

Statement of Intent

2023/24





1. Introduction	5	6. Sustainability	14
2. Objectives	6	6.1 An Integrated Approach	15
2.1 Values	7	6.2 Our ESG Roadmap	15
3. Nature & Scope of Activities Te Āhua O Ngā Mahi	8	6.3 Our People & Partners	15
4. Kaitiakitanga	8	6.4 Climate & Emissions Targets	15
4.1 Financial & Commercial Performance	8	7. People	16
4.2 Stronger Communities	8	7.1 Health & Safety	17
4.3 Provision of Essential Services	8	7.2 Remuneration	17
4.4 Te Whāriki	8	7.3 Living Wage	18
5. Mana	9	7.4 Diversity	18
5.1 Mana Whenua	9	7.5 Balancing Community & Commercial Outcomes	18
5.2 Innovation & New Technologies	9	8. Financial	21
5.3 CCHL Group Programme of Work	9	8.1 Revenue	21
5.4 Strategic Focus	9	8.2 Net Profit After Tax	21
5.5 Company Governance	9	8.3 Return on Invested Capital	21
5.6 Board Role & Responsibility	10	8.4 Debt Management	21
5.7 Board Composition	10	8.5 Dividend Payments	22
5.8 Conflicts of Interest	10	8.6 Capital Investment	22
5.9 Nominations & Appointment of New Directors	11	8.7 Controlling & Managing Risk	22
5.10 Board Meetings	11	8.8 Insurance	22
5.11 Director Induction & Education	11	8.9 Estimate of Commercial Value of Shareholder's Investment	22
5.12 Board Performance Review	11	8.10 Accounting Policies	22
5.13 Board-Management Relationship	11	8.11 Acquisition/Divestment Procedures	22
5.14 Chief Executives Performance Review	11	9. Targets	24
5.15 Director & Officer Insurance	11		
5.16 Board Committees	12		
5.17 Risk, Audit & Finance Committee	12		
5.18 Health & Safety Committee	12		
5.19 People & Culture Committee	12		
5.20 No Surprises	13		
5.21 Statement of Intent (SOI) Reporting	13		
5.22 Regular Shareholder Reporting	13		
5.23 Annual Report	13		



1. Introduction Rārangi Ūpoko

Nau mai ki te Pānui Whāinga o Citycare 2023/24.

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 2023 to 30 June 2026.

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. Citycare Water and Citycare Property are implementing sector strategies, led by the respective Chief Executives. This enables each sector to better work to their core strengths and deliver optimal performance to customers.

Contact details for the Chair and Chief Executives 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.



3. Nature & Scope of Activities Te Āhua O Ngā Mahi

The Citycare sector-led, operational delivery model includes:

- Citycare Water delivers three waters design, construction and maintenance solutions, asset management and optimisation services, network management and resilience solutions ensuring a safe and sustainable three 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 100% shareholding in Spencer Henshaw Ltd, a leading social housing maintenance provider.
- 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 & 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 three 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 CCC and other CCHL entities 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 building enduring partnerships with iwi and mana whenua within the Ngāi Tahu takiwā is a strategic priority. We also seek to engage with hapu in local communities where we work throughout Aotearoa, New Zealand.

5.2 Innovation & New Technologies

Citycare is committed to optimising the growing convergence between OT (Operational Technology) and IT (Information Technology) and will soon introduce new software and business processes to better manage human resources, health and safety and project management.

Spencer Henshaw will continue to ensure that innovation is at the heart of their operations through its continuous enhancements to Te Mana (job management software) that will drive greater efficiencies and effectiveness.

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:

- Optimising performance;
- Accelerating innovation;
- Māori Pathways and Sustainability;
- Stakeholder engagement;
- Enhancing community impact;
- Expanding and leveraging capability; and
- Workforce capability and 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 2023-26 is to improve profitability, enhance customer relationships and to establish a more complete sustainability footprint, through delivery against the strategic priorities.

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 Citycare 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 Company 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, Citycare Property and Spencer Henshaw in each respective business strategy:

- 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 one of the "high five" strategic priorities.
- Spencer Henshaw's ethos is 'we make our customer's problem go away'. They believe in building and fostering honest, open, long term relationships with customers and contractors.

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. Regular reporting is provided to CCHL on Citycare's performance.

In early 2023 a new statutory Board of Directors was established for Spencer Henshaw comprising of two Citycare Directors and an Executive Director.

5.6 Board Role & 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 5.16.

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 Executives 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 of a Chair and five independent non-executive Directors. The Company supports CCHL’s Associate Director programme, with an 18 month placement that gives an emerging director an opportunity to accelerate their boardroom experience.

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.

Christchurch City Council approves the appointment of Chairs (and chair-elects).

The Chair’s role is to manage and provide leadership to the Board and to facilitate the Board’s interface with the Chief Executive Water and Chief Executive Property. This relationship is outlined in more detail in section 5.16 Board Management Relationship.

The Chief Executive Water and Chief Executive 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 & Appointment of New Directors

CCHL manages the appointment process. 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 & 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 Chief Executives. All Board authority conferred on management is delegated through the Chief Executives so that the authority and accountability of management is considered to be the authority and accountability of the Chief Executives so far as the Board is concerned. The Board will agree with each Chief Executive 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 Chief Executives 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 Chief Executives, be kept informed by the Chief Executives on all important matters and is available to the Chief Executives to provide counsel and advice where appropriate. Only decisions of the Board, acting as a body, are binding on the Chief Executives. Decisions or instructions of individual members, officers or committees should not be given to the Chief Executives 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, Chief Executive Citycare Property and the Chief Executive Spencer Henshaw against key performance objectives aligned to the strategic priorities at least once a year.

5.15 Director & Officer Insurance

The Company has arranged liability insurance for Directors and Officers. This insurance ensures that, generally, Directors will incur no monetary loss as a result of actions undertaken by them as Directors of the Company arising out of acts or omissions of Directors and employees in their capacity as such. Insurance is not provided for dishonest, fraudulent, malicious or wilful acts or omissions.

The Company indemnifies the Directors and holds them harmless, to the extent possible by law and as allowed under the Company's Constitution, against any proceedings incurred, suffered or expended by or threatened against the Directors with respect to any act or omission in their capacity as a Director. The indemnity excludes: gross negligence or wilful default, deliberate action outside the scope of the delegated authority, criminal liability, breaches of duty under section 131 of the Companies Act 1993 and any other liability for which giving an indemnity is prohibited by law.

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 & 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 their respective Chief Financial Officers 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 & 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, Health and Safety 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. 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 & 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. 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 or projected dividend impact on the Shareholder;
- have adverse implications on the Company or the Shareholder's reputation; or
- have a material impact on the shareholders risk; or
- give rise to unsolicited or adverse media enquiries/content.

5.21 Statement of Intent (SOI) Reporting

In accordance with the Local Government Act 2002, the Company will submit to the Shareholder a draft Sol by 4 April 2023, 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 2023.

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.

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

6.1 An Integrated Approach

Citycare's approach to sustainability aligns with the Integrated Reporting Capitals and supports progress towards achieving relevant UN Sustainable Development Goals. Our approach recognises the importance of the economic wellbeing of our customer relationships, the engagement, wellbeing and diversity of our workforce and our commitment to climate action and responsible environmental consumption. The Company's commitment to creating healthy environments, preventing pollution and sustainability of natural resources is reflected through our ISO14001 environmental management certification and our increased focus on water quality, biodiversity, and regenerative planting.

6.2 Our ESG Roadmap

In early 2023, Citycare Property completed its Materiality Assessment and Environment, Social and Governance (ESG) Roadmap. The ESG Roadmap outlines four guiding principles aligned to the Integrated Reporting Capitals – Tangata/People, Kaitiakitanga/Planet, Kāwanatanga/Prosperity and Auahatanga/Innovation – and includes focus areas and clear targets. Citycare Water will complete this work in FY24.

The key focus areas include employee experience, leadership, health, safety and wellbeing, customer relationships, waste, climate change and sustainable financial performance. Citycare also has much to offer in the water quality and biodiversity / regenerative planting spaces. We continue to explore how we can optimise our expertise in these areas to benefit our organisation and our customers. Spencer Henshaw is working with an external consultant to update its sustainability plan to establish new benchmarks suitable for the future environment.

6.3 Our People & Partners

Our success in this space demands close collaboration with key customers, subcontractors, suppliers and iwi, and we are increasingly basing supplier and partner procurement decisions on aligned sustainability and environmental leadership goals. Additionally, we see a growing demand from our customers to demonstrate sustainability in our practices and processes, and our goal is to ensure that we not only meet, but exceed, their expectations.

Citycare has a strong focus on the sustainability of its workforce and is investing in a number of programmes, including leadership, Mātauranga Māori, Te Reo Māori training, diversity, equity and inclusion, as well as employee retention and reward and recognition. We have established a Cultural Rūnanga to support and celebrate our people's diversity and are also working to support greater gender equity in our organisation.



Spencer Henshaw's success is through its enduring relationship with its partners. It supports its Māori and Pasifika contractors in building better businesses by compensating them for lost earnings incurred when staff attend Life Online and Money Confidence courses. This commitment will continue in 2023/24 with Future Ready Leadership courses added to the course offering.

- **Te Reo** - Spencer Henshaw is committed to lifting Te Reo capability with staff and facilitates and enables their online Everyday Māori course attendance. The intention is to offer Level 1 and 2 learning in 2023/24.
- **Pasifika** - Project Ikuna is a fully funded workplace-based training (Auckland) programme for Pasifika employees to help staff adapt to the changing nature of work. Spencer Henshaw is the largest employer of participants, and in 2023/24, we will introduce our leadership training model to our operations.
- **Training** - Spencer Henshaw is reviewing our learning management software to help facilitate training and associated outcomes.

6.4 Climate & Emissions Targets

We are committed to taking action to address the climate emergency. In FY24, Citycare Property and Citycare Water will finalise their respective carbon reduction plan and adopt science-based targets to help limit warming.

In FY24, we will conduct our first climate risk assessment in accordance with New Zealand Climate Risk Disclosures reporting standards. Our climate risks will contribute to the first CCHL Group Climate Risk Report.

We recognise the need to expand our carbon emissions measurement and implement robust measurement and reporting systems. This will enable us to make more informed climate-related decisions. During FY24, we will build the capability to measure and report more indirect (Scope three) 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 & 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.

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.

Citycare continues to actively address pay inequity and gender pay gap inequities.

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 pays no less than the Living Wage across all of its Collective Agreements. This has been achieved through the implementation of a National Remuneration Framework. The Living Wage is the entry point to the National Remuneration Framework.

Updates to the Living Wage are made at the time each of the Collective Agreements are negotiated across the regions annually.

Spencer Henshaw pays all staff above the Living Wage. Contractors working on the Tamaki contract must also pay their employees the Living Wage.

7.4 Diversity

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

Engage

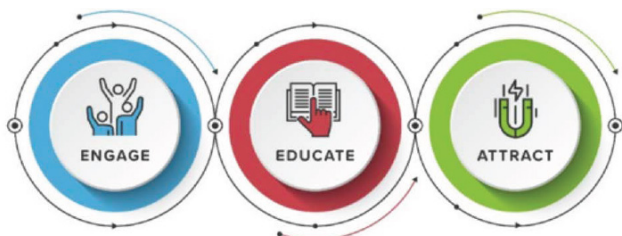
We have initiated a structured programme of engagement with the communities that we want to attract and with partners that can help make that happen.

Educate

We focus on educating the future workforce on the importance of our work through our partnership with the Student Volunteer Army and Tread Lightly.

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 Research Project. We have commenced gender pay gap analysis and are committed to reporting on findings, including an action plan for addressing any gender pay gap.

Citycare continues to support the He Huanui Māori Pathways Programmes to improve cultural confidence across the Company.

7.5 Balancing Community & 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.

Spencer Henshaw will continue to implement their Community Contribution Plan where we work with customers and trades to deliver good outcomes for our shared communities.

Spencer Henshaw will continue with membership of Amotai, a national entity that connects Māori and Pasifika-owned businesses with buyers wanting to purchase goods, services and works. Amotai also provides practical advice and support to Buyer members so they can successfully engage with more Māori and Pasifika-owned businesses. Ongoing membership helps deliver on broader outcome objectives.





FINANCIAL

The consolidated Company financial performance targets as detailed in Table 1 show the revenue, profit and key financial ratio expectations for the period 2023 – 2026.

8. Financial

The forecast period sees continued pressure from key economic drivers with ongoing resourcing and costs pressures. In addition, the Water sector continues to navigate through Central Government Three Waters Reform and anticipates significant change during the next 1 to 2 years. 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.

This year the contribution from the Spencer Henshaw business has been factored into the financial forecast, following acquisition in the 2022/23 financial year..

Table 1:

Medium-term Financial Targets

\$000's	2023/24	2024/25	2025/26
Revenue	606,957	631,138	646,113
EBIT (Earnings Before Interest & Tax)	14,847	19,596	21,456
NPAT (Net Profit After Tax)	8,785	12,239	13,859
Interest Cover	5.2	8.1	10.6
Debt / (Debt + Equity)	28.5%	22.8%	17.6%
Shareholder Funds to Total Assets	44.5%	49.4%	54.0%
ROE (Return on Equity)	10.9%	13.6%	14.1%
ROA (Return on Assets)	4.6%	6.4%	7.3%
ROIC (Return on Invested Capital)	9.9%	12.7%	13.6%

8.1 Revenue

The Sol period sees the additional contribution of the Spencer Henshaw business combined with 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.

Interest costs are higher than in previous years due to the Shareholder debt funding provided for the acquisition of Spencer Henshaw.

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 while paying down debt, 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 Debt Management

CCHL has demonstrated its endorsement of the Company's strategy by debt-funding the acquisition of Spencer Henshaw in FY23.

The Company drew down \$56m from a new debt facility provided by CCHL, with \$11m due for repayment in early FY24 and a further \$10m in each of FY25 and FY26. The Company remains in compliance with its covenants throughout the Sol period.

Spencer Henshaw generates strong operating cashflows which will contribute to the Company's ability to service the new debt facility during the Sol period.

8.5 Dividend Payments

In accordance with the terms of the debt facility agreement with CCHL, distribution of dividends is suspended in order to prioritise debt repayment until debt falls below \$41m. Dividend distribution will recommence from the FY25 year.

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 when reinstated in FY25, 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 2023-2026 are detailed in Table 2.

Table 2:

Shareholder Dividend Distribution

\$000's	2023/24	2024/25	2025/26
Dividend Paid	-	2,976	6,526
Declared Dividend 50% of NPAT	-	6,120	6,929

8.6 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.

8.7 Controlling & 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.

8.8 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 to 16 December 2023.

8.9 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.

8.10 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.

8.11 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.



FORESTER

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 (2023/24)	Performance Measure mid term (2024/25)	Performance Measure long term (2025/26)
Customer 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"> Grow our health and safety culture through the utilisation of insights from the annual independent Concordia survey. 	<ul style="list-style-type: none"> Grow our health and safety culture through the utilisation of insights from the annual independent Concordia survey. 	<ul style="list-style-type: none"> 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 a higher % of staff under 25 years. More than 25 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 a higher % of staff under 25 years. More than 25 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 a higher % of staff under 25 years. More than 25 people in registered training annually.
Community	<ul style="list-style-type: none"> Collaborate with community stakeholders to deliver community volunteering support as well as support for sustainability education. 	<ul style="list-style-type: none"> Collaborate with community stakeholders to deliver community volunteering support as well as support for sustainability education. 	<ul style="list-style-type: none"> Collaborate with community stakeholders to deliver community volunteering support as well as support for sustainability education.



Table 4:
Performance Targets: Apex Water

Target	Performance Measure short term (2023/24)	Performance Measure mid term (2024/25)	Performance Measure long term (2025/26)
Customer 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.

Table 5:
Performance Targets: Spencer Henshaw

Target	Performance Measure short term (2023/24)	Performance Measure mid term (2024/25)	Performance Measure long term (2025/26)
Health and Safety	<ul style="list-style-type: none"> • Grow our health and safety culture through benchmarking using Safe 365 as the foundation. 	<ul style="list-style-type: none"> • Grow our health and safety culture through benchmarking using Safe 365 as the foundation. 	<ul style="list-style-type: none"> • Grow our health and safety culture through benchmarking using Safe 365 as the foundation.
Customer 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.
Employee Satisfaction	<ul style="list-style-type: none"> • Positive Employee Net Promotor Score (ENPS) based on an annual employee survey. 	<ul style="list-style-type: none"> • Positive Employee Net Promotor Score (ENPS) based on an annual employee survey. 	<ul style="list-style-type: none"> • Positive Employee Net Promotor Score (ENPS) based on an annual employee survey.



We Discover
We Deliver
We Care