



**City Care Limited  
Statement of Intent  
2018/19**

## CONTENTS

<b>1</b>	<b>INTRODUCTION</b>	<b>3</b>
<b>2</b>	<b>OBJECTIVES</b>	<b>3</b>
	2.1. VISION AND VALUES	3
	2.2. STRATEGIC PRIORITIES	3
<b>3</b>	<b>NATURE AND SCOPE OF ACTIVITIES</b>	<b>4</b>
<b>4</b>	<b>GOVERNANCE</b>	<b>4</b>
	4.1. BOARD ROLE AND RESPONSIBILITY	4
	4.2. RESPONSIBILITY TO SHAREHOLDER	5
	4.3. BOARD COMPOSITION	5
	4.4. CONFLICTS OF INTEREST	5
	4.5. NOMINATIONS AND APPOINTMENT OF NEW DIRECTORS	5
	4.6. BOARD MEETINGS	5
	4.7. DIRECTOR INDUCTION AND EDUCATION	6
	4.8. BOARD PERFORMANCE REVIEW	6
	4.9. CHIEF EXECUTIVE OFFICER PERFORMANCE REVIEW	6
	4.10. DIRECTOR & OFFICER INSURANCE	6
	4.11. BOARD COMMITTEES	6
	4.12. CONTROLLING AND MANAGING RISK	8
<b>5</b>	<b>FINANCIAL</b>	<b>9</b>
<b>6</b>	<b>DIVIDENDS</b>	<b>10</b>
<b>7</b>	<b>STRATEGY</b>	<b>10</b>
	7.1. STRATEGIC DIRECTION	10
	7.2. INNOVATION	11
	7.3. SUSTAINABILITY AND ENVIRONMENTAL LEADERSHIP	11
	7.4. STRONGER COMMUNITIES	11
	7.5. HEALTH & SAFETY	12
	7.6. EMERGENCY RESPONSE	12
	7.7. INVESTMENT	12
	7.8. REMUNERATION	12
	7.9. PERFORMANCE TARGETS	13
<b>8</b>	<b>INFORMATION TO BE PROVIDED TO THE SHAREHOLDER</b>	<b>13</b>
	8.1. NO SURPRISES	13
	8.2. STATEMENT OF INTENT	14
	8.3. ANNUAL REPORT	14
	8.4. QUARTERLY REPORTING	14
<b>9</b>	<b>ACQUISITION/DIVESTMENT PROCEDURES</b>	<b>14</b>
<b>10</b>	<b>SPECIAL SHAREHOLDER REQUESTS</b>	<b>14</b>
<b>11</b>	<b>ESTIMATE OF COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT</b>	<b>14</b>
<b>12</b>	<b>ACCOUNTING POLICIES</b>	<b>15</b>

## 1 INTRODUCTION

This Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002. The SOI specifies for City Care Limited (Citycare) 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 company may be judged in relation to its objectives.

The SOI 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 SOI covers the period from 1 July 2018 to 30 June 2021.

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

Address: 226 Antigua Street, Christchurch  
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

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

### 2.1. Vision and Values

Citycare's vision is to drive:

**Better people. Better places. Better communities**

To support this, Citycare has embedded a set of values that ensure:

**We Discover. We Deliver. We Care.**

### 2.2. Strategic Priorities

Citycare's key strategic priorities and objectives are to:

- 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.
- 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 communities.
- Further expand our sustainability agenda through support of social enterprises, active involvement in local communities and environmental change leadership.
- 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.
- Continue to be wholly committed to the Safety and Wellbeing of our employees and of the many subcontractors and suppliers 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**

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

- Maintenance and construction 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 construction and maintenance of public and private building and greenspace facilities through Citycare Property; and
- Roading, landscapes and subdivisions construction and maintenance through Citycare Civil.

Citycare has a 57% shareholding in Apex Environmental 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 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.

This statement presents an overview of the main corporate governance policies of the company.

#### **4.1. 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 below.

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.

All current members of the Board are independent non-executive Directors.

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.

#### **4.2. Responsibility to Shareholder**

In accordance with Section 64 of the Local Government Act 2002, the company will submit to the Shareholder a draft SOI by 28 February 2018, for the coming financial year. The SOI 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 SOI is approved by the Board of Directors and delivered to the Shareholder in June 2018.

#### **4.3. 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, and the company fully supports the Shareholder's Internship Programme. With the prior approval of the Shareholder, the Board may appoint one full-time executive as a Director of the company.

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

The Board supports the separation of the role of Chairman and Chief Executive Officer. The Chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the Chief Executive Officer.

#### **4.4. 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.

#### **4.5. 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 judgment of a candidate, and the candidate's ability to work alongside other Directors.

#### **4.6. Board Meetings**

Each year there are 12 scheduled meetings of the Board. The Board also meets as required between the scheduled meetings.

The Chairman 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 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 Chairman, 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.

#### **4.7. 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.

#### **4.8. Board Performance Review**

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

#### **4.9. Chief Executive Officer Performance Review**

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

#### **4.10. Director & 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.

#### **4.11. Board Committees**

The Board has three formally constituted committees, the Risk, Audit and Finance Committee, the Health & Safety Committee, and the People & Culture (previously *Remuneration*) 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 & 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 & Finance Committee is chaired by a Director who is not the Board Chairman. It comprises non-executive members of the Board as appointed by the Board from time to time. The Chief Executive Officer, Company Secretary and GM Finance 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 & 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 including compliance with applicable laws and regulations (health and safety matters specifically excluded) and protection of assets;
- Reporting of financial information and regulatory disclosure requirements (including all related audit matters);
- Financial management; and
- Any other matters as delegated by the Board.

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 & Finance Committee receives regular reports from management as well as the internal and external auditors. The Risk, Audit & 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 & Safety Committee***

The objective of the Health & Safety Committee is to act as advisor to the Board to assist the Board in discharging its responsibility to exercise due care, due diligence and skill in relation to ensuring that the health and safety of workers is protected, and that no others are put at risk by Citycare's work.

The Health & Safety Committee shall ensure that the health and safety vision and expectations of the Board underpins health and safety within Citycare and that a positive culture of safety is fostered within the organisation.

The Health & Safety Committee comprises two non-executive Directors of the Board as appointed by the Board. The Citycare Chief Executive Officer, EGM People and Culture, Health, Safety & Wellbeing Manager, operational EGMs and two company representatives are required to attend the Health & Safety Committee meetings but are not members of the committee. Any non-executive Directors who are not committee members may also attend Health & Safety Committee meetings.

The Health & Safety Committee's responsibility is to:

- Advise and assist the Board in the development and maintenance of a health and safety governance charter that serves as Citycare's highest level health and safety document. The charter

defines how health and safety expectations and strategy are set, and outlines how health and safety is managed at Citycare.

- Identify and recommend to the Board the use of good practice principles such as the Institute of Director's Good Governance Practices Guidelines for Managing Health and Safety Risks.
- Understand and monitor the company's compliance with all relevant health and safety legislation. Act as a conduit for engagement with the company's workers, ensuring effective communication of worker concerns to the Board.

Meetings will be held on a two monthly basis to coincide with the timing of the various responsibilities of the committee.

In fulfilling its responsibilities the Health & 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.

### ***People & Culture Committee***

The objective of the People & Culture Committee is to provide independent assurance and assistance to the Board on the company remuneration strategy and Chief Executive Officer's employment conditions.

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

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

The People & 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 & Culture strategy and high level initiatives;
- Reviewing succession plans for the Executive team and providing assurance that there is 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 & 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.

## **4.12. Controlling and Managing Risk**

***Risk Management*** – 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 and delegated to the Risk, Audit & Finance and Health & Safety Committees where appropriate. Mitigation plans are controlled and administered by Management.

**Performance** – The Board sets the strategic direction of the company and participates in developing strategic plans, approves budgets and monitors company performance monthly.

**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.

**Health and Safety** – The Board reviews health and safety performance at every Board meeting. This is further supported by the Board Health & Safety Committee which reviews company health and safety policies, hazard assessments, and regularly monitors the company’s health and safety performance.

## 5 FINANCIAL

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	2018/19	2019/20	2020/21
Revenue	299,198	313,499	328,589
Net Profit After Tax	4,798	5,885	7,454
Return on Average Equity	8.2%	9.6%	11.5%
Equity/Total Assets	54.9%	58.1%	60.4%
Equity	58,238	61,180	64,907
Debt to Debt plus Equity	19.6%	13.0%	8.1%

### 5.1. Revenue

Revenue is forecast to be consistent with the 2017/18 year due to market conditions. Growth is forecast to be in the range of 4% to 5% for the 2019-2021 years. This is based on retaining our current major contracts which are due for re-tender during the period, and further opportunities created by continuing investment in infrastructure over the next three years.

No acquisitions have been forecast during the period and any potential acquisitions would be considered on their own merits.

### 5.2. Net Profit after Tax

Net Profit after Tax (NPAT) is forecast to recover in 2018/19 after a disappointing 2017/18 result. Further NPAT improvement in 2019-2021 is forecast as a result of maintaining margins through improved operating efficiency and tight control of operating overheads whilst continuing to invest in people, systems, and innovation.

### 5.3. Return on Average Equity

The balance sheet is forecast to improve, with careful cash management, capital investment and reducing debt. The Return on Average Equity is forecast to steadily improve to 11.5% in 2020/21.

## 6 DIVIDENDS

Citycare's strategy, outlined in section 7, is built to deliver sustainable value over the long-term whilst supporting the Shareholder with a strong dividend stream. The Directors have considered the current dividend policy, and having regard for the current strong financial position and the capital requirements of the business over the forecast period consider that a dividend policy of 50% of NPAT is sustainable.

The company is focused on revenue and profitable growth to create opportunities for dividend growth. Citycare also carefully manages its balance sheet to ensure that operating cash flow is maximised and sufficient cash and borrowing capability is retained to meet the company's needs.

Ordinary dividends are forecast to be paid in two instalments in March and October of each 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.

Christchurch City Council Capital Release – Citycare continues to review its dividend policies to ensure the sustained maximisation of dividend returns over the remainder of its capital release programme (through to 2020).

To assist the Shareholder with budgeting, the forecast ordinary dividends payable to the Shareholder are detailed in Table 2.

Table 2 – Shareholder Dividend Distribution

	2018/19 \$M	2019/20 \$M	2020/21 \$M
Ordinary Dividend	1.2	2.7	3.3

## 7 STRATEGY

### 7.1. Strategic Direction

Competition in the market, coupled with the increasing emphasis on cost over value all combine to create an increasingly competitive environment for NZ maintenance and construction contracts. To assist in navigating an effective path through these challenges, Citycare commenced a new five-year growth strategy in 2017, that began with the re-engineering of its operational delivery model to better showcase the company's broad-based construction, maintenance and asset optimisation operational capability.

The focus for 2018 and beyond is to drive revenue growth (and Shareholder returns), greater customer intimacy and a more complete Sustainability footprint, through amplifying the growth potential inherent in our *We Discover. We Deliver. We Care.* value proposition.

This will be achieved through delivering against the strategic priorities laid out in Section 2.2, in particular when it comes to the successful introduction and adoption of new ideas, innovation and relevant disruptive technologies, that help the company to drive greater operational efficiencies and more customer value from its products and services.

Citycare's increasingly influential role in the community is also pivotal to the success of this growth strategy. Reaching beyond the need to adopt a leadership stance in sustainability and best practice (see 7.3 Sustainability and Environmental Leadership), and instinctive social responsibility when it comes to responding to emergencies (see 7.6 Emergency Response), the fact that Citycare services touch so many areas that local communities depend on, represents both a significant responsibility and opportunity for Citycare in 2018 (see 7.4 Stronger Communities).

## **7.2. Innovation**

Citycare's national footprint and advanced 24/7 field service technologies place the business in a unique position to collect, validate, analyse and use rich asset data that can only positively enhance the services we provide to our clients.

Innovation and the adoption of disruptive and new technologies appropriate to Citycare's business are critical to the successful future of the company. Artificial Intelligence (AI), the Internet of Things (IoT), Augmented Reality (AR) or Virtual Reality (VR) tools and systems that are ultimately proven to enhance customer value through optimised asset management or operational efficiencies will be explored and adapted to help improve Citycare's service offering.

Re-positioning Citycare as thought leaders and innovation adopters will in turn drive a virtuous circle opportunity that weaves value into Citycare's service proposition, while also enhancing customer and industry perception of Citycare – as industry innovators.

## **7.3. Sustainability and Environmental Leadership**

The key to Citycare's continued success in environmental leadership is in maintaining close collaboration with key clients, subcontractors and suppliers, not only when it comes to ensuring compliance, but also with the aim of continual improvement of environmental practices. Aligned with this is a firm commitment to the intent of the 'Paris Agreement' through the continued mitigation and adaptation of greenhouse gas emissions.

This commitment to creating healthy environments, prevention of pollution and sustainability of natural resources is reflected through the ISO14001 certified environmental management system. Citycare continues to identify opportunities to promote sustainable solutions, including the gradual replacement of petrol operated plant and equipment with electric or hybrid power.

Citycare's business sustainability policy, environmental policy, environmental sustainability plan and targets and strategic plan encapsulate all initiatives and targets in this area.

A newly deployed innovation employee website is also aimed at stimulating practical ideas and innovations that can capture and drive strong sustainability-focused outcomes for the business in future.

## **7.4. Stronger Communities**

Citycare remains committed to driving sustainable and meaningful community outcomes that foster more connected communities and align with its vision of promoting 'Better people. Better places. Better communities.'

FY18 sees the launch of a new community-focused umbrella scheme – the Community Guardian scheme – which positions Citycare as the managing facilitator for a variety of nationwide, community volunteer events and initiatives, delivered in partnership with Citycare customers, suppliers, social enterprise and Iwi partners.

Building on existing volunteer networks and community outcome delivery models, the Community Guardian scheme creates a unique platform for community-focused collaboration and social innovation.

### **7.5. Health & Safety**

Citycare continues to place the highest level of focus on driving a 100% safe workplace and on optimising our safety systems and processes to maintain staff engagement in them.

To assist with this, the company positively benchmarks its performance against similar organisations, through active participation in the Business Leaders' Health & Safety Forum. This includes the continued drive of a number of initiatives aimed at improving risk management and demonstrating visible health and safety leadership.

Citycare is also a tertiary level member of the ACC Accredited Employer Programme and complies with ISO NZS4801 certification.

### **7.6. 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 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.

### **7.7. Investment**

Citycare will continue to drive innovation, its safety culture and business growth through the appropriate investment in people, systems and acquisitions. This investment is well-managed at all levels, through a robust delegated authority matrix and a comprehensive due diligence process that includes advice and guidance from both the leadership team and the Board.

Similarly, all new capital investment demands 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.

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.

### **7.8. 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 deploys:

- delegated financial authorities for hiring of new employees and remuneration setting;
- an annual staff appraisal and remuneration review process;
- subscription to and participation in the Strategic Pay market remuneration surveys;
- participation in an At Risk scheme for selected senior and middle management offering payment (subject to Board approval) of a portion of their total remuneration based on the achievement of financial and non-financial targets.

## 7.9. Performance Targets

The performance targets outlined in Table 3 below act as specific progress metrics against the above articulated growth strategy for Citycare.

Table 3 – Performance Targets (excluding subsidiaries)

Target	Performance Measure 2018/19
<b>Client Satisfaction</b>	<ul style="list-style-type: none"> <li>• Rolling 3-month net promoter score of +5% for key clients</li> </ul>
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>• Replace 10 vehicles with hybrid or EV</li> <li>• Continuation of changing out petrol-driven hand tools with electric models where appropriate</li> <li>• Measure greenhouse gas emissions to deliver a company-wide emission reduction of 2% year on year saving (normalised against revenue)</li> <li>• Be actively involved in at least three community projects that will enhance the environment</li> </ul>
<b>Health and Safety</b>	<ul style="list-style-type: none"> <li>• 5% reduction in TRIF (Total Recordable Incident Frequency) accident rates from prior year</li> <li>• Maintain NZS4801 Health &amp; Safety Management certification</li> </ul>
<b>Staff Engagement</b>	<ul style="list-style-type: none"> <li>• Reduce voluntary staff turnover by 2.5%</li> </ul>
<b>System Management</b>	<ul style="list-style-type: none"> <li>• Maintain ISO-accredited systems</li> </ul>
<b>Growth</b>	<ul style="list-style-type: none"> <li>• Win one new 'significant' (&gt;\$5m) contract or client for the company</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>• Develop and implement at least five new ideas that come through the new company-wide, web-based innovation and ideas connectivity platform <i>Citycare Ideas Suite</i></li> </ul>

## 8 INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

### 8.1. 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 context related to matters of commercial sensitivity and/or with confidentiality obligations. This to include as much advance notification as possible pertaining to issues that may:

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

## **8.2. Statement of Intent**

The SOI will be submitted to the Shareholder annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where appropriate revised forecasts and/or senior executive remuneration changes will be submitted to the Shareholder as required.

## **8.3. 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.

Annual Reports will be produced consistent with 'triple bottom line' and/or the UN Sustainable Development Goals reporting philosophy. 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 SOI targets.

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

## **8.4. Quarterly Reporting**

Quarterly Reports will be provided to the Shareholder. These reports will include financial results for the year to date, performance compared to SOI and an operational overview. It will also report on the management of health and safety risks, legislative compliance and risk management within the company.

## **9 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.

## **10 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.

## **11 ESTIMATE OF COMMERCIAL VALUE OF SHAREHOLDER'S INVESTMENT**

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

## **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 as published on our company website.