



Statement of Intent

For the year ended 30 June 2024



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

2. Contact Details

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3. Mission

ECL's mission is to take a leadership role in New Zealand for waste minimisation and recycling. We are centrally located with supportive connections to local councils and have a strong asset base to grow from. We make use of commercial relationships through our business connections working with like-minded partners. We will build collaboration between industry, community, national and local governments to develop and implement solutions to current and future challenges.

4. Objectives

ECL 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 resellable material from the EcoDrops and other sources, then prepares that material for sale and retails it to the public. This thereby diverts that material from landfill supporting the circular economy.

The objectives of ECL are:

Facility Objectives

- To receive and process a high proportion of controlled waste (within the Canterbury region) into usable resources, with a target of minimising the residual waste to landfill.
- To ensure that the EcoSort, EcoShop and EcoDrops are available and fully operational throughout the entire year to achieve this objective.

Environmental Objectives

- To encourage sustainable resource use and provide facilities to divert waste from the landfill that can be economically converted into resources and products that can be reused with minimal environmental impact.
- To support CCHL and the Sustainability Working Group's carbon reduction goals by reducing the Company's carbon footprint and implementing our sustainability strategy to support CCC's plan to be carbon neutral by 2030.
- To operate all facilities in compliance with consents governing their operation.

Economic Objectives

- Ensure that the operation is run in a cost-effective manner, returning an annual profit that translates into a dividend being paid back to the shareholder.
- To provide sound strategic and financial planning to ensure that capacity is available to meet the recycling processing needs of Christchurch City and the wider Canterbury region in a commercially viable manner.

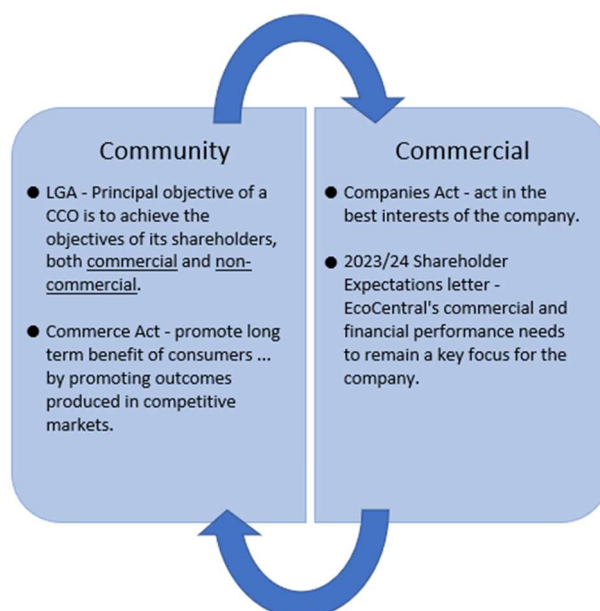
Social Objectives

- 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

- To maintain and advance initiatives that promote improving gender equality, diversity and inclusion within the business.
- To provide safe and clean facilities for staff, contractors and customers at all times.
- To train and upskill our staff, pay at least the Living Wage and provide meaningful career pathway opportunities.
- To educate, empower and encourage the community in their recycling activities.
- To give back to the local community via the EcoShop providing reusable household goods and packages for social housing enterprises and supporting community groups.

Community and Commercial Trade-Offs

One of the challenges embedded within ECL's ownership structure, particularly with its ultimate public ownership, is the need to balance community and commercial outcomes. The following chart has been developed to acknowledge the company's ongoing need to manage this balance.



5. Key Initiatives and Innovation

A resilient ECL is a key part of a waste and resource recovery system that minimises waste generation, maximises resource recovery, and works towards zero waste going to landfill. ECL's 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. ECL is aware of the essential service it provides Christchurch City and the need to ensure a stable, future focused waste minimisation business.

Waste and recycling continues to undergo global change and ECL recognises that it must respond by having processes in place to manage the risks associated with exporting product overseas and continually looking to identify and adopt or partner in new technologies that will benefit ECL, CCHL and the wider Canterbury region.

ECL key initiatives and innovation strategy will include the following:

Innovation and Investment in New Technology for Recyclables

EcoCentral is committed to continuing to research innovative technologies and processes that enable EcoCentral to produce the highest quality recyclable commodities. The recently completed Materials Recycling Facility upgrade ensures ECL is well placed to build on this, developing increased domestic partnerships and secondary process solutions that reduce our dependence on export and imports while growing the domestic economy.

Sustainability Targets and Carbon Footprint Reduction

ECL acknowledges its obligations to assessing and managing its climate impact and targeting carbon neutrality by 2030. As part of this it will commit to the following:

- Support the CCHL Group to develop Group wide sustainability targets.
- Progressing the Carbon Reduction Plan to reduce our carbon footprint.
- Seek to identify other sustainability targets that it can report against.
- Focus on continuous improvement of the Company's activities to ensure efficient and economic utilization of available resources.
- Focusing on reducing the circles of consumption by solving global recycling problems at a local level.
- Continue in its journey towards integrated reporting.

Public Education / Reducing Contamination in Recycling

Contamination in the recycling streams poses a significant risk for ECL's continued ability to sell its recyclable commodities in the global markets. ECL will continue to respond to this risk by:

- Supporting its customers in its monitoring of kerbside bins through roadside auditing.
- Identifying and rejecting contaminated loads being delivered to the MRF.
- Engaging the public through various education initiatives, including advertising campaigns, social media participation, and strategic partnerships.
- Providing unbiased expert advice to Central and Local Government regarding innovation, future opportunities and risks to the recycling industry.
- Actively maintaining its website and social media platforms, using these facilities to deploy ECL's marketing and public education strategies.

As part of its public education strategy, ECL will continue to seek opportunities to engage local schools, and present its recycling message to various community groups. It will also continue to assist other businesses by advising recycling best practice and assisting with key information.

ECL will also continue to build on its strategic partnership with public transport providers to remove financial barriers to schools participating in the CCC Learning Through Action, "A Waste of Time", education programme. Schools that meet qualifying criteria will have the transport to the recycling programme provided to them at no cost by ECL. This support to schools assists in promoting key waste reduction messages and improving recycling knowledge throughout the community.

Participation on National Advisory Boards & Support to Central Government Waste Initiatives

ECL will actively engage in supporting Central Government waste minimisation initiatives. As part of this commitment, ECL will maintain its involvement in a number of key advisory roles, with the key

aims of seeking to improve recycling behaviours and enhancing the circular economy at a national level. These involvements include:

- Participation in the WasteMINZ advisory panel to the Ministry for the Environment – to assist in the standardisation of recycling practices throughout New Zealand.
- Participation in the stewardship advisory group to WasteMINZ - aimed at holding suppliers to account for those products that are not easily recycled in the current environment, such as batteries, tyres and e-waste.
- Involvement with a collective of New Zealand based recyclers providing guidance to the Ministry for the Environment on the proposed container return scheme.

Electric / Hybrid Vehicles

As a key priority within ECL's carbon reduction plan, we will continue to prioritise viable electric/hybrid alternatives when purchasing new vehicles and mobile plant.

Supporting Shareholder's Current Program of Work

ECL will actively support and engage in the Shareholder's current program of work. This includes participation in the CCHL Group's Sustainability Working Group and aligning its objectives to CCHL's initiatives including carbon reduction, honoring Te Titiri o Waitangi, encouraging gender balance, diversity and inclusion.

6. 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.

7. Governance

ECL'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 at least 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 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.

8. Performance Targets

Financial Performance Targets

The financial performance targets for the company are as follows:

	2024 \$'000	2025 \$'000	2026 \$'000
Revenue	51,467	53,878	54,895
EBIT	1,569	1,777	1,904
NPAT	1,239	1,391	1,485

The forecast capital structure for the next three years is:

	2024 \$'000	2025 \$'000	2026 \$'000
Equity	13,226	14,367	15,602
Debt	-	-	-
Shareholder Funds to Total Assets	28.9%	32.7%	36.9%

Other financial performance KPIs

	2024 \$'000	2025 \$'000	2026 \$'000
Return on Average Equity	9.7%	10.1%	9.9%
Return on Assets	3.0%	3.1%	3.4%
Interest Cover	6.5	7.2	7.5

Operational Performance Targets

In addition to the above financial performance measures, ECL will use the following measures to assess its performance of the 2023/24 financial year:

Performance Targets	Performance Measure 2023 / 24
EcoDrop	
Waste Minimisation	Divert at least 60,000 tonnes from landfill
EcoSort	
MRF upgrade project	Complete commissioning and project acceptance criteria sign-off
Plastic & Fibre quality	>99.5% purity (free from contamination)
EcoShop / Resource Recovery	
Number of Customer sales	130,000 per annum
Total Resource Recovery tonnes diverted from landfill	At least 6,500 tonnes
Health & Safety	
Safe work observations	>150
Sustainable Business Practices	
Carbon Reduction Plan	Annual Reduction in ECL Carbon Footprint from FY2022/23

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.

	2024 \$'000	2025 \$'000	2026 \$'000
Dividend Paid	250	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.

ECL 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.

As part of the Shareholder's initiative to narrow the gap between the highest and lowest remuneration levels across the CCHL Group, ECL will continue to provide annual reporting on the average remuneration for the highest paid 10% of employees compared to the average remuneration for the lowest paid 10% of employees.

ECL will also provide regular updates to the Shareholder of its progress in maintaining a Living Wage for all direct employees and implementing a Living Wage to its ongoing suppliers.

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

EcoCentral places significant importance on community engagement, community good and customer service excellence. Through its stewardship of Council resources, ECL plans to deliver the following to the local community:

- Working to maximise resource recovery and reuse.
- Management of infrastructure, assets and resources in a way that supports economic growth of the city providing employment for local staff, supporting sustainable 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.
- Support of local community groups and social enterprises for the benefit of all residents.

14. Recognition of the Treaty of Waitangi

Te Tiriti o Waitangi (The Treaty of Waitangi) is the founding document of Aotearoa (New Zealand). It defines the relationship between tangata whenua and the Crown and provides a basis for all citizens to live and belong here.

Recognition of te Tiriti is an important part of working effectively within the communities we serve and the iwi stakeholders we engage with as ECL.

15. 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 2023/24, supporting the extensive changes already achieved in this area to date.

ECL will continue to actively manage the sale of its recyclable commodities, to assure that all exported material is handled in an ethical manner.

16. 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 technologies that expand recycling solutions and improve output quality.

17. 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.

18. 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>