

Statement of Intent

2022/23





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1. Introduction Rārangī Ūpoko

Nau mai ki te Pānui Whāinga o Citycare 2022/23.

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 Statement of Intent (Sol) is a public and legally required document, reviewed and agreed annually with the Shareholder, Christchurch City Holdings Ltd (CCHL) and covering a three-year period. The Statement of Intent (Sol) is prepared in accordance with Section 64(1) of the Local Government Act 2002.

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

The Sol specifies the objectives, nature and scope of activities, performance targets and other measures by which the performance of City Care Limited (Citycare, Citycare Water, Citycare Property or the Company) may be judged for the period 1 July 2022 to 30 June 2025.

In November 2020, Citycare formalised its previously signalled business objective of evolving sector strategies that reinforce the autonomous nature of its two business units – Citycare Water and Citycare Property (which includes the integration of Citycare Civil). Citycare Water and Citycare Property are positioning to become separate businesses, led by the respective Chief Executives. This change enables each sector to better work to their core strengths and deliver optimal performance to customers.

Contact details for the Executive Chair and Chief Executive Officers are Citycare’s registered office:

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2. Objectives

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 stakeholders and with the communities we work in.

PROPERTY

Applying a future mindset. Our “High 5” strategy diagram shows Citycare Property’s purpose, values, five key strategic priorities and strategic outcomes.

2.2 Strategic Priorities

Citycare Property has developed its Towards 2030 Strategy – considering global and national trends, and external factors that will impact the business immediately and into the future. This strategy clearly articulates Citycare Property’s purpose, values, five key strategic priorities (our “High 5”) and strategic outcomes (linked to the aforementioned priorities) as depicted in the following diagram:



WATER

Citycare Water's values are:
We Discover, We Deliver,
We Care, and We are Safe.

Citycare Water's Mission is 'to protect and care for the health of our water' - 'tiaki me te tiaki i te hauora o to mātau wai'. Our purpose is 'all communities have access to 'Safe Water for Life' (Wai Ora).

Our strategic priorities are:

- **Safest Service Provider:** To be recognised as industry leaders in safety, culture, innovation and performance.
- **People and Capability:** Our people ambition is to have a skilled, qualified, and diverse workforce and be the sector's employer of choice.
- **End-to-end Smart Solutions:** Deliver end-to-end smart water solutions and services to enable quality growth. Leveraging new and innovative technology to grow our product and service offering delivering enhanced operational excellence that meets and exceeds client expectations to drive greater customer value and loyalty.
- **Sustainability:** Acting sustainably through enhancing our environmental performance by embedding sustainable practices across our business.
- **Te Tiriti o Waitangi:** Embed the principles of Te Tiriti o Waitangi and give effect to Te Mana o te Wai through engaging early and meaningfully with mana whenua.
- **Profitable Growth:** Delivering profitable and sustainable long-term growth to generating strong financial returns and dividend streams for the Shareholder.
- Work collaboratively across the CCHL Group of companies to maximise gains and participate in shared business opportunities.





3. Nature And Scope Of Activities Te Āhua O Ngā Mahi

The Citycare sector-led, operational delivery model includes:

- Citycare Water delivers 3 Waters design, construction and maintenance solutions, asset management and optimisation services, network management and resilience solutions ensuring a safe and sustainable 3 Waters network.
- Citycare Property provides build, operate, maintain and renew services across Aotearoa, New Zealand's social infrastructure assets. Citycare Property delivers asset and facilities management, property maintenance and trade services, open space and parks maintenance, building construction and capital works including landscapes as well as project management services.

Citycare has a 75% shareholding in Apex Water Limited and is open to exploring collaborative working partnerships, joint ventures and subsidiary company ownership models.

The Company's current area of operations is New Zealand however, Citycare will explore opportunities in Australia and the Pacific where there are synergies with our existing business.

4. Kaitiakitanga

4.1 Financial and Commercial performance

Delivery of a strong financial performance and a return to our shareholder, relative to sector benchmarking and competitor performance, is a core measurement of Citycare's business success. The Company goal is to deliver a commercial rate of return on invested capital without compromising Citycare's commitment to prosperous communities.

4.2 Stronger Communities

Strong communities and relationships are at the core of Citycare's operations. The Company places significant value on community engagement programmes and delivery of community initiatives. The Company will continue to prioritise this aspect of operations because it makes good business sense with regard to attracting and retaining both clients and staff.

Citycare's focus is on facilitating and enabling community partnerships and action, that are aligned with Local Government interest in positive community, social, cultural, environmental and economic outcomes.

4.3 Provision of Essential Services

Citycare's role as a provider of essential services came to the fore during the COVID-19 pandemic. Citycare Water and Citycare Property were responsible for ensuring the provision of 3 Waters services across the country and the maintenance and management of key infrastructure assets required by the community to minimise disruption. The Company will continue with this commitment, ensuring communities can depend on key infrastructure during times of uncertainty and instability.

4.4 Te Whāriki

Citycare is committed to Te Whāriki which creates opportunities for the Company to explore new ways of working with other CCHL entities to develop capabilities, manage capacity, access specialised skills and expertise and deliver in a more collaborative way on projects and work programmes.

5. Mana

In support of building trust within the communities where Citycare works, the Company aim is to be open and transparent in our actions and reporting while maintaining the sensitivities of our commercial position.

5.1 Mana whenua

Te Tiriti o Waitangi is the foundation for our relationships with Māori, in the way we engage, partner, provide services, and the way we operate. Our Honouring the Principles of Te Tiriti o Waitangi Policy acknowledges the unique position of Māori as tangata whenua and outlines the commitment of the Company to enhancing Māori contribution, participation and partnering with our business. This policy forms the bedrock of how we go about seeking out opportunities to partner with Māori as tangata whenua of Aotearoa, New Zealand and ensuring these partnerships are founded on respect, trust and cultural understanding.

In recognition of Citycare's origins in Ōtautahi, Christchurch and, building enduring partnerships with iwi and mana whenua within the Ngāi Tahu takiwā is a strategic priority as we look to engage with iwi and mana whenua in local communities where we work throughout Aotearoa, New Zealand.

5.2 Innovation, and New Technologies

Citycare is committed to exploiting the growing convergence between OT (Operational Technology) and IT (Information Technology) and to demonstrate leadership that enables Citycare to optimise its customer service offerings and drive productivity benefits through maximising the potential in this space.

5.3 CCHL Group Programme of Work

Citycare acknowledges challenges that continue to emerge and demand response in the current environment. To deliver an appropriate response in this fast moving and resource intensive environment requires that Citycare continues to take advantage of the benefits provided through engagement in CCHL Group Programmes of Work including those identified for 2021:

- Optimising performance;
- Accelerating innovation;
- Enhancing community impact;
- Expanding and leveraging capability; and
- Workforce diversity.

Citycare acknowledges that there is strength in the Group approach to these activities that are designed to deliver mutual benefits based on our shared commitment to values and accountability and is committed to engage with other companies in the Group on these matters.

5.4 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 2022-26 is to improve profitability, enhance customer relationships and to establish a more complete sustainability footprint, through delivery against the strategic priorities laid out in Section 2.2.

A focus for Citycare Water is understanding, engagement and delivery against central government Three Waters Reform while continuing with customer operational excellence and efficiencies.

The focus for Citycare Property will be the pursuit of growth opportunities that position Property firmly as Aotearoa, New Zealand's leading specialist provider within social infrastructure. The provision of customer value through technology, innovative products and efficient services will be key.

The Group is committed to improvement of our safety performance and the prioritisation of the health, safety and general wellbeing of all Citycare employees and supply partners. Safety has been prioritised by Citycare Water and Citycare Property in each respective business strategies:

- Citycare Water – 'We are Safe' has been included as a fourth company Value.
- Citycare Property – 'People and Their Safety are at the Heart of Everything We Do' has been included as strategic priority.

5.5 Company Governance

Citycare's Board of Directors is responsible for 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.

5.6 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 5.15.

The Board has delegated to the Chief Executive Water and the Chief Executive Property the day-to-day leadership and management of Citycare Water and Citycare Property respectively. The Chief Executive Officers have formally

delegated authorities to their respective executive leadership teams and have established a formal delegated authority framework for those executives 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.



5.7 Board Composition

The Company’s Constitution provides that the Board will consist of a maximum of seven Directors. The Board currently comprises an Executive Chair and five 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 of Water and Chief Executive of Property. This relationship is outlined in more detail in section 5.12 Board Management Relationship.

The Chief Executive of Water and Chief Executive of Property are not members of the Board.

5.8 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.

5.9 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. The Shareholder also considers skills required by the Board to ensure effective delivery of their duties across the spectrum of requirements.



5.10 Board Meetings

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

The Chair and the Chief Executives of Citycare Water and Citycare Property establish meeting agendas in consultation with the Chair 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 provide 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.

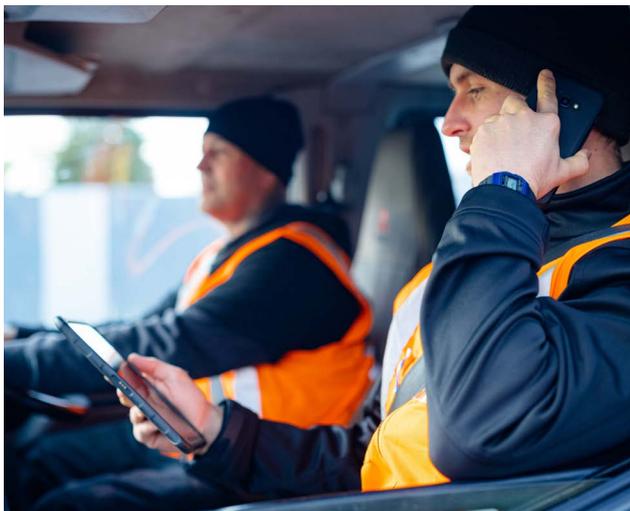
The Board meets regularly in Director-only sessions, without the Chief Executives or other management present.

5.11 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.



5.12 Board Performance Review

The Board reviews its own performance and the performance of the Chief Executives of Citycare Water and Citycare Property 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.

5.13 Board-Management Relationship

The Board links the company’s governance and management functions through the CEs. All Board authority conferred on management is delegated through the CEs so that the authority and accountability of management is considered to be the authority and accountability of the CEs so far as the Board is concerned. The Board will agree with each CE to achieve specific results directed towards the company’s overall goals. This will usually take the form of an annual performance plan with relevant targets under which the CEs are authorised to make any decision and take any action within the management limitations, directed at achieving the company goals.

Between Board meetings the Chair will maintain informal communication between the Board and the CEs, be kept informed by the CEs on all important matters and is available to the CEs to provide counsel and advice where appropriate. Only decisions of the board, acting as a body, are binding on the CEs. Decisions or instructions of individual members, officers or committees should not be given to the CEs and are not binding in any event except in those instances where specific authorisation is given by the Board.

5.14 Chief Executives Performance Review

The Board will review the performance of the Chief Executive Citycare Water and Chief Executive Citycare Property against key performance objectives aligned to the strategic priorities at least once a year.

5.15 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.

5.16 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 aligned to the strategic priorities as, and when, required.

5.17 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 Executives, their respective Chief Financial Officers and Executive General Manager Finance and Information Technology 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 assists 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 regarding insurance, dividends, external audit, banking facilities and other matters that the Risk, Audit and Finance Committee may defer to the Board.

5.18 Health and Safety Committee

The objective of the Health and Safety Committee is to provide independent assurance and assistance to the Board and Chief Executives 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 Chief Executive Citycare Water, the Chief Executive Citycare Property, relevant general managers, HSQE managers 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.

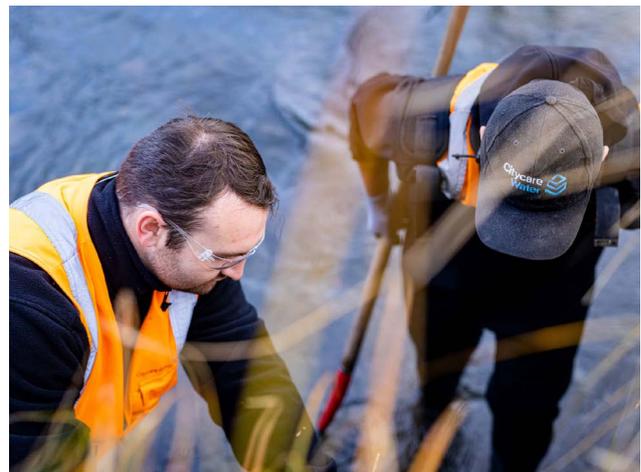
The Health and Safety Committee assists the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to its strategy, policy, systems oversight, monitoring and corporate governance responsibilities in relation to health and safety matters arising out of Citycare's 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 (and other members of the Board) 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.



5.19 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 Executives' employment conditions and remuneration.

The People and Culture Committee comprises two non-executive members of the Board as appointed by the Board – currently the committee Chair is the Board Chair. Other internal advisors provide information and attend as required.

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

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.



5.20 No Surprises

Noting that CCHL has debt securities 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.

5.21 Sol Reporting

In accordance with the Local Government Act 2002, the Company will submit to the Shareholder a draft Sol by 25 February 2022, 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 2022.

5.22 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.

The ongoing COVID-19 pandemic may continue to have an impact on Company operations. To ensure the shareholder is kept fully up to date with any impacts and implications, as a result of the pandemic, the Company will provide regular financial forecast updates to CCHL over the coming 12-month period.

5.23 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.

SUSTAINABILITY



Citycare commits to the CCHL Group Greenhouse Gas (GHG) emissions reduction plan, including a timeline to achieve a CCHL Group target of net zero GHG emissions.

Citycare will continue to progress work towards achievement of relevant UN Sustainable Development Goals where these demonstrate relevant sustainability leadership. Continued success in this space requires close collaboration with key customers 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 Company's commitment to creating healthy environments, prevention of pollution and sustainability of natural resources is reflected through our ISO14001 environmental management certification.

6.1 Environmental Leadership

Citycare is committed to taking action to contribute to New Zealand targets under the Paris Agreement to reduce greenhouse gas emissions by 30 per cent below gross emissions for the period 2021-2030.

The Company will also work towards contributing to the Climate Change Response (Zero Carbon) Amendment Act domestic 2050 target.

Citycare is participating in the CCHL Sustainability Working Group to develop a Group wide Greenhouse Gas (GHG) emissions reduction management plan, including a timetable to achieve a CCHL Group target of net Zero GHG emissions.

6.2 Greenhouse Gases

Citycare is committed to the annual measurement and reduction of Greenhouse Gas emissions with the goal of being net carbon neutral by 2030.

With over 90% of the Company's 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, Citycare will continue to investigate and adopt new technologies and methodologies to reduce our emissions.

PEOPLE



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.

7.1 Health and Safety

To keep our people safe, 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 risk is the primary focus of all Citycare teams who take responsibility for identifying and mitigating the areas and activities with the most potential for harm. The Company uses controls to manage critical risks and a safety culture 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 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.

One way we measure progress is by monitoring the number of incidents reported to and investigated by WorkSafe.

7.2 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.

On an annual basis, Citycare will report to CCHL on the average remuneration for the top 10% of employees in comparison with the average remuneration for the lowest paid 10% of employees, and will include detail on the steps we are taking to narrow that gap.

7.3 Living Wage

Citycare acknowledges our shareholders commitment to implementation of a Living Wage across the CCHL Group of companies. Management have been working with the Board to deliver on this commitment.

The issues are complex due to our large contractor workforce and the variety of contractual arrangements in place.

We will continue to work with CCHL to understand potential implications and report on progress.

7.4 Diversity

Citycare continues to progress its diversity strategy through the engage, educate, attract model provided in more detail below.

Engage

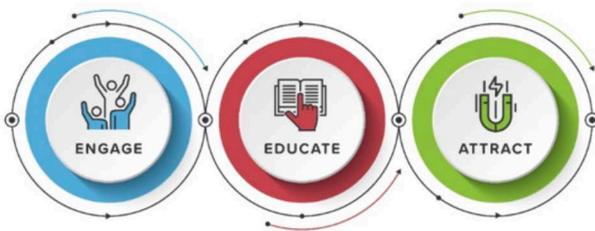
We have initiated a structured programme of engagement with the communities that we want to attract and with partners that can help make that happen.

Educate

We focus on educating the future workforce on the importance of our work through our partnership with SVA.

Attract

We support a range of initiatives and partnerships designed to attract people to the range of training and workplace opportunities we offer.



Citycare is working with the CCHL Group on the Gender Balance Project. The first state of the project is to define the current state to gauge a deeper understanding of people insights across the Group to shape a subsequent programme of initiatives.

7.5 Balancing community and commercial outcomes

The principal objectives of Citycare, as a council-controlled organisation, are articulated in the Local Government Act 2002.

These objectives require Citycare to balance commercial and non-commercial objectives.

Being a good employer, having regard to the interests of the community, exhibiting a sense of social and environmental responsibility and conducting our business with sound business practice, are some of the community and commercial aspects Citycare needs to manage and balance under the Act.



FINANCIAL

The consolidated Company financial performance targets as detailed in Table 1 show the revenue, profit and key financial ratio expectations for the period 2022 – 2025.

8. Financial

Unlike previous years, the latest forecast period sees a shift in some of the key economic drivers with higher inflation, resourcing and cost pressures and supply chain interruptions.

In addition, the Water sector continues to navigate through Central Government 3 Waters reform and anticipates significant change during the next 3 to 5 years. In the shorter term, these factors are compounded by the unknown impact of Omicron. Our Business Transformation programme currently in progress to update IT systems and remove technical debt will allow Citycare to become agile and more able to pivot in these uncertain times.

Table 1:

Medium-term Financial Targets

\$000's (Group)	2022/23	2023/24	2024/25
Revenue	326,975	328,976	356,175
Growth (Revenue Growth)	6.2%	0.6%	8.3%
EBITDA (Earnings Before Interest, Tax, Depreciation & Amortisation)	20,458	23,335	27,260
EBIT (Earnings Before Interest & Tax)	9,619	10,654	14,581
Interest Expenses (including IFRS 16)	327	393	249
Net Profit After Tax	7,858	7,808	11,001
Profitability/Efficiency (Operating Margin)	31.6%	33.9%	36.7%
Debt (CCHL)	-	-	-
Leverage/Solvency (Debt to EBITDA)	-	-	-
Net Funds	20,370	20,418	25,919
Equity	66,532	71,107	77,414
Return on Invested Capital	7.4%	11.9%	15.3%
Shareholder Funds to Total Assets	54.7%	57.4%	59.1%
Shareholder returns (Dividend Yield)	6.4%	4.7%	6.3%

8.1 Revenue

The SOI period sees modest growth in Revenue across both Citycare Property and Citycare Water.

8.2 Net Profit After Tax

The reporting period sees pressure continuing on margins particularly around inflation and labour shortages.

However, cost reductions and productivity improvements will assist with maintaining earnings over the reporting period.

8.3 Return on Invested Capital

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 to support

funding of future growth opportunities and appropriate investment in new technologies, plant and equipment as these opportunities arise.

8.4 Shareholder Funds to Total Assets

Shareholder Funds to Total Assets ratio includes the IFRS 16 'right of use asset' of c.\$9m which has increased the overall asset base. The Shareholder Funds to Total Assets remains above 50% for the forecast period.

8.5 Debt Management

During the three year forecast period, excluding any major investments or acquisitions, the Company is expected to report a net cash surplus.

8.6 IGFF (Intra Group Funding Facility) 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 fixed. This matures in July 2022.

This IGFF has worked extremely well and seen a reduction in both the Company interest rate and bank facility fees.

8.7 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.

Table 2:

Shareholder Dividend Distribution

\$'000's	2022/23	2023/24	2024/25
Dividend Paid	4,158	3,233	4,694
Declared Dividend 50% of NPAT	3,929	3,904	5,501

8.8 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.

The capital investment during the forecast period closely aligns with the annual depreciation charge with the exception of the Business Transformation programme (refer comments above Table 1) which has \$4.4m estimated capital spend over the next two years.

8.9 Controlling and Managing Risk

The Company has a formal risk management framework which identifies the key risks and outlines 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.

8.10 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. All the retiring insurance policies were renewed for a further period of 12 months on 16 December 2021.

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. The Company reassesses this value annually during preparation of audited financial statements.

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 over the period 2022-2025 are detailed in Table 2.

The separation of City Care Limited into two separate legal entities is being pursued with the intention of increasing total shareholder value.

8.11 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 the Company's most recent Annual Report, which is published on the Company website.

8.12 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 Shareholder approval by special resolution. In this instance, the Shareholder will be consulted with as much lead-time as is commercially practicable in the prevailing circumstances.

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.



TARGETS

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

Table 3:
Performance Targets

Target	Performance Measure short term (2022/23)	Performance Measure mid term (2023/24)	Performance Measure long term (2024/25)
Client Satisfaction	<ul style="list-style-type: none"> Positive Net Promotor Score (NPS) based on an annual customer survey 	<ul style="list-style-type: none"> Positive Net Promotor Score (NPS) based on an annual customer survey 	<ul style="list-style-type: none"> Positive Net Promotor Score (NPS) based on an annual customer survey
Environmental	<ul style="list-style-type: none"> 100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV (excludes vehicles procured through acquisitions) (subject to vehicle availability) Annual reduction of Company-wide greenhouse gas emissions normalised against annual turnover to reach 2030 goals 	<ul style="list-style-type: none"> 100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV (excludes vehicles procured through acquisitions) (subject to vehicle availability) Annual reduction of Company-wide greenhouse gas emissions normalised against annual turnover to reach 2030 goals 	<ul style="list-style-type: none"> 100% of new (non-operational) passenger vehicles purchased or leased to be hybrid or EV (excludes vehicles procured through acquisitions) (subject to vehicle availability) Annual reduction of Company-wide greenhouse gas emissions normalised against annual turnover to reach 2030 goals
Health and Safety	<ul style="list-style-type: none"> <10 incidents requiring notification to WorkSafe annually <1 WorkSafe investigation annually Grow our health and safety culture through the utilisation of insights from the annual independent Concordia survey 	<ul style="list-style-type: none"> <10 incidents requiring notification to WorkSafe annually <1 WorkSafe investigation annually Grow our health and safety culture through the utilisation of insights from the annual independent Concordia survey 	<ul style="list-style-type: none"> <10 incidents requiring notification to WorkSafe annually <1 WorkSafe investigation annually Grow our health and safety culture through the utilisation of insights from the annual independent Concordia survey
Employee engagement / Diversity	<ul style="list-style-type: none"> Incremental increase in the number of women in leadership roles Incremental increase in the number of Māori/ Pasifika in leadership roles Increase in youth in the workforce measured by higher % of staff under 25 years More than 50 people in registered training annually 	<ul style="list-style-type: none"> Incremental increase in the number of women in leadership roles Incremental increase in the number of Māori/ Pasifika in leadership roles Increase in youth in the workforce measured by higher % of staff under 25 years More than 50 people in registered training annually 	<ul style="list-style-type: none"> Incremental increase in the number of women in leadership roles Incremental increase in the number of Māori/ Pasifika in leadership roles Increase in youth in the workforce measured by higher % of staff under 25 years More than 50 people in registered training annually
System Management	<ul style="list-style-type: none"> Maintain current ISO-accredited systems 	<ul style="list-style-type: none"> Maintain current ISO-accredited systems 	<ul style="list-style-type: none"> Maintain current ISO-accredited systems
Community	<ul style="list-style-type: none"> Collaborate with community stakeholders to deliver the safe coordination of >15,000 volunteer hours 	<ul style="list-style-type: none"> Collaborate with community stakeholders to deliver the safe coordination of >15,000 volunteer hours 	<ul style="list-style-type: none"> Collaborate with community stakeholders to deliver the safe coordination of >15,000 volunteer hours



Table 4:
Performance Targets: Apex Water Ltd

Target	Performance Measure short term (2022/23)	Performance Measure mid term (2023/24)	Performance Measure long term (2024/25)
Client Satisfaction	<ul style="list-style-type: none"> Positive Net Promotor Score (NPS) 	<ul style="list-style-type: none"> Positive Net Promotor Score (NPS) 	<ul style="list-style-type: none"> Positive Net Promotor Score (NPS)
Innovation	<ul style="list-style-type: none"> Identify two new products or technologies to bring to market 	<ul style="list-style-type: none"> Identify two new products or technologies to bring to market 	<ul style="list-style-type: none"> Identify two new products or technologies to bring to market
Health and Safety (Apex employees)	<ul style="list-style-type: none"> <2 lost time injuries <3 medical treatment injuries 	<ul style="list-style-type: none"> <2 lost time injuries <3 medical treatment injuries 	<ul style="list-style-type: none"> <2 lost time injuries <3 medical treatment injuries



We Discover
We Deliver
We Care