people and a culture that fully reflects the Group's core values and the diversity of the communities in which we operate.  To have a culture that ensures all work is performed in a manner that prevents harm or injury.	We will continue to foster a culture of diversity, equality and inclusion.  We will focus on our workforce supply chain, staff development and employee engagement.  We will provide a safe, healthy work environment for all employees, subcontractors, clients and visitors.  We will ensure that all employees have the required competencies to perform their tasks safely.	 
<b>VIBRANT COMMUNITIES</b>	Strong communities and relationships are essential to our success and that of New Zealand	New Zealand communities are developing at increasingly different rates, with many, struggling to maintain cohesion, resilience and prosperity.  Establishing long term partnerships with local businesses that are beneficial to all parties	To be regarded as an exemplary corporate citizen supporting communities to thrive economically, culturally and socially.  Be a partner of choice for local businesses.	We will support local communities by organising and supporting local environmental and cultural events.  We will continue to promote opportunities and employment for youth in our communities  We will share our commitment to sustainability with our clients, service providers, suppliers and the communities we work in.  We will continue to act in an ethical and responsible manner when engaging and working with service providers and suppliers.	



<p><b>RESPONSIBLE CONSUMPTION</b></p>	<p>Our planet has only limited resources, we must conserve and protect them for the survival of future generations.</p>	<p>To reduce our consumption of natural resources and find environmentally friendly alternatives.</p>	<p>To be a leader in the development and introduction of new technologies and methodologies that enable us to reduce consumption of natural resources.</p>	<p>We will reduce our consumption of natural resources and use products that will have a low lifecycle impact on the environment.</p> <p>We will minimise our waste going to landfill.</p>	
<p><b>PROTECTING OUR ENVIRONMENT</b></p>	<p>Reducing our emissions is imperative for the future of our planet as we know it.</p> <p>Protecting our natural water environments so that future generations can have safe drinking water and clean waterways.</p>	<p>To grow our business whilst reducing our emissions and effects on the environment.</p> <p>Offering our clients services and solutions that will reduce water wastage, improve waste water treatment and stormwater management.</p>	<p>To be on target to be net carbon neutral by 2035.</p> <p>To be the major service provider to New Zealand's 3 Water infrastructure delivering "Clean Water for Life".</p>	<p>We will replace fossil powered vehicles, plant and equipment with electric or similar low emission alternatives.</p> <p>We will strive to reduce our environmental impact whilst performing our work.</p> <p>We will continually introduce new technologies, methodologies and expand our services to clients to reduce water wastage, improved waste water treatment and stormwater management.</p>	 

**Table 4 – Draft 10 year Sustainability Goals**

## **8 PEOPLE – WE CARE (TĀNGATA – KA KUMANUTIA MĀTOU)**

Citycare will continue to build a culture of diversity, equality and inclusion to support the company vision and values. This will include being an employer of choice in the infrastructure space, ensuring our people are trained, kept safe and have room to grow within their roles.

### **8.1 Health and Safety**

To keep our people safe, Citycare continues to foster a behavioural-led competency culture supported by relevant and accessible tools. The focus has been on placing individuals at the centre of their own safety environment and ensuring that all employees have the required competencies to perform their tasks safely. Critical risks is the primary focus of all Citycare teams by identifying and mitigating the areas and activities with the most potential for harm. We will use engineering controls to manage critical risks and a behavioural approach to non-critical risk management.

The Board reviews health and safety performance at every Board meeting. This is further supported by the Board Health and Safety Committee which reviews Company health and safety policies, risk management assessments, and regularly monitors the Company's health and safety performance.

To understand our progress, the Company benchmarks its performance against similar organisations, through active participation in the Business Leaders' Health and Safety Forum. This includes the continued drive of a number of initiatives aimed at improving risk management and demonstrating visible health and safety leadership.

To ensure our systems are constantly assessed against industry standards we are a tertiary level member of the ACC Accredited Employer Programme and accredited with ISO45001 and IS-NET certification.

### **8.2 Remuneration**

Citycare is conscious of its public accountability in the setting of remuneration which is closely managed by the Board.

The key principles related to Citycare employee remuneration are to ensure that the remuneration level continues to provide the ability to attract, retain and motivate suitably competent employees whilst also being fair and equitable, flexible and transparent.

In support of this transparency, Citycare:

- delegates financial authorities for hiring of new employees and remuneration setting;
- undertakes an annual staff appraisal and remuneration review process; and
- subscribes to and participates in the Strategic Pay market remuneration surveys.

### **8.3 Living Wage**

Over the past two years, the Company has taken a range of steps to ensure it achieves being a Living Wage employer for all permanent employees by 2021 (excluding those we engage through social procurement initiatives in partnership with social enterprises or trainees). This has also involved working closely with Unions and clients to ensure our remuneration offering is appropriate for the role, level and recognises progression through ongoing development and training. By January 2020, two areas of business have achieved Living Wage (Citycare Civil and Citycare Group) and our two remaining sectors of Citycare Water and Citycare Property continue making strong progress. There are also a number of contracts up for renewal or tender in the next 1-2

years and this will provide a further opportunity to partner with other Local Governments who have a similar desire to achieve Living Wage.

## 9 TARGETS (WHĀINGA)

### 9.1 Performance Targets

The performance targets outlined in Table 5 below act as specific progress metrics against the articulated growth strategy for Citycare.

**Table 5 – Performance Targets**

CCHL Strategic Framework	Target	Performance Measure short term (2020/21)	Performance Measure mid term (2021/22)	Performance Measure long term (2022/23)
<b>Kaitiakitanga</b>	<b>Client Satisfaction</b>	<ul style="list-style-type: none"> <li>Positive Net Promotor Score (NPS) year-on-year based on an annual survey of &gt;5 key customers.</li> </ul>	<ul style="list-style-type: none"> <li>Positive Net Promotor Score (NPS) year-on-year based on an annual survey of &gt;5 key customers.</li> </ul>	<ul style="list-style-type: none"> <li>Positive Net Promotor Score (NPS) year-on-year based on an annual survey of &gt;5 key customers.</li> </ul>
	<b>Ethical business</b>	<ul style="list-style-type: none"> <li>Full compliance with legislative and regularity requirements</li> </ul>	<ul style="list-style-type: none"> <li>Full compliance with legislative and regularity requirements</li> </ul>	<ul style="list-style-type: none"> <li>Full compliance with legislative and regularity requirements</li> </ul>
<b>Mana</b>	<b>Innovation</b>	<ul style="list-style-type: none"> <li>Develop and implement &gt;4 new ideas that drive a benefit consistent with our values</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement &gt;5 new ideas that drive a benefit consistent with our values</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement &gt;5 new ideas that drive a benefit consistent with our values</li> </ul>
<b>Sustainability</b>	<b>Environmental</b>	<ul style="list-style-type: none"> <li>100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV (excludes vehicles procured through acquisitions) (subject to vehicle availability)</li> <li>Annual reduction of 5% Company-wide greenhouse gas emissions normalised against annual turnover</li> <li>No environmental prosecutions</li> </ul>	<ul style="list-style-type: none"> <li>100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV (excludes vehicles procured through acquisitions)</li> <li>Annual reduction of 5% Company-wide greenhouse gas emissions normalised against annual turnover</li> <li>No environmental prosecutions</li> </ul>	<ul style="list-style-type: none"> <li>100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV (excludes vehicles procured through acquisitions)</li> <li>Annual reduction of 5% Company-wide greenhouse gas emissions normalised against annual turnover Company</li> <li>No environmental prosecutions</li> </ul>
	<b>Environmental</b>	<ul style="list-style-type: none"> <li>Fully measure waste going to landfill and set</li> </ul>	<ul style="list-style-type: none"> <li>5% reduction in internally generated waste to landfill normalised against</li> </ul>	<ul style="list-style-type: none"> <li>5% reduction in internally generated waste to landfill normalised against</li> </ul>

		reduction targets	annual turnover	annual turnover
<b>People</b>	<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>&lt;15 incidents requiring notification to WorkSafe</li> <li>&lt;1 WorkSafe investigation</li> </ul>	<ul style="list-style-type: none"> <li>&lt;10 incidents requiring notification to WorkSafe</li> <li>&lt;1 WorkSafe investigation</li> </ul>	<ul style="list-style-type: none"> <li>&lt;10 incidents requiring notification to WorkSafe</li> <li>&lt;1 WorkSafe investigation</li> </ul>
	<b>Employee Engagement</b>	<ul style="list-style-type: none"> <li>&gt;18% of workforce to be female</li> <li>Action items related to 3 primary findings from 2020 employee survey on attitudes to diversity in the workforce</li> <li>Increase in youth in the workforce by higher % of staff under 25 years</li> <li>Year on year improvement in staff engagement score</li> </ul>	<ul style="list-style-type: none"> <li>Achieve Living Wage or higher for all permanent and applicable CCL employees</li> <li>&gt;20% of workforce to be female</li> <li>Action at least 3 initiatives related to formal staff feedback on improving safety and / or personal wellness</li> <li>Year on year improvement in staff engagement score</li> </ul>	<ul style="list-style-type: none"> <li>&gt;22% of workforce to be female</li> <li>Action at least 3 initiatives related to formal staff feedback on improving safety and / or personal wellness</li> <li>Remain a Living Wage employer or higher</li> <li>Year on year improvement in staff engagement score</li> </ul>
	<b>System Management</b>	<ul style="list-style-type: none"> <li>Maintain current ISO-accredited systems</li> </ul>	<ul style="list-style-type: none"> <li>Maintain current ISO-accredited systems</li> </ul>	<ul style="list-style-type: none"> <li>Maintain current ISO-accredited systems</li> </ul>
	<b>Community</b>	<ul style="list-style-type: none"> <li>Collaborate with &gt;3 Social Enterprises</li> <li>Coordinate safe delivery of &gt;15,000 volunteer hours</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate with &gt;3 Social Enterprises</li> <li>Coordinate safe delivery of &gt;15,000 volunteer hours</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate with &gt;3 Social Enterprises</li> <li>Coordinate safe delivery of &gt;15,000 volunteer hours</li> </ul>

**Table 6 – Performance Targets (Apex Environmental Ltd)**

Target	Performance Measure short term (2020/21)	Performance Measure mid term (2021/22)	Performance Measure long term (2022/23)
<b>Client Satisfaction</b>	<ul style="list-style-type: none"> <li>Positive Net Promotor Score (NPS)</li> </ul>	<ul style="list-style-type: none"> <li>Positive Net Promotor Score (NPS)</li> </ul>	<ul style="list-style-type: none"> <li>Positive Net Promotor Score (NPS)</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>Identify two new products or technologies to bring to market</li> </ul>	<ul style="list-style-type: none"> <li>Identify two new products or technologies to bring to market</li> </ul>	<ul style="list-style-type: none"> <li>Identify two new products or technologies to bring to market</li> </ul>