

Statement of Intent

2021/2022



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1 INTRODUCTION (RĀRANGI ŪPOKO)

Nau mai ki te Pānui Whāinga o Citycare 2021/22.

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 or the Company) may be judged for the period 1 July 2021 to 30 June 2024.

It should be noted that in November 2020, City Care Group formalised their previously signalled business objective of evolving sector strategies that reinforce the autonomous nature of their two business units – Citycare Water and Citycare Property. As a result, Tim Gibson was appointed Chief Executive of Citycare Water and Peter Lord was appointed Chief Executive of Citycare Property, with the integration of the Citycare Civil business. This change enables each sector to better work to their core strengths and deliver optimal performance to customers.

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2 OBJECTIVES (NGĀ WHĀINGA)

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

2.1. Values

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

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

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

2.2. Strategic Priorities

Citycare's key strategic priorities and objectives are to:

- Deliver profitable and sustainable growth across all areas of the Citycare business. The Company's operational focus is on generating strong financial returns and dividend streams for the Shareholder.
- Deliver operational excellence that meets or exceeds client expectations and drives greater customer loyalty and value.

- Continue Citycare’s 100% commitment to the safety and wellbeing of our employees, subcontractors, suppliers and the public we work with.
- Reflect our commitment to Te Reo, Iwi engagement and embrace Treaty of Waitangi principles in our business activities.
- Facilitate a company culture that delivers workplace diversity, cultural competency and that acknowledges Treaty relationships in the most appropriate way.
- Identify, roll out and maximise opportunities to develop vibrant, prosperous and sustainable communities.
- Expand the Company sustainability agenda through support of social enterprises, active involvement in local communities and environmental change leadership.
- Actively explore and develop innovative technologies that enhance the products, processes and services provided to Citycare customers and that connect the communities we operate in.
- Engage effectively with national water reforms and position Citycare Water to benefit from the outcome of Central Government reform to maximise growth and continue with successful delivery in the 3 Waters space.
- 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 delivers asset and facilities management, property maintenance and trade services, open space and parks maintenance, building construction and capital works including roading, landscapes and subdivision construction as well as project management services.

Citycare has a 75% shareholding in Apex Environmental 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 equity 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 is 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 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. One example of this is the investment in the Company's unique job management platform EventManager. The platform enhances the customer service experience and the IP connected with the platform is unique to Citycare.

5.2 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; and
- Expanding and leveraging capability.

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.

5.3 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 2021-24 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 will be understanding, engagement and delivery against central government water reform while continuing with the roll out of operational excellence and efficiencies.

The focus for Citycare Property will be seamless integration of the Civil operations into the Property sector and identification and pursuit of growth opportunities that position Property well for the future. The provision of customer value through innovative products and 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.

5.4 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.

5.5 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 direct reports and have established a formal delegated authority framework for those direct reports to sub-delegate as appropriate.

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

5.6 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.

5.7 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.

5.8 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.

5.9 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 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.

5.10 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.

5.11 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.

5.12 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.

During their first year of appointment as CEs of Property and Water, the Board will give additional support and guidance to the new CE's by designating the Chair to act in an Executive Chair position, in which he will provide additional time to undertake the responsibilities detailed above along with advancing with the CEs the transition of the company to separate Property and Water businesses as efficiently as possible, in order to enhance the value of the company for the Shareholder.

5.13 Chief Executive Performance Review

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

5.14 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.

5.15 Board Committees

The Board has three formally constituted committees: the Risk, Audit and Finance Committee, the Health and Safety Committee, and the People and Culture Committee. These committees all have

Board-approved Terms of Reference outlining the committees' authority, duties, responsibilities and relationship with the Board. Other committees may be established as, and when, required.

Risk, Audit and Finance Committee

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

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

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

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

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

The committee makes recommendations to the Board for its consideration regarding insurance, dividends, external audit, banking facilities and other matters that the Risk, Audit and Finance Committee may defer to the Board.

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 shall assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to its strategy, policy, systems oversight, monitoring and corporate governance responsibilities in relation to health and safety matters arising out of Citycare's activities as they affect employees, contractors, visitors, customers and the communities in which Citycare operates.

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

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

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

People and Culture Committee

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

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

5.16 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.

5.17 Sol Reporting

In accordance with the Local Government Act 2002, the Company will submit to the Shareholder a draft Sol by 26 February 2021, 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 2021.

5.18 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.

5.19 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.

6 FINANCIAL

The consolidated Company financial performance targets as detailed in Table 1 show the revenue, profit and key financial ratio expectations for the period 2021 – 2024.

Table 1 – Medium-term Financial Targets

\$000's	2021/22	2022/23	2023/24
Revenue (Group)	307,891	321,005	330,634
Net Profit After Tax (Group)	6,421	7,120	7,707
Return on Invested Capital (Group)	13.8%	13.9%	14.1%
Shareholder Funds to Total Assets (Group)	52%	51%	52%
Net Funds	9,464	15,492	19,595

6.1 Revenue

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

6.2 Net Profit After Tax

The reporting period sees pressure continuing on margins, particularly with local councils where pressure on costs is being experienced. The outcome of the current Central Government Water Reforms is unknown giving rise to a period of uncertainty for the Water sector over the next three years. However, company cost reductions are assisting with maintaining earnings over the reporting period.

6.3 Return on Invested Capital

Citycare has introduced ROIC (Return on Invested Capital) measure as a replacement for the previous measure of Return on Average Equity. This measure is compared to the Company's WACC which is in a range of 9.1-10.1%.

The ROIC over the next three years is expected to be well above the Company's WACC.

6.4 Shareholder Funds to Total Assets

The Shareholder Funds to Total Assets ratio includes the IFRS 16 Lease adjustment where an asset called the Right of Use Asset is included in Total Assets (with an off-setting lease liability) and this asset is circa \$14m. This has increased our total assets base.

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

6.5 Debt Management

During the forecast period, excluding any major investments or acquisitions, the Company is expected to achieve a gradual build up in cash.

6.6 IGFF as a Source of Debt Funding

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

6.7 Dividend Payments

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

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

To assist the Shareholder with budgeting, the forecast ordinary dividends payable to the Shareholder over the period 2021- 2024 are detailed in Table 2.

Table 2 – Shareholder Dividend Distribution

\$000’s	2021/22	2022/23	2023/24
Dividend Paid	2,046	3,385	3,707
Declared Dividend 50% of NPAT	3,211	3,560	3,854

6.8 Capital Investment

In line with the delegated authorities, all new capital investment via tenders or acquisitions require presentation of a sound business case, including the associated risk profile and projected ROI and NPV. The discount rate for these investments/acquisitions is based off the latest WACC (as per Deloitte).

6.9 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.

6.10 Insurance

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

6.11 Estimate of Commercial Value of Shareholder’s Investment

Citycare estimates the commercial value of our Shareholder’s investment in the Citycare Group is at least that which is stated as Shareholder’s equity in our audited financial statements. The Company reassesses this value annually during preparation of audited financial statements.

6.12 Accounting Policies

Citycare has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. The detailed accounting policies are available in the Company’s most recent Annual Report, which is published on the Company website.

6.13 Acquisition/Divestment Procedures

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

7 SUSTAINABILITY

Citycare commits to ensuring the ongoing provision of appropriate resource to facilitate achievement of the joint CCHL Group sustainability target and approach to achieve Group carbon neutrality by 2030. This goal is aligned with Council expectations as well as with Citycare group targets.

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.

7.1 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 commits to participation in the CCHL working group that will develop a Group wide measurable carbon emissions target and to commit to this target as part of the Company's SOI targets which will be confirmed as part of the 2021 Business Strategy.

7.2 Greenhouse Gases

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

8 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.

8.1 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.

8.2 Remuneration

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

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

In support of this transparency, Citycare:

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

On an annual basis, Citycare will report to CCHL, on the gap between our highest remunerated staff and our lowest remunerated staff (possibly using a model that reports on average remuneration for the top 10% of employees in comparison to remuneration for the lowest 10%) and will include detail on the steps we are taking to narrow that gap.

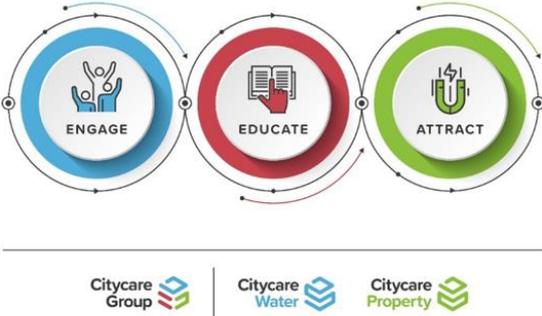
8.3 Living Wage

Citycare acknowledges our shareholders commitment to implementation of a Living Wage across the CCHL Group of companies. We continue to work across our business to deliver on this commitment however, 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.

8.4 Diversity

In 2019 Citycare developed a framework to help achieve the Company’s diversity goals. Citycare will continue to progress this 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.



8.5 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.

The customers of Citycare are predominately central government and local government agencies. The ultimate public ownership of Citycare sees the community interest objectives of the company, as a council-controlled organisation, aligned and consistent with many of the mandated community-centric objectives of our customers. A fundamental characteristic of our public service customers is acting with a spirit of service to the community. This service to the community is increasingly being reflected in high expectations from our customers with regards to broader social, environmental, cultural and economic outcomes from their procurement processes and the organisations they do business with. Contrary to being competing in nature, these broader community outcomes are becoming increasingly linked to the successful winning of work from our customers - a commercial imperative to the ongoing sustainable success of the organisation.

The relevant legislation that defines the community and commercial outcomes that Citycare needs to manage and balance are outlined below. Note: this list is not meant to be an exhaustive list of all legislation Citycare must comply with as a business, but that which defines community and/or commercial outcomes.

Citycare	Community	Commercial
Council-controlled trading organisation	Local Government Act 2002	Companies Act 1993 Commerce Act 1986

The community outcomes of our customers, which Citycare also take into account when delivering services and defining broader outcomes, are articulated by legislation specific to each public service as demonstrated in the following table:

Customer	Community
Water	
<ul style="list-style-type: none"> Water Services Regulator 	Taumata Arowai—the Water Services Regulator Act 2020
<ul style="list-style-type: none"> Drinking Water Standards 	Health Act 1956
<ul style="list-style-type: none"> Enhanced drinking water regulatory systems and compliance requirements. 	Water Services Bill – will establish Taumata Arowai as the water services regulator for Aotearoa and repeal Part 2A of the Health Act 1956 and replace it with a stand-alone Act to regulate drinking water.
<ul style="list-style-type: none"> Freshwater Management, Environmental compliance requirements 	Resource Management Act 1991
Social Infrastructure	
<ul style="list-style-type: none"> Green, blue and recreation 	Local Government Act 2002
<ul style="list-style-type: none"> Arts and Culture 	Local Government Act 2002
<ul style="list-style-type: none"> Education 	Education Act 1989 Public Service Act 2020
<ul style="list-style-type: none"> Social Housing 	Public and Community Housing Management Act 1992 Public Service Act 2020
<ul style="list-style-type: none"> Health and Aged Care 	New Zealand Public Health and Disability Act 2000 Public Service Act 2020
<ul style="list-style-type: none"> Justice and Emergency Services 	Public Service Act 2020

The following treaty and non-legislative conventions also dictate the community and commercial aspects we need to manage and balance;

- Te Tiriti o Waitangi
- Te Mana o te Wai
- Government Procurement Rules
- The Water Services Bill – when this becomes an Act of Parliament it will create legislative changes within Citycare Water’s operating environment

9 TARGETS

9.1 Performance Targets

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

Table 3 – Performance Targets

Target	Performance Measure short term (2021/22)	Performance Measure mid term (2022/23)	Performance Measure long term (2023/24)
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 	<ul style="list-style-type: none"> <10 incidents requiring notification to WorkSafe annually <1 WorkSafe investigation annually 	<ul style="list-style-type: none"> <10 incidents requiring notification to WorkSafe annually <1 WorkSafe investigation annually
Employee engagement / Diversity	<ul style="list-style-type: none"> Incremental increase in the number of women 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 	<ul style="list-style-type: none"> Collaborate with community stakeholders 	<ul style="list-style-type: none"> Collaborate with community stakeholders

	to deliver the safe coordination of >15,000 volunteer hours	to deliver the safe coordination of >15,000 volunteer hours	to deliver the safe coordination of >15,000 volunteer hours
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Table 4 – Performance Targets (Apex Environmental Ltd)

Target	Performance Measure short term (2020/21)	Performance Measure mid term (2021/22)	Performance Measure long term (2022/23)
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