



Statement of Intent

For the year ended 30 June 2021



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1. Introduction

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

The SOI specifies for EcoCentral Limited (ECL), 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, amongst other requirements.

The process of negotiation and determination of an acceptable SOI is a public and legally required expression of the accountability relationship between the company and its Shareholder, Christchurch City Holdings Limited (CCHL) & its ultimate owner, being the Christchurch City Council (CCC).

ECL is made up of three divisions:

1. EcoSort – The materials recovery facility (MRF) that the Company owns and operates at Parkhouse Road. It processes recyclable materials collected from the wider Canterbury Region such as paper, glass, plastics, metals and sells the output product commercially to external parties. Ownership of the facility passes back to CCC in 2024.
2. EcoDrops – ECL is contracted to operate on behalf of CCC the three solid waste transfer stations at Parkhouse Road, Metro Place, and Styx Mill Road. The facilities are open to the public along with commercial customers for the disposal of most household waste and commercial general waste.
3. EcoShop – This provides a reuse retail warehouse which runs in conjunction with the EcoDrops. All types of previously-owned goods are collected from EcoDrops, carefully sorted, priced and then sold to the Christchurch public at our location on Blenheim Road.

The SOI is reviewed annually with CCHL & CCC, and covers a three-year period. EcoCentral Ltd is a Council-Controlled Trading Organisation (CCTO) for purposes of the Local Government Act 2002.

2. Contact Details

Address and Registered office

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Board

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3. Objectives

EcoCentral Limited is responsible for the operation of the EcoSort (Materials Recovery Facility) and the refuse and recycling EcoDrops which includes drop-off centres that assist in the handling, separating and disposal of all waste types. These facilities receive refuse and provide recycling collection options throughout the city for both households and commercial premises.

Additionally, ECL operates the EcoShop on 191 Blenheim Road. This facility receives material from the EcoDrops, prepares that material for sale and retails products to the public, thereby diverting material from landfill.

The objectives of ECL are:

Health & Safety

- To protect and ensure the safety and wellbeing of all staff, customers and contractors visiting our sites by driving a safety focused culture, adopting best-practice processes and equipment available to the industry

Environment

- To process a high proportion of CCC controlled waste into usable resources in a commercial, sustainable and environmentally friendly manner, with the target of minimizing the residual waste sent to landfill.
- Ensuring that the EcoDrops, EcoSort and EcoShop are available and fully operational 7 days per week (excluding the five major public holidays) to facilitate this objective.
- To identify, develop and implement innovative recycling processes and technologies that help create a circular economy.
- Working with CCC and Canterbury regional councils supporting education strategies that encourage recycling and waste minimisation.
- Measure and Reduce our carbon footprint through adoption of new technologies and best operating practices.
- To operate all facilities in 100% compliance with the consents governing their operation.

Economic

- Ensure that ECL's operations generate annual operating surpluses allowing the Company to continue to invest in innovative technologies, implement sustainable practices and make a positive contribution against the capital employed.
- To undertake sound strategic & financial planning to ensure that capacity is available to meet the waste & recycling processing needs of Christchurch City in a commercially viable manner.

Community

- Assist CCC in empowering, educating and encouraging the community in recycling surplus resource and waste in the community.
- Working with CCC to encourage the users of the systems operated by ECL in Christchurch to understand and embrace the concept of waste minimization and resource recovery and assist in the development of a more sustainable community.
- To maintain strong relationships with local and regional councils to support, encourage and educate in material reuse, recycling and waste minimisation.
- Be a good employer and provide safe and clean facilities, demonstrating best practice in the industry.

4. Key Initiatives and Innovation

A resilient EcoCentral is a key part of a waste and resource recovery system that minimizes waste generation, maximises resource recovery, and works towards zero waste going to landfill.

EcoCentral resilience is inherent in its commitment to continuous improvement through innovation and the introduction of new processes and technologies that improve the efficiency of the waste stream.

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

Waste and recycling continues to undergo global change and EcoCentral recognizes that to be resilient and adopt new technologies, there may be commercial or partnership opportunities developed that benefit EcoCentral, CCHL and Canterbury. Some of these opportunities are being explored in the following strategy:

- EcoCentral is researching the materials processing requirements necessary for second stream residential paper recycling to meet the new stringent paper mill quality standards. This is a major project scoping exercise that will be undertaken in 2020/21.
- EcoCentral supports local plastic remanufacturing and currently provides a large proportion of recycled PET internally within New Zealand. The 3-7 plastics range creates the biggest recycling challenges and EcoCentral is working with central and local government, Plastics NZ and other industry providers to develop long term local reuse solutions for these less desirable plastics.
- EcoCentral is working with Christchurch City and regional waste stakeholders to help develop a regional Canterbury waste strategy that creates operational synergies with collaborative goals.
- EcoCentral is focused on reinforcing the residential recycling messaging produced by Christchurch City and the other regional councils, aligning our marketing message and enhancing public education.

5. Nature and Scope of Activities

ECL is a Council-Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002 and the Companies Act 1993.

ECL holds a contract with CCC to:

1. Operate the EcoSort. The ownership of this facility transfers back to council at the end of the contract term in 2024; and
2. Run the CCC owned three EcoDrops at Styx Mill Road, Metro Place and Parkhouse Road.

ECL also operates the EcoShop at 191 Blenheim Road which receives material from the recycling centres based at the EcoDrop sites. The EcoShop site is leased long term from a commercial third party.

ECL is regarded as a 'for profit' CCTO.

6. Governance

EcoCentral'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.

Role of the Board of Directors

The Board is responsible for the proper direction and control of the company's activities. The Board guides and monitors the business and affairs of the company on behalf of the shareholder, CCHL, to whom it is accountable. CCHL is in turn responsible to its shareholder, CCC.

The primary function of the Board is to ensure that the company meets its objectives and requirements as listed in the SOI. Additionally, the Board has obligations under the Local Government Act 2002 to deliver an annual Statement of Intent and relevant half-yearly and annual reports to the Shareholder.

All Directors endorse and are required to comply with the New Zealand Institute of Directors' Code of Proper Practice for Directors.

Conflict 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 interests. Where conflicts do exist, then the Directors concerned must disclose their interest, excuse themselves from any Board discussions and not receive any Board papers in respect of those interests.

Board Composition

The directors of ECL are appointed by the shareholder CCHL for terms of up to three years. Board membership currently consists of four non-executive directors.

The Board has delegated to the Chief Executive the day-to-day leadership and management of the company. The Chief Executive 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 company may also make use of external advisors from time to time.

The Board is responsible for reviewing the company's accounting policies, reporting practices and resultant financial statements. It also considers external audit reports; audit relationship matters and fees as well as delegated authorities.

Board Committees

Audit & Risk Committee

Membership of the committee consists of two members of the Board, the committee is regulated by approved terms of reference that address membership, functions, responsibilities, authorities and reporting procedures. The committee is chaired by a director who is not the Board Chairman. The ECL Audit and Risk Committee monitors risk management processes, oversees the findings of external auditors and monitors legislative compliance.

Remuneration Committee

The Remuneration Committee is conducted by the full board. The committee convenes at least annually to review the performance of the Chief Executive and the recommended pay reviews of the Chief Executive's direct reports. The committee then makes recommendations to the board on the Chief Executive's remuneration package. In considering the 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.

ECL ensures remuneration levels are set at responsible limits to enable the Company to attract and retain the people it needs to manage and operate its business.

Health and Safety

The issue of health & safety is deemed the responsibility of the full Board on a continuing basis.

Controlling and Managing Risk

The Board has a formal risk assessment framework identifying potential risks to the company and adopting appropriate mitigating measures to minimize or eliminate the risk.

Foreign Exchange Risk

A formal Treasury Policy in conjunction with the use of independent advice on products and levels of coverage is utilised by ECL to manage its foreign exchange risk due to sales of recyclable products being primarily in US currency.

7. Performance Targets

Financial Performance Targets

The financial performance targets for the company are as follows:

	2021 \$'000	2022 \$'000	2023 \$'000
Total Revenue	33,236	33,568	33,904
Net Profit After Tax	310	245	176
Return on Equity	3.7%	2.9%	2.1%

The forecast returns reflect the continuing reduction in volumes at the EcoDrop, due to increased competition for commercial refuse. The EcoSort earnings have been forecast after taking into account

the impact of declining commodity revenue from continual tightening contamination limits on sorted recycling being introduced by importing countries such as China, Indonesia and India.

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

	2021	2022	2023
Shareholders Equity%	66.4%	66.6%	66.5%

This is calculated as the equity of ECL divided by the total assets of ECL expressed as a percentage as at the end of the financial year.

The forecast capital structure for the next three years is:

	2021 \$'000	2022 \$'000	2023 \$'000
Equity	8,487	8,481	8,408
Debt to CCHL	-	-	-
Total Assets	12,787	12,740	12,640

Operational Performance Targets

In addition to the above financial performance measures, ECL will use the following measures to assess its performance of the 2020/21 financial year:

Performance Targets	Performance Measure 2020 / 21
EcoDrop Waste Minimisation	Investigate at least 2 new initiatives for diversion from waste stream
EcoSort MRF plant efficiency % Waste %	75% 12.5%
EcoShop / Resource Recovery Number of Customer sales Total tonnes diverted from landfill	112,000 per annum At least 8,000 tonnes
Health & Safety TRIFR (Total recordable incidents per 200,000 hours worked) ISO45001 Management System	<18 Complete transition to ISO45001
Sustainable Business Practices Improve operational efficiency of machinery and plant to reduce greenhouse gas emissions	Reduced kilowatt hours per tonne Measure ECL Carbon Footprint Transition mobile plant to Bio-diesel

8. Accounting Policies

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

The company's current Accounting Policies are attached to this Statement of Intent as Appendix One.

9. Distributions

ECL will consider a dividend to the shareholder CCHL from residual cash after operating cash flow is applied to necessary capital expenditure, finance costs and maintaining reserves sufficient to meet the company's future obligations. ECL recognises that a significant portion of its revenues are susceptible to commodity and foreign exchange price fluctuations. For this reason, the directors consider it prudent for the company to maintain cash reserves and/or borrowing capacity to ensure the company can withstand unfavourable short-term commodity and foreign exchange movements. The dividends payable to the shareholder CCHL will be determined by the ECL Board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993.

The normal dividend policy is to forecast payments of one instalment in October of each financial year.

	2021 \$'000	2022 \$'000	2023 \$'000
Dividend Paid	-	250	250

10. Information to be provided to the Shareholder

An annual report will be submitted to the Shareholders. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period provided to the Shareholder.

EcoCentral will provide regular updates to our shareholder on the ongoing performance of the entity which may include financial, strategic, risk and operational updates for any given period.

Half-yearly reports will also be provided to the Shareholder. These reports will contain unaudited information and comply with NZ IAS 34.

Annual reports will be produced and will provide

- a comparison of the performance of ECL with the statement of intent; and
- an explanation of any material variances between that performance and the statement of intent.

The statement of intent will be submitted to the Shareholder for consultation annually, as required by the Local Government Act 2002. The Directors will include any other information they consider appropriate. Where it is appropriate, revised forecasts will be submitted to the Shareholder.

The company will operate on a “no surprises” basis in respect of significant Shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

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

11. Acquisition and Divestment Policy

The subscription or acquisition of securities in any company or organization, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of ECL.

When the subscription, acquisition or divestment is considered by Directors to be significant to the company’s business operations, it will be subject to consultation with the Shareholder. Any significant investment or acquisition is subject to a post investment review.

12. Compensation Sought from Local Authority

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 envisaged.

13. Community Focus

Through its stewardship of Council resources, ECL plans to deliver the following to the local community:

- Management of infrastructure, assets and resources in a way that supports economic growth of the city providing employment for local staff, supporting local waste minimisation initiatives and seeking additional waste diversion opportunities.
- Ensuring infrastructure, assets and financial resources are well-managed and used efficiently.
- Identifying partnering opportunities to enhance educational outcomes to increase recycling in the community.
- Demonstrate environmental leadership by using infrastructure, assets and resources in a sustainable manner which values natural resources and aims to reduce waste to landfill.

14. Sustainable Business Practices

ECL will continue to pursue opportunities to innovate and improve efficiency within the EcoSort plant as equipment upgrades occur considering better energy consumption and efficiency. The pursuit of sustainable, reliable alternative mobile plant including electric and other fuel options will be part of the capital review programme for the Company in 2020, supporting the extensive changes already achieved in this area to date.

15. Innovative/Disruptive and New Technologies

ECL will continue to seek further opportunities to utilise technology and engineering improvements to enhance the efficiency and productivity of the EcoSort and to provide a better customer experience at the EcoDrops. It will also consider the opportunity to incorporate emerging optical and mechanical technologies to improve output quality control.

16. Estimate of Commercial Value

The Board estimates the commercial value of ECL to be at least that which is stated as shareholders' equity in the Company's audited financial statements.

17. Accounting Policies

ECL 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 Christchurch City Holdings' website.

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