

Public Release Version

February 2012

**GOVERNANCE REVIEW OF ALL COMPANIES IN WHICH DUNEDIN
CITY COUNCIL AND/OR DUNEDIN CITY HOLDINGS LTD HAS AN
EQUITY INTEREST OF 50% OR MORE**

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1 EXECUTIVE SUMMARY

1.1 Recommendations

1. It is recommended that the following governance policy changes be implemented:
 - a. A director of a subsidiary company within the DCHL group cannot at the same time be a director of DCHL. The converse will also apply.
 - b. Elected Councillors cannot hold director positions in either DCHL or subsidiary companies.
 - c. Senior management of DCC should not hold director positions.
 - d. Directors cannot hold more than one directorship in subsidiary companies (with Aurora Energy Ltd and Delta Utilities Ltd considered as one entity) unless exceptional circumstances warrant a change to this policy.
 - e. The board of DCHL be reconstituted with the appointment of three new externally sourced independent directors recruited nationally.
 - f. The current Property Investment Sub Committee of DCC be transformed to a board type structure with additional property/infrastructure experience added to the entity and adherence to the governance procedures outlined in this report.
 - g. The DVML (and DVL) board form part of the DCHL group and governance structure.
 - h. The chairmen of all entities within the DCC group (CCTOs and CCOs):
 - i. Prepare annually a board succession plan that is developed from individual discussions with all directors and the CEO.
 - ii. Prepare annually a review of board composition (identifying any deficiencies in skill and knowledge), a plan to deal with any identified gaps that considers diversity, and the potential participation of younger directors.
 - iii. Implement a process of board evaluation to be completed annually.

2. It is recommended that the following specific governance actions be implemented:
 - a. A review of all Council Controlled Trading Organisations (CCTO) and Council Controlled Organisations (CCO) within the DCC be undertaken with the objective of determining their fit with DCC cash flow and 'risk appetite' boundaries. Any entity falling outside the determined boundary should be considered for sale.
 - b. That the revised reporting format and schedule for the subsidiary companies, DCHL and the Council be implemented.
 - c. The communication process detailed for DCHL, the Finance and Strategy Committee and the Council be implemented.
 - d. That the dividend policies of the subsidiary companies, DCHL and DVML be reviewed in the Statement of Intent documents and amended as follows:
"dividends will be paid on the basis of 50%-70% of tax paid profit"
 - e. That Section 12.0 of the DCHL Statement of Intent (SOI) be reviewed to include enhanced guidelines for investment by subsidiary companies beyond core business to ensure any new ventures are consistent with the parent objectives and requirements.
 - f. That the role of the DCC Treasury Company be reviewed with the objective of expanding the current financial service provider role to include a treasury control function.
 - g. That an 'in-house' governance training course be provided for elected Council members.
 - h. That current contracts with suppliers of service (both internal and external) to DCC be reviewed to ensure all material related-party transactions are captured and clear and transparent guidelines for any such business are in place.

2 ACKNOWLEDGEMENTS

The recommendations contained in this report are the result of a series of individual and group interviews with people either currently or formerly involved in the Dunedin City Council and its group of companies. The interviews involved existing and former elected councillors, directors of subsidiary companies of the council, and council staff. The terms of reference for the review are contained in Appendix 1.

An extensive range of background documents was also utilised in the preparation of this report.

Use was also made of material supplied by other local authorities in New Zealand, who operate under the same legislative environment as Dunedin City Council, and who also undertake similar commercial activities. The author utilised experience acquired as a director of both a lines company and a port company both owned, either wholly or partly, by local authorities.

Significant elements of the recommendations (particularly those related to board structure, composition and efficiency) reflect published Codes of Practice from the New Zealand Institute of Directors, and the ASX Corporate Governance Council.

The author thanks all who have contributed. In all cases the exchanges were frank, open and constructive. Any additional documentation requested was supplied without delay. The cooperation and assistance of Council staff was excellent.

The author remains responsible for any errors of fact or interpretation.

3 INTRODUCTION

3.1 Governance – What is it?

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are met and achieved, how risk is monitored and assessed, and how performance is optimised.

There is no single model of good governance. What constitutes good corporate governance will evolve over time as the circumstances of the entity change. What is accepted is that good corporate governance structures encourage companies to create value and provide accountability and control systems, commensurate with the risks involved. More importantly, good governance practices focus very clearly on defining with absolute clarity ‘who is responsible for what’ and how the various parts of complex organisations inter-relate. Achievement of the latter requires (in practice) an effective separation, management and execution of relationship, duties, obligations and accountability, that are all part of an entity’s existence.

The vital part of all this, and the starting point for any governance review is clarity and understanding of the overall purpose of the organisation. Without this clear and unequivocal agreed position amongst all key participants as to;

‘why the organisation exists’

‘what do we want it to do’

any governance effort is likely to be largely ineffective.

3.2 Dunedin City Council and Associated Companies Historical Position

This governance review has commenced from a starting point of asking the question:

“What is the fundamental purpose of the Dunedin City Council (DCC) and its group of companies?”

3.3 The Basic Model

One response to this question is that local authorities, such as councils, exist in the first instance to supply basic services to members of the community. The basic

services obviously vary greatly, but usually commence with the supply of such services as potable water, sewage reticulation and rubbish collection. To meet the cost of providing these services, property owners are charged a fee commonly known as ‘rates’.

In almost all instances as the level of sophistication of the community increases, so too does the demand for additional services. Examples include pensioner housing, libraries, cultural, leisure and sporting facilities. These projects are funded in various ways. Some might be structured simply to break even in terms of cost recovery, others provided with a fee and an accepted cost deficit, while still others are provided on a user pays basis.

To assist in offsetting the cost of providing these services to ratepayers, many local authorities invest ratepayers’ funds, and in some instances endowment money, to develop separate business entities with the very clear objective at the outset of generating a profit.

Like many other local authorities, the Dunedin City Council has followed this simplistically described model. It has a reputation for providing a high level of service to the community over a long period of time and has successfully completed major infrastructure projects. Some very good companies have also been developed that have contributed consistently in the process described above.

3.4 Governance Implications

The fundamental reality of this model is that in almost all local authorities the actual level of cost or rates charged to the community is a very sensitive political issue for the elected Councillors to consider. When compared to alternative commercial models, there is limited ability or indeed often a reluctance to ‘put the price up’ or to generate more revenue via rate increases. This issue is almost always controversial.

What then are the governance implications? It is the author’s view that four critical governance related factors emerge from an analysis of this model:

1. Any project or service funding shortfall has to be provided from a combination of internal earnings, cost reduction and increased borrowings. There is a limited

ability to increase cash availability by way of imposing extra charges on the community.

2. There is a fundamental and ongoing priority for cash as opposed to long term value creation.
3. There is an inherent inability to effectively tolerate a high risk profile in any council owned investment portfolio.
4. Effective and realistic communication between the various parts of the organisation (namely Council elected members, Council staff, and company directors) is vital to achieve a successful governance outcome.

4 THE PROBLEM

It is clear that significant governance issues currently exist within the DCC group. These deficiencies have largely arisen as a result of a break-down in all four of the critical governance elements listed above.

It is also very clear, both from discussions and perusal of internal documents, that these governance problems have existed within DCC for some time. The problem is certainly not new.

The governance issues have become more obvious recently, largely as a consequence of the current requirement to fund several major infrastructure projects concurrently, an organisational inability to agree on the size and nature of the problem, and to take timely and effective remedial action. The projects include the Forsythe Barr Stadium, the Settlers Museum, the Dunedin Centre, wastewater treatment plant construction and several others.

The DCC and Dunedin City Holdings Ltd (DCHL) forecasted 2014 debt position is now in excess of \$700 million (see Appendix 2). Up 75% on the 2010 figure of \$400 million and represents a very substantial increase in debt exposure. This position is made even more uncertain, given the expressly stated concerns in DCC internal documents over the quality of estimates that relate to the future earning capacity of Dunedin Ventures Management Ltd (DVML).

Increased debt funding for example is an option for resolution but comes with the prospect of a credit downgrade and consequent increase in borrowing costs. The likelihood of such a negative outcome for DCC is not widely shared.

Any economic assessment of the exact magnitude of the financial problem is outside the terms of reference of this report. Suffice to say, the problem is inextricably linked to governance issues. These issues, if not addressed with urgency, have the potential to escalate to become a very serious matter for DCC, if it has not reached that point already.

Evidence indicates a high level of dysfunction between various parts of the organisation. A breakdown in positive culture is apparent.

The problem is manifested in the following internal organisation behaviour patterns:

1. There is a general understanding that a financial problem exists. This is common across various parts of the group. Memos dated 6 May 2010 and 29 September 2010 from the General Manager Finance and Corporate Support detail “a serious deterioration in cash flows for debt servicing”.

There appears however to be no shared agreement on the actual magnitude of the problem. Outside consultants have provided models to DCC to facilitate improved forecasting, but these models were prepared prior to changes in tax rates and the non-deductibility of building depreciation. In addition, increases in overhead expenditure in DVML have occurred subsequent to the initial model based forecasts.

2. Council management reaction has understandably been an attempt to obtain further internal cash from DCHL. Internal memos reveal however that from July 2009 to July 2010 \$39.5 million had been removed from cash flows of subsidiaries because of “additional new capital expenditure in these companies and reduced revenues. The effect is to reduce substantially the ability of the group to meet the undertakings it gave in Statements of Intent”.

Council requests for additional cash from DCHL are not new. The 2010 DCHL annual report states that over the past four years cash payments from DCHL to the Council have exceeded \$83 million.

This has clearly come at a cost (see Appendix 3: DCHL Statement of Intent Section 9.0) to DCHL. This document shows that any further contribution of cash payments at historical levels can only be achieved by way of significant shareholder fund depletion.

In effect, at least some of the companies in DCHL (if not all) have been borrowing to meet the dividend expectations or cash requirements of the parent. This is an untenable governance position to sustain.

3. Internal documentation also shows that DCHL has responded to the requests (now escalated to demands) by pointing out that the portfolio of subsidiary

companies have internal capital requirements to address to meet their own SOI targets. Directors of the subsidiary companies face a real dilemma in responding to the demands. They have a duty of care to the subsidiary and at the same time need to respond to the demands of the parent.

Guidance on resolving this dilemma is usually found in the SOI. The SOI for DCHL (Appendix 3: Section 4.6 - Economic Corporate Goals) states “to maximise the financial returns achieved from and the value added by the companies within the group”.

The document is silent for example on how value is to be measured. Under Section 9.0 Dividend Policy the position becomes clearer. The need is for cash.

Section 9.0 of the above SOI is not in fact a Dividend Policy at all. It is a statement of cash requirements.

Reference to Section 7.0 in the DCHL SOI (Appendix 3) provides further insight into the difficulty DCHL directors face in meeting the continuing cash requirements of DCC. Shareholder funds for DCHL are forecasted to decline by almost 32% over the next three years. This is a significant value reduction by any measure.

4. The position of Dunedin Venue Management Limited (DVML) requires special comment. Documents now indicate uncertainty around final construction costs (given the addition of extra DVML required facilities not in the original plan), disputed claims (fact or fiction) and future earning streams. What is clear is that the final cost will be approximately \$200 million and the funding requirement around \$110 million. This, together with the other scheduled capital projects, indicates debt funding requirements of an additional \$280 million for DCC.

Internal documents (May 2010) state “the size of the debt management programme in DCC and the Council Controlled Trading Organisations (CCTOs) means that the operating, investing and financing cash flows of the shareholder and subsidiaries will have to be coordinated in a way that has not been required before. Investing by one entity without reference to the wider

group priorities will serve neither the shareholder's interests nor the interests of the group as a whole".

5 CURRENT GOVERNANCE OBSERVATIONS

What then are the key governance issues that emerge from an analysis of the current dysfunctional behaviours within the DCC group?

1. There is organisational understanding that a problem exists, but this understanding is certainly not universal. Key information on important issues is often held by a small group of individuals and not appropriately shared. Internal and external communication processes are poor. For example, some elected Councillors have a reasonable awareness of financial matters related to DCC. Others certainly do not. This position represents an ongoing external communication and adverse publicity threat to DCC. Key participants are not part of the existing communication 'loop'. In the current situation this type of behaviour could easily become hostile for DCC and very difficult to manage.
2. Management are aware of the magnitude of current problems, as are DCHL directors, and many of the subsidiary company directors as well. Internal conflict exists as to the ability of DCHL to continue to meet the cash demands of the parent without, in their view, a deleterious impact on the financial health of the subsidiary companies. This conflict has led to a breakdown in trust with management partly as a result of a belief by the latter that if enough pressure is applied, extra cash can always 'be found' as past practice has allegedly shown.

On the other hand management have to try and find the required cash from somewhere.
3. There is major ambiguity evident in the content of some elements of the various Statement of Intent documents. The stated economic goals and dividend policy documentation in several instances are not in accord with actual practice. These require review to achieve clarity around 'who is responsible for what' and agreement on what are realistic performance measures, particularly as related to cash/value partitioning of financial targets.

The objective should be to reach agreement on these measures so the companies within the investment portfolio are able, within the agreed delegated

boundaries of capital and risk, to pursue their commercial objectives with minimal DCC intervention.

4. The overall DCC subsidiary investment policy should also be reviewed to better align the objectives of the parent and the realistic ability of individual companies within the portfolio to meet agreed targets, particularly in relation to cash distribution.

The focus of this review should be to determine an appropriate appetite for risk for DCC. Investments within the portfolio that do not meet the final agreed risk profile should be considered for sale. This review should include all commercial activities within DCC and not just those entities currently within DCHL.

5. Governance factors such as board composition and evaluation, succession planning, and director recruitment and training require review. Current practice is not optimum.
6. Communication needs to be substantially improved within DCC, between the elected Councillors, Council staff and the investment companies. Improved formal reporting structures need to be implemented between DCHL and the subsidiary companies, between DCHL and the Finance Committee of DCC, and DCHL and the Council itself.

For example, historical attendance records of elected Councillors, at such important meetings, are viewed as poor. To make the required improvement in the internal communication process, each component needs to be regarded as important as any other. Councillors themselves need to be encouraged to participate fully in the revised process. They are, after all, representatives of the owners. They also need to be encouraged to demonstrate improved trust and capability in the handling of confidential information. Internal governance training provision would be helpful in this context.

6 GOVERNANCE REVIEW: RECOMMENDED SOLUTIONS

6.1 Dunedin City Holdings Ltd

Dunedin City Holdings Ltd (DCHL) is an investment company and the entity via which cash from the subsidiary companies is paid to the shareholder DCC. The company has paid over \$250 million to DCC over the past sixteen years. While the current directors have served DCC well over a long period, the governance of DCHL is not optimum.

The specific recommended issues to be addressed are as follows:

1. The current board of DCHL of five directors are also directors of Aurora Energy Ltd, Delta Utility Services Ltd and City Forests Ltd. One director also serves on the Board of Dunedin International Airport Ltd.

DCHL has both a strategic and performance monitoring role. Given that the same directors hold common positions in the three major subsidiary companies and the holding company, they are in effect receiving reports and making judgments on their own performance. From any governance perspective this situation is unsatisfactory.

2. The current chairman of DCHL, in addition to holding board positions in the subsidiary companies, is also an elected Councillor.
3. The director skill base in DCHL is strongly weighted towards accounting and financial skills and not adequately aligned with the actual activities of these companies.
4. Formal external reporting and communication procedures amongst the group are poor.

Recommended Changes

1. It is recommended that a director of a subsidiary company within the DCHL group cannot at the same time be a director of DCHL. The converse should also apply.

2. It is recommended that elected Councillors cannot hold director positions in either the holding company or a subsidiary.
3. It is recommended that the board of DCHL should be entirely reconstituted with three new externally sourced directors appointed, all of whom should be independent and drawn from a New Zealand wide recruitment search. The objective should be to locate three experienced directors (using an appointed recruitment consultant) for an initial three year term. The chairman of this group would be appointed by DCC with the assistance of external advisors.

Note: This recommended governance structure is not viewed necessarily as optimum long term. Other local authority holding company structures in New Zealand operate with a combination of external independent directors and experienced elected Councillors. This option is NOT recommended for DCC at this time but could be considered in the future following resolution of the current governance issues.

The composition of the new Board would ideally include the following combination of skills:

- Finance – ideally with a background in a manufacturing or utility company
- Engineering/infrastructure/property development company background
- Extensive business experience

The key requirement is proven business skills and extensive governance experience.

To attract the appropriate people to these roles remuneration levels would need to be in the upper quartile. It is unlikely the required candidates would be attracted below \$75,000 p.a. with the chairman paid at twice that rate.

Ideally in the first three year period the majority of directors should be drawn from outside the Otago region.

4. The DCHL board would be required to fulfill a strategic and performance monitoring role in relation to both wholly owned and partly owned subsidiaries of DCC as it does now.

5. It is recommended that an immediate review of the subsidiary companies in relation to their current 'fit' with DCC requirements be undertaken. Cash flow provision and risk should be key elements of the review involving Council staff, DCHL, and the Finance and Strategy Committee of the Council.
6. The CEO and CFO of the Council should attend DCHL board meetings but not hold board positions. Secretarial services would be supplied by the Council.
[REDACTED]
[REDACTED]
[REDACTED]
7. It would be expected that the DCHL board would meet at least bi-monthly in the first year. More frequent meetings may be necessary in the initial period.
8. The chairman and CEO of each wholly owned subsidiary would report in person to the DCHL board at the bi-monthly meetings. After the first year this could be extended to quarterly reporting.
9. A draft format of the data each subsidiary would be required to submit in advance of the meeting and speak to is contained in Appendix 4. This is purely a draft document indicative of the appropriate content. It does contain the basic financial information that should be required by the DCHL board.
10. The meeting schedule and reporting arrangements should be established in advance for the full year and adhered to.
11. It is a disciplined and consistent approach that is recommended. If the chairman and/or CEO cannot attend for example then alternates should be arranged.
12. At the conclusion of each board meeting a written report would be submitted to the Chairman of the Finance and Strategy Committee of the Council and the Mayor. This report will contain a summary of subsidiary performance and contain at least the following:
 - Performance compared to budget, SOI and the previous year
 - Explanation of material variances

- Forecasted year end position (using listed company disclosure rules as a basis for content and frequency). Detailed forecasted updates would be expected to be conducted twice yearly.
 - Communications based on a ‘no surprises’ policy
13. The chairman and/or DCHL board should meet formally and at least quarterly with the Finance and Strategy Committee of the Council to discuss the performance report referred to above. Again these meetings should be scheduled in a formal manner and the schedule maintained. This is an important forum for the communication effort between the commercial investment operations of the Council and the owner’s representatives.
14. It is recommended that the DCHL chairman/board meet at least twice annually with the full Council and brief them on all relevant performance issues.

Currently a ‘liaison group’ of four elected Councillors provide the conduit of information between DCHL and other Councillors. Despite best intent, this is an ‘ad hoc’ group that operates in an informal manner. A liaison group is inappropriate in this governance context.

It is recommended that this group be disbanded and replaced by the formal reporting structure (via the Finance and Strategy Committee of the Council) outlined above. How the Finance and Strategy Committee routinely report to Council is for them and Council staff to decide. Again the process should be formal and the schedule maintained as a priority agenda item.

It is recommended that immediate priority of the new DCHL Board should be a review of the dividend policy of the subsidiary companies particularly Aurora Energy, Delta Utilities Services and City Forests Ltd. The current SOI policy is deficient and reads as “to pay as much cash as possible to the parent after looking after company needs first”.

It is recommended the current SOI wording should be replaced by inserting a dividend policy worded as follows:

“dividends will be paid on the basis of 50%-70% of tax paid profit”. This position might exclude year-end IFRS adjustments for changes in fair value of investment properties and financial instruments.

If it is possible to gain acceptance of this base position, performance clarity is enhanced for the companies, Council staff and DCC itself. Experience confirms improved trust between the various parties will follow. The subsidiary companies will be encouraged to improve performance as they will know better where they stand and it is a helpful measure in terms of understanding what the cash and value components of performance actually mean. It will be necessary to agree what percentage figure is used for Council planning and budgetary purposes. Past experience suggests it is the lower figure with the expectation with improved trust that the actual company performance will likely exceed the targeted lower figure, with higher scale dividend payment the actual year-end outcome.

15. Section 12.0 of the DCHL SOI deals with acquisition of shares in any company or organisation and limits in the first instance any such investment to \$10 million. This clause is intended to act as a form of a ‘barrier’ to ‘unwise’ subsidiary investment.

It is recommended the new DCHL Board review this section to more likely state the expectation that the subsidiary companies will focus on core business unless a change in strategy is agreed with DCHL by way of an accepted business case.

This is not intended as a punitive restriction. What is required is a common sense understanding (rather than a dollar value limit alone) that subsidiary companies and DCHL are not going to commit to commercial ventures that are at odds with the parent’s objectives and commitments. While a monetary limitation on investment is one avenue, clarity, understanding and agreement based on ‘no surprises’ investment is a better practical option.

6.2 Dunedin Ventures Management Ltd/Dunedin Ventures Ltd

DCHL is to be involved in a complex financial arrangement as part of the funding of the Forsyth Barr Stadium when it is sold to Dunedin Ventures Ltd (DVL). As part of this arrangement DCHL will pay DCC \$5 million less per annum in dividends and in return will use that \$5 million to provide funding to DVL and/or Dunedin Ventures Management Ltd (DVML). This transaction is to be via a subvention payment of up to \$7 million. [REDACTED]

In the 2009/10 year DCHL recorded a net profit of \$18.11 million and paid to DCC in the same year \$24.16 million cash.

Again, commenting on the veracity of this scheme of arrangement is outside the terms of reference of this report. That point aside, from a governance perspective additional pressure is being applied to DCHL to distribute cash from subsidiary company performance to make this scheme work. The entity is clearly being used as the vehicle for the scheme of arrangement to work.

Changes in tax rates and the non-deductibility of building depreciation will very likely change the projections of DVL, DVML and DCHL to which an internal document clearly attests.

Whatever the outcome of a review of the financial projections, sound governance arrangements around the future of DVML/DCHL do not seem to be in place.

[REDACTED]

A board of experienced people with a sound skill mix has been assembled to run DVML. Despite this positive effort, this entity represents the most significant ongoing financial risk to DCC in the immediate period ahead. An impressive community asset is nearing completion. That is a fact. The challenge now is commercial performance that meets the targeted expectations. That is likely to be difficult given a stable regional population and non-buoyant economic conditions.

From a governance perspective, what is required now is open disclosure, agreed attainable targets and strong DCC group support provided for the DVML and DCHL boards.

It is the author's view that governance arrangements based on complex financial structures without adequate substance, understanding and clarity amongst the key parties, seldom meet expectations.

- It is recommended that the ongoing governance arrangements for DVML (and DVL) should be as part of the DCHL group in the structure recommended above.

6.3 Subsidiary Companies

Aurora Energy Ltd/Delta Utility Services Ltd

The two largest companies within this group are Aurora Energy Ltd and Delta Utility Services Ltd. The latter provides electrical contracting services to the former.

Aurora (a lines company) faces significant network based capital expenditure for the next five years. Reconciliation of this forecasted commitment with cash flow and subsequent DCHL dividend flow will be important in the governance process. It is uncertain that this reconciliation is complete.

Delta Utility Services has exhibited very rapid and successful growth. It is noted that expansion of activities over recent years has occurred partly in the development and sale of property assets. While directors experienced in this area are on the Delta Board, this is high risk business. Delta clearly benefit from the contracting revenue and it is easy to see how this is a compelling reason for participation in property development.

The question again is raised as to the strategic wisdom in relation to risk of residential land development participation (particularly outside the Otago region) given the DCC dependence on consistent cash dividend flow. Land investments are generally illiquid and impact on the availability and timing of free cash flow.

If increased future subdivision and land development business is intended, then the Delta board composition should be altered to enhance expertise in this area.

It is noted that in the 2010 Annual Report, Delta did state that a “review of the SOI and Strategic Plan for consistency with the objectives of DCC” had been completed. This seems surprising.

Also of note is the high level of related party transactions that have occurred in both the Aurora and Delta companies. These transactions are listed in the Annual Reports of both companies. From a governance perspective continued extreme vigilance on this issue should remain a high priority given the inter-dependence of these two entities.

City Forests Ltd

DCC owns a forestry company. Forestry companies are not noted for availability of strong cash flows. Participation of a forestry company in the DCC portfolio has no doubt been debated historically.

Strong arguments can be made for the long term value growth benefits of forestry assets which now include carbon tax sale proceeds. If the parent requirement is for shorter term cash returns, then this raises the question of portfolio ‘fit’ and strategic retention or otherwise of this long term asset.

A recommendation to review the risk profile of DCC investments is included above.

6.4 Dunedin City Treasury Limited

The role of Dunedin City Treasury Limited as stated in the Annual report is to identify and manage the financial risks and the liquidity of the Dunedin City Council group. The Treasury aims to ensure adequate funds are available, at least cost, to meet obligations within DCC at acceptable levels of risk. The wholesale funds market is accessed and the company issues interest rate swap contracts to hedge interest rate exposure. Total financial assets managed has increased from \$303 million in 2005 to \$588 million in 2010, an increase of over 87%.

The Treasury company has a key role in funds provision to the DCHL group.

The overall function of the Treasury operation is a financial service provider to the DCC group. Given the importance of both cash and operating risk to DCC, and

the treasury skills available, consideration should be given to enhancing the role of the treasury function to beyond that of a service provider without impacting on the current autonomy of companies within the DCC group.

Within DCC funds are used to buy land, property, plant and equipment, and fund infrastructure projects. Decisions as to lease or purchase assets presumably are decentralised. It is worth considering a wider governance and control function for the treasury function, particularly in relation to monitoring risk.

It is recommended consideration is given to widening the DCC treasury function to include enhanced group focussed risk monitoring and control of funds.

6.5 Taleri Gorge Railway Limited

This company has been considered as part of this governance review. The Company is obviously an integral part of local tourism based activity. Revenue is modest in relation to other DCC companies and while the board of eight directors is large for an entity of this size, it is understood the board has wide expertise in the activities undertaken by the company.

6.6 Dunedin International Airport Ltd

DCC has a 50% interest in Dunedin International Airport Ltd and a review of governance of this entity is included in the terms of reference. Director related issues which will be covered elsewhere.

6.7 Property Investment

The DCC maintains an investment property portfolio with a current value of approximately \$85 million. Internal proposals have been noted to increase the portfolio holding to \$105 million with growth in both the size and complexity of the portfolio. This investment is actively pursued as a source of non-rates income for DCC. Currently the portfolio includes plans for Auckland industrial property investment and for property in other New Zealand provincial centres.

It is the author's understanding that almost all of the funds invested in this property portfolio are classified as endowment investments and as such attract favourable taxation treatment. This precludes any governance advantage of placing

these assets in a subsidiary company and then including this company within the DCHL structure. Notwithstanding this structural limitation and despite the property investment experience within the property subcommittee of DCC (the current governance body) the governance surrounding the property investment portfolio should be reviewed. An internal document sighted by the author contains a proposal to that effect. As already stated property investment is a high risk activity if not conducted within a carefully prepared and agreed strategy with appropriate delegated approvals, risk assessment and monitoring procedures. In short a 'board' structure with appropriate governance procedures and additional property expertise is required.

It is recommended that the current Property Investment Subcommittee of DCC be transformed to a board type structure and the appropriate commercial disciplines in place. Property expertise on this 'board' should be increased.

6.8 Other Investments

During discussions as part of this review, several parties drew the author's attention to the benefits of establishing a 'Water Company' within DCC. This entity could be involved in potable water production, sewerage reticulation and even perhaps water storage. The merits of such a proposal are for DCC to decide. At face value the idea appears to have merit given the existing and future outlook for water as a resource.

If such a proposal were to proceed, governance procedures should be carefully considered and inclusion in the DCHL group recommended.

As a result of consideration of this report, it is hoped governance procedures within DCC will receive increased focus and changes made. During this change process it would seem timely and appropriate to look carefully at the entire range of DCC operations. There may well be business elements within the existing DCC structure with commercial potential that could be extracted and placed within the DCHL network.

7 BOARD COMPOSITION, DIVERSITY, EVALUATION AND SUCCESSION PLANNING

7.1 Governance Principles

A useful and practical approach towards the implementation of good common sense governance in companies is to work from a basic list of governance principles. There are many published lists of these principles. Most are far too extensive to be practical. The author favours the list published by the ASX Corporate Governance Council (see Appendix 5).

The first of these principles is to lay solid foundations for management and oversight and this has been considered earlier in this report, and is all about pursuit of clarity.

7.2 Board Composition and Diversity

The second principle focuses on the need to structure the board to add value. Here the emphasis is on having a board of effective composition, size and commitment to adequately discharge its responsibilities and duties.

As mentioned earlier, the boards within the DCC group exhibit a heavy weighting on accounting and finance skills. Of the five directors of DCHL, three have accounting backgrounds. They are also experienced businessmen. The Chairman of Aurora Energy and Delta Utilities, who is not a member of the DCHL Board, also has an accounting background. Several of these directors are also long serving. For example, three of the Aurora Energy directors total 42 years service between them.

The primary concept of diversity of composition within boards is important. If it was not, there would be no requirement for a board type structure. One person alone would be adequate. What is needed within boards is a balance between collegiality at one end of the spectrum and robust debate and challenge at the other. To this end, mix and diversity is important.

Given that the directors of DCHL are all directors of the subsidiary companies as well, these five directors would be meeting as a group very often and most have been in this position for many years. It is easy to envisage that a high level of

collegiality could exist within such a group, perhaps at the expense of robust debate.

It is recommended that a director can only be appointed to the board of one subsidiary company. Aurora and Delta, given the interrelationships that exist, would be viewed as one company.

This change would also be beneficial in attracting younger, high potential, competent directors who historically may have been unable to commit to the time requirements to be on all three subsidiary boards and DHCL as well. It will also widen the overall pool of directors who might be attracted to these governance roles.

There are very few women amongst the DCC pool of directors. The role of women on boards is certainly topical, and at times controversial, particularly when the argument becomes gender based. It is genuinely difficult for competent women to obtain governance opportunities. When they get there, it is the author's experience they add a positive and different dimension to debate around the board, with often a major advantage over men evident in emotional intelligence.

The question of diversity within boards is best left to individual boards and not imposed. An approach based on 'what skills and knowledge do we ideally need around this board to support and challenge management' should be implemented and it is recommended board composition be reviewed annually.

Within the DCC group there is scope to include some younger directors within the board network to learn from the association with more experienced counterparts.

7.3 Succession Planning

Board succession plans should also be reviewed annually. It is important, for example, to avoid having the chairman and CEO depart at the same time. The plans and likely tenure of all board members can be constructively sought and a succession plan developed. Good chairmen are very effective mentors and competent CEOs respond well to discussions on skill enhancement, career plans and projected useful tenure within specific organisations.

The replacement plans for competent directors may well need to extend to at least two years and even beyond.

Length of tenure of directors on boards is often debated and there is no one answer. As a guideline, nine years (with an extension to twelve years in exceptional circumstances) is a reasonably common approach with the emphasis today on shorter, rather than longer, terms. Reappointment should not be automatic.

7.4 Board Evaluation

Formal board evaluation practices are an important adjunct to director, chairman and board performance evaluation and should be mandatory. A board evaluation process does not appear to be in place within the DCHL group. The usual approach is:

- directors who are offering themselves for re-election are evaluated by their board colleagues
- the chair and the effectiveness of the board is evaluated by all directors

This process can be implemented by external agencies or by the board itself. Often there is reluctance to have the process undertaken internally initially, but experience indicates this reluctance dissipates quickly given the obvious benefit of the constructive feedback from the process.

A sample set of board/director evaluation forms are contained in Appendix 6.

7.5 Director Recruitment: Attributes

With the recent DVML board an exception, most of the DCC directors appear to have been drawn from the Otago region. Indeed the Procedure for Appointment of Directors Document (4 September 2000) lists as a generic attribute - “sympathetic to the needs of Dunedin and surrounding areas”. Any professional director of high calibre will focus on the entity first anyway and the benefits to whatever region will flow from that appointment. New Zealand is a village and each region a subset of that. Selection of directors from a New Zealand wide geographical approach is recommended.

Other director qualities that are axiomatic are integrity, acting in an ethical manner and independence. The former two qualities are given, the latter also vitally important. In the final analysis, independence is best demonstrated by an absolute preparedness of individual directors to resign if essential principles of governance and best practice are consistently not followed and recommended remedial action not implemented. Independence is a critical attribute of any director.

7.6 Related Party Transactions

The recognition of the legitimate interest of the stakeholder is a critically important issue. Reputation is everything in governance activity. Reporting accurately related-party transactions and meeting required disclosure rules must be followed. The disciplines must also be seen to be in place.

The DCC group utilises extensively services provided by local companies. Some of these arrangements have been in place for a long time. Several participants interviewed in the preparation of this report commented on the need for regular reviews of these arrangements. If that does not currently occur it should, so that a very clear and transparent process for all related-party transactions is in place.

It is recommended that an annual review of all related-party transactions be undertaken by DCC.

7.7 Service Level Agreements

Again as part of the interview process several individuals commented on the difficulties experienced by some parts of the DCC organisation in attempting to do business with other elements of the DCC group.

The SOI of DCHL (Appendix 3) contains wording to the effect that where appropriate use should be made of 'in-house' services and skills as a priority. This does not mean 'any right to the business' and competitive tensions between internal and external candidates for work must be maintained.

It is recommended that a review of guidelines and existing service level agreements between DCC entities be undertaken.

7.8 Communication: Training

Within local authority organisations there is often a wide disparity between levels of knowledge about the organisation between longer serving councillors, newer members, management, and indeed at times even directors of commercial entities within the group. In the end, the councillors are the representatives of the owners. Despite acute internal frustration at times, they are entitled to be treated as the owners. This is a specific feature of local authority structures. In a listed company model the shareholder interface with directors and management is much more remote.

In local authorities effective communication is a high priority and a constant challenge. In this regard it is recommended that consideration be given to conduct a two day in-house governance course. This is to be held in the first instance for elected Council members. Subsequent sessions could include other groups within the DCC network.

7.9 Recommendations

It is recommended that the chairmen of all Council Controlled Trading Organisations (CCTO) and Council Controlled Organisations (CCO):

- Prepare annually a board succession plan that is developed from individual discussions with all directors and the CEO.
- Prepare annually a review of board composition (identifying any deficiencies in skill and knowledge), a plan to deal with any identified gaps that considers diversity, and the potential participation of younger directors.
- Implement a process of board evaluation to be completed annually.

This governance plan is to be discussed with the chairman of the reconstituted DCHL Board in the case of CCTOs and the Chairman of the Finance and Strategy Committee of DCC in the case of CCOs and an agreed action plan developed.

8 PROCEDURE FOR APPOINTMENT OF DIRECTORS

8.1 Attributes

The terms of reference for this review is a requested critical review of the Dunedin City Council Procedure for Appointment of Directors (4 September 2000).

This document contains a very extensive list of the qualities sought in a director to be considered for DCC board positions. It would be extremely difficult to assess that any one individual possessed all or most of these attributes by way of interview or search results.

A better practical approach is to consider an abbreviated list of attributes containing the following:

- Sound business judgement and evidence of a track record that substantiates this position
- Ideally knowledge of the business concerned and/or possesses specific skills related to an individual discipline where such a skill gap on the board is to be filled.
- Preparedness to act independently if necessary as evidenced by track record.
- Integrity
- Ability to work and contribute as part of a team.

In terms of the recruitment process, 70% of effort should be directed towards referee and other verification of the candidate's track record and 30% from an interview based assessment of the qualities listed above.

8.2 Process

1. A qualified and carefully assessed external recruitment consulting organisation should be engaged to facilitate the process.
2. For subsidiary companies, the chairman would be required to complete the board composition plan and complete a profile of the director being sought. This would be discussed with the DCHL Board and approval for appointment

sought. Final approval would be provided by the Finance and Strategy Sub Committee of the Council.

3. For the DCHL Board the same process as described above would be followed, with approval from the full Council via the Finance and Strategy Sub Committee of the Council.
4. For other CCO appointments the same process would be followed with final approval provided via the Finance and Strategy Sub Committee of the Council.

8.3 Term

The initial term of appointment should be three years with further terms possible based on performance, diversity and board composition factors.

9 REMUNERATION OF DIRECTORS

1. The Board of DCHL should facilitate the remuneration process using data supplied by at least one independent and reputable external recruitment agency (sometimes more than one data set is helpful).
2. The above process should be conducted annually but actual changes to recommendation levels likely made only every two or even three years. In practice allowing the timing of such reviews to lapse can result in remuneration levels falling behind market levels. Recovering this position is often difficult if significant movement has occurred. More frequent adjustments of lower magnitude is a preferred approach.

10 CONCLUSION

This report has attempted to address current governance issues within DCC particularly as they relate to wholly or 50% owned subsidiary companies.

A significant number of recommendations have been made to hopefully facilitate improvement in current governance practice. The timing of implementation of these recommendations, should they be accepted, needs very careful consideration. It is not practical to address them all at once. A plan of implementation will be required and that should involve Council management, DCHL, and the Finance and Strategy Sub Committee of the Council.

If the recommendations are accepted, this plan is a matter of high priority as several of the identified governance issues require immediate action.

As part of the preparation of this report the author was requested to comment on any other material issues that emerged, that were not specifically listed in the terms of reference.

Economic issues, as stated in the report, were not part of the terms of reference. However, it is obvious DCC will struggle to fund the current group of capital projects from increased rate revenue and internal savings. Debt levels will need to rise significantly. The stadium company DVML needs to be properly capitalised as a priority. To offset the need for increased debt, asset sales (however unpalatable from a historical perspective) need to be considered as an immediate solution.

11 APPENDICES

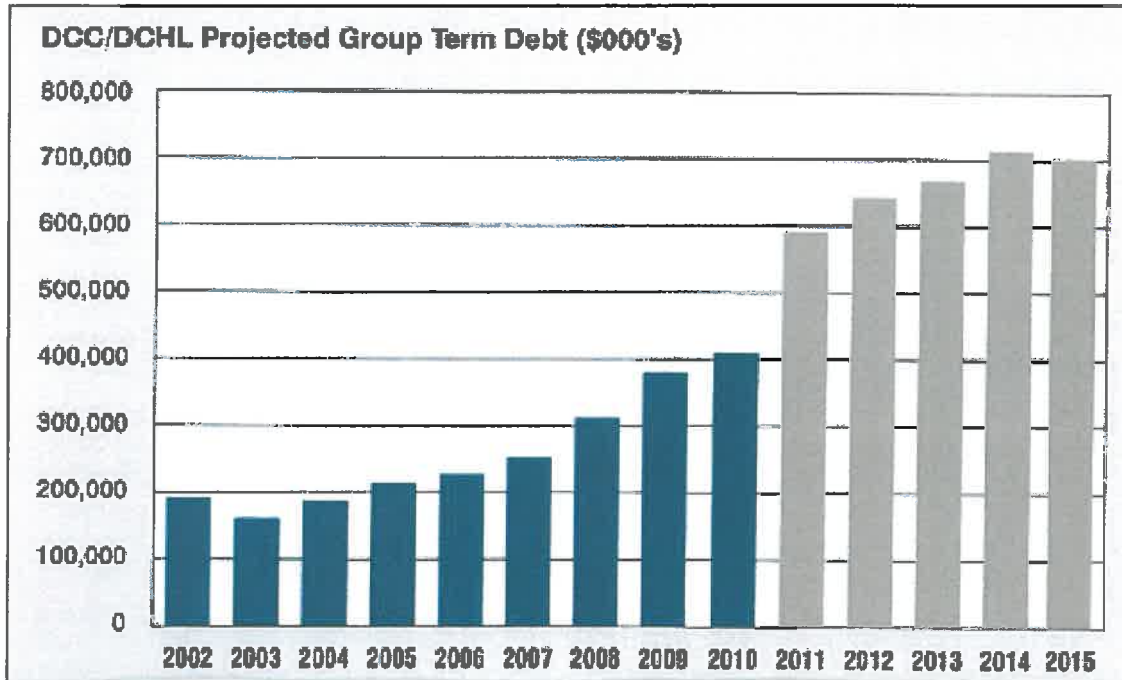
| | |
|-------------------|--|
| Appendix 1 | Terms of Reference for Governance Review as supplied by Dunedin City Council |
| Appendix 2 | Dunedin City Council Dunedin City Treasury Ltd Standard and Poors Briefing October 2010 P 13 DCC/DCHL Projected Group Term Debt |
| Appendix 3 | Dunedin City Holdings Ltd Statement of Intent for the year ending 30 June 2012 |
| Appendix 4 | Draft format for subsidiary company reporting to Dunedin City Holdings Ltd |
| Appendix 5 | List of Governance Principles: ASX Corporate Governance Council |
| Appendix 6 | Board and Director Evaluation Forms |

Appendix 1 - Terms of Reference for Governance Review

GOVERNANCE REVIEW

Scope

- 1 Review Governance Structure of all companies in which DCC and/or DCHL has an equity interest of 50% or more, ie:
 - a) Dunedin City Holdings Limited (DCHL)
 - Aurora Energy Limited
 - DELTA Utility Services Limited
 - City Forests Limited – (50% subsidiary - Otago Chipmill Ltd)
 - Dunedin City Treasury Limited
 - Dunedin International Airport Limited (50% with the Crown scope limited to Council appointees but taking into account the skill set of the Crown appointed Directors)
 - Taieri Gorge Railway Limited.
 - b) Dunedin Venues Management Limited (DVML) and Dunedin Venues Limited (DVL).
- 2 Consider:
 - a) Mix of experience, skills on each board in relation to each business's markets, size and complexity.
 - b) Duration of each director's service on each board or boards.
 - c) Independence of each director in relation to the shareholder's interests to be served.
 - d) The structure of the governance arrangements for its efficiency and effectiveness, eg, numbers of directors, frequency of meetings, extent of delegations, etc.
 - e) Method of selecting directors ie, evaluate Council's policy document.
 - f) Mechanism(s) for reporting to the shareholder, formally and informally.
 - g) Definition of Chairman's role in each company and their reporting framework.
 - h) Method(s) for monitoring performance of directors and chairs.
 - i) Method of setting directors' fees.
 - j) Any other relevant matters
- 3 Review the Council's current Policy on the appointment of Directors.
 - a) Make recommendations on changes to the governance structure and policies.
 - b) Suggest timelines for the implementation of the changes you recommend.
- 4 In the course of your review, make recommendations on any other governance matters that come to your attention. One of those matters includes the manner in which governance is provided to Dunedin City's investment property activities.

Appendix 2 - DCC/DCHL Projected Group Term Debt

Appendix 3 - Dunedin City Holdings Ltd Statement of Intent

Dunedin City Holdings Ltd
Statement of Intent
For the Year Ending 30 June 2012

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1.0 *Mission Statement*

Mission Statement of Dunedin City Holdings Ltd

To drive the performance of its Subsidiary and Associated Companies so as to ensure each Company provides the maximum advantages in all respects to the ultimate shareholder, Dunedin City Council.

2.0 *Nature and Scope of Activities*

Dunedin City Holdings Ltd as the parent company of the group has a primary role to monitor the operating performance of its subsidiary and associated companies on behalf of the ultimate shareholder, Dunedin City Council. This role involves continual reviews of financial performance.

It is the responsibility of Dunedin City Holdings Ltd to ensure that each of the companies in the group has a sustainable competitive advantage and, where appropriate, a basis for growth.

As a holding company it is the manager of a portfolio of corporate investments. If it is to maximise benefit to its shareholder, Dunedin City Council, it may wish from time to time to rebalance the composition of its portfolio by purchases or sales in response to, or in anticipation of, ongoing changes in the marketplace.

Dunedin City Holdings Ltd also has a responsibility to ensure that its subsidiary companies receive the synergistic advantages available from being a group of companies.

3.0 *Corporate Governance Statement*

Dunedin City Holdings Limited is a Council Controlled Trading Organisation (CCTO). The directors' role is defined in Section 58 of the Local Government Act 2002. This section states that all decisions relating to the operation of the CCTO shall be made pursuant to the authority of the directorate of the CCTO and its Statement of Intent (SI). The board is responsible for the preparation of the SI which requires approval from the company's shareholder the Dunedin City Council. In addition to the obligations of the Local Government Act Dunedin City Holdings Ltd is also covered by the Companies Act 1993 and governed by directors by law and best practice.

The company has its own board of directors that meets on a regular basis to direct and control the company's activities. Directors are appointed following approval by the Dunedin City Council, using procedures set out by Council as the ultimate shareholder. These procedures require the Dunedin City Holdings Ltd board to maintain a list of suitable applicants from which its evaluation and recommendation to Council is made.

The Dunedin City Holdings Ltd board accepts that it is responsible for the overall control systems operating within the company but recognises that no cost effective internal control

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systems will permanently preclude all errors or irregularities. The control systems operating within the company reflect the specific risks associated with the business of the company concerned.

The shareholder reviews and approves the SI and three-year financial plan. Quarterly and annual reports of financial and operational performance are provided to the shareholder.

4.0 Corporate Goals

The principal goal of the Dunedin City Holdings Ltd is to operate as a successful business, achieving the objectives of its shareholder as specified in this Statement of Intent.

The specific corporate goals of Dunedin City Holdings Ltd are as follows: -

General

- 4.1 To ensure insofar as it is lawfully able, that the Statements of Intent and operating strategies for each of the group companies reflects the policies and objectives of the Dunedin City Council in respect to the operation of that business.
- 4.2 To monitor the operating activities of the group companies to ensure that the respective Statements of Intent and operating strategies are adhered to.
- 4.3 To keep the Dunedin City Council informed of matters of substance affecting the group.
- 4.4 To perform continual reviews of the operating strategies, financial performance and service delivery of the group companies.
- 4.5 To ensure appropriate communication channels exist for group companies to report performance and operating results to Dunedin City Holdings Ltd and for Dunedin City Holdings Ltd to report to Dunedin City Council

Economic

- 4.6 To maximise the financial returns achieved from and the value added by the companies within the group.
- 4.7 To maintain the group's financial strength through sound and innovative financial management.

Social and Environmental

- 4.8 To operate personnel policies and practices within the group which promote a non-discriminatory, culturally sensitive, equal opportunity workplace.
- 4.9 To encourage the maintenance of an operating environment within the group which promotes safe work practices and a harmonious industrial relations climate.
- 4.10 To encourage the group to act as a socially responsible and environmentally aware corporate citizen.

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5.0 *Specific Objectives for the Year Ending 30 June 2012*

In pursuit of the company's corporate goals, Dunedin City Holdings Ltd has the following objectives for the next twelve months: -

General

5.1 Dunedin City Council Objectives

To review the Statements of Intent and strategic plans of each of the group companies for consistency with the objectives of Dunedin City Council.

5.2 Operating Activities

To review the operating activities of each of the group companies for compliance with the goals and objectives stated in their respective Statements of Intent and strategic plans.

5.3 Matters of Substance

To report all matters of substance to Dunedin City Council.

Economic

5.4 Value Added

To monitor the economic value added by each of the group companies and to monitor financial performance against rates of return established by Dunedin City Holdings Ltd.

5.5 Financial Strength

To monitor the capital structure of each group company against criteria established by Dunedin City Holdings Ltd.

5.6 Reporting

To ensure that the reporting requirements of Dunedin City Holdings Ltd are met and also that the reporting requirements of the Dunedin City Council are met.

Social and Environmental

5.7 Corporate Citizen

To review the activities undertaken by the group companies for purposes of being a good corporate citizen.

Dunedin City Holdings Ltd.

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2012 Statement of Intent

6.0 *Performance Measures*

The objectives set out above will be met on the achievement of the following performance measures: -

General

6.1 Dunedin City Council Objectives

A review of the draft Statements of Intent for 2012 and updated strategic plans for the group companies to be completed by 31 December 2011.

6.2 Operating Activities

Reviews of the operating activities of the Dunedin City Treasury Limited, Taieri Gorge Railway Limited and Dunedin International Airport Limited (i.e. the companies with differing board structure to DCHL) are to be performed regularly by the board of Dunedin City Holdings Ltd.

6.3 Matters of Substance

Dunedin City Holdings Ltd is to report matters of substance to Dunedin City Council within five days of occurrence.

Economic

6.4 Value Added

At the half year and the full year, to assess economic value added and the appropriateness of rates of return for each of the group companies.

6.5 Performance Monitoring

Continual reviews to be performed on a monthly basis in relation to operating initiatives and financial performance of the group companies.

6.6 Reporting

Monthly reports are received from the group companies within 35 days from the end of the month under review.

6.7 Financial Strength

- (i) The annual credit review by Standard & Poors' of the group's financial position confirms a rating of A or better.
- (ii) The capital structure of the group companies will be reviewed at the half year and full year.

Social and Environmental

6.8 Corporate Citizen

A review of the activities undertaken by the group companies for purposes of being a good corporate citizen will be completed by 31 July 2011.

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7.0 Financial Projections (Parent Company)

| | Year Ending 30 June 2012 \$'000 | Year Ending 30 June 2013 \$'000 | Year Ending 30 June 2014 \$'000 |
|-------------------------------------|--|--|--|
| Operating Surplus before Income Tax | 9,531 | 6,405 | 3,543 |
| Operating Surplus after Income Tax | 9,531 | 6,405 | 3,543 |
| Shareholder's Funds | 31,872 | 28,253 | 21,774 |

The projections provided in Sections 7 and 8 of this document have been prepared using a number of realistic assumptions about the future and relate to events and actions which have not yet occurred and may not occur. In deriving these projections judgement has been applied to the uncertain future commercial environment in which the Group's businesses operate.

8.0 Ratio of Shareholder's Funds to Total Assets (Parent Company)

| | Year Ending 30 June 2012 | Year Ending 30 June 2013 | Year Ending 30 June 2014 |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Shareholder's Funds to Total Assets | 17.2% | 15.2% | 11.8% |

Shareholder's Funds: - are represented by paid up capital, reserves created by the revaluation of specific assets and retained earnings.

Total Assets: - means the aggregate amount of all current and non-current assets.

9.0 Dividend Policy

The directors have provided the Dunedin City Council with an estimate of the total cash that they expect to pay from accumulated profits over the next three years. This cash is allocated between interest on the shareholders advance and dividends. The ability to distribute at this level will be dependent on the operational success of the businesses within the Group.

The estimated cash payments from the parent company to the Dunedin City Council or any company owned by The Dunedin City Council outside the DCHL group are:

| | Year Ending 30 June 2012 \$'000 | Year Ending 30 June 2013 \$'000 | Year Ending 30 June 2014 \$'000 |
|----------|--|--|--|
| Dividend | 15,024 | 10,024 | 10,024 |
| Interest | 8,176 | 8,176 | 8,176 |
| Total | 23,200 | 18,200 | 18,200 |

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2012 Statement of Intent

10.0 *Reporting to the Shareholder*

10.1 ANNUAL (Prior to 1 March)

- (i) Draft Statement of Intent for Dunedin City Holdings Ltd.
- (ii) Draft Statements of Intent for the group companies.

10.2 ANNUAL (Prior to 30 June)

- (i) Statement of Intent for Dunedin City Holdings Ltd.
- (ii) Statements of Intent for the group companies.

10.3 HALF YEARLY (Within Two Months of the End of the Six Month Period)

- (i) Directors' Report - a review of the company's and the group's performance over the half year.
- (ii) Balance Sheet.
- (iii) Statement of Movements in Equity.
- (iv) Income Statement.
- (v) Statement of Cash Flows.
- (vi) Notes to the Financial Statements.

10.4 ANNUAL (Within Three Months of the End of the Financial Year)

- (i) Directors' Report - a review of the company's and the group's performance over the full year, including a comparison of performance against objectives and key performance measures.
- (ii) Income Statement.
- (iii) Statement of Movements in Equity.
- (iv) Balance Sheet.
- (v) Statement of Cash Flows.
- (vi) Notes to the Financial Statements.
- (vi) Auditors Report on the above Financial Statements.

10.5 FIRST QUARTER and THIRD QUARTER

- (i) Directors' Report - a review of the company's and the group's performance over the preceding quarter.

11.0 *Accounting Policies*

11.1 General Accounting Policies

The accounting policies recognised by the New Zealand Institute of Chartered Accountants complying with the NZ International Financial Reporting Standards will be adopted by Dunedin City Holdings Ltd.

11.2 Particular Accounting Policies

The particular accounting policies which materially affect the measurement and reporting of financial performance and financial position for the DCHL are fully listed in the company annual report. This is available from the company and on www.dcc.govt.nz.

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12.0 *Acquisition of Shares in Any Company or Organisation*

Dunedin City Holdings Ltd and group companies will only invest in the shares or assets of another company or organisation if the shares or assets are considered to be likely to produce added value to the business of the DCHL group.

If the directors of DCHL intend that the company or its subsidiaries should acquire assets they will obtain prior approval of the Council where the total investment exceeds \$10m.

If the directors of DCHL intend that the company subscribe to issued capital in any additional company or organisation they will obtain prior approval of the Council/DCHL liaison committee where the total investment exceeds \$1m.

13.0 *Transactions with Related Parties*

Dunedin City Council

The Dunedin City Council is the sole shareholder in Dunedin City Holdings Ltd. Dunedin City Holdings Ltd is the sole shareholder in the following group companies:-

- Citibus Ltd
- City Forests Ltd
- Dunedin City Treasury Ltd
- Aurora Energy Ltd
- DELTA Utility Services Ltd

Dunedin City Holdings Ltd also has a 72% shareholding in Taieri Gorge Railway Ltd, a 50% shareholding in Dunedin International Airport Ltd and a 44.6% shareholding in The Street Ltd.

Transactions between the group companies, Dunedin City Holdings Ltd, Dunedin City Council and other Dunedin City Council controlled entities will be on a wholly commercial basis.

Charges from Dunedin City Council and its other entities and charges to Dunedin City Council and its other entities will be made for services provided as part of the normal trading activities of Dunedin City Holdings Ltd.

| <i>Related Party</i> | <i>Transaction Type</i> |
|----------------------|--|
| Dunedin City Council | Office support services. Computer support services. Management consulting services. Shareholders advance interest Tax subvention transactions. |
| Group Companies | Management services. |

Dunedin City Holdings Ltd.

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2012 Statement of Intent

14.0 *Group Facility Use*

14.1 **Group Purchasing**

Dunedin City Holdings Ltd undertakes to operate "group" purchasing of goods and services unless it is demonstrated conclusively to the shareholder that the total combined cost to the group and to Dunedin City Council of such group purchasing is greater than the total combined cost to the group and to Dunedin City Council of ceasing to purchase such goods and services as a group, including the cost to the group and to Dunedin City Council of ceasing any such group purchasing.

14.2 **Electronic Data Processing**

Dunedin City Holdings Ltd undertakes to continue to use the Dunedin City Council's Central Electronic Data Processing facilities or its successor, in the event of corporatisation, for the next 12 months unless: -

- a) Dunedin City Council determines that it can not or does not wish to continue with the services and gives reasonable notice of its determination in that regard.
- b) It is demonstrated conclusively to Dunedin City Council that the total combined cost to the group and to Dunedin City Council of using the service is greater than the total combined cost to the group and to Dunedin City Council of utilising alternative facilities of a similar standard and performance, including the cost to the group and to Dunedin City Council of ceasing to use the existing Central Electronic Data Processing facilities of Dunedin City Council.

15.0 *Other Matters Agreed as between the Directorate and the Shareholder*

15.1 The undertaking by Dunedin City Holdings Ltd of any activity of a nature or scope not provided for in the company's mission or goals would be subject to the prior approval of the shareholder.

15.2 The approval of the shareholder is also required before Dunedin City Holdings Ltd could dispose of any segment of its business or shares in a subsidiary or associate company.

15.3 Dunedin City Holdings Ltd has entered into a Deed of Understanding between itself, the Dunedin City Council and members of the group, imposing upon the company certain restrictions, requirements and obligations as set out in the Deed.

16.0 *Estimate of Commercial Value of Investment*

The commercial value of the shareholder's investment in Dunedin City Holdings Ltd is considered by the directors to equate with the shareholder's funds of the company as disclosed in the balance sheet as at 30 June 2010.

17.0 *Use of Otago Manufactured Goods and Services*

Dunedin City Holdings Ltd will endeavour to use Otago manufactured goods and services subject to price, quality and other strategic considerations being met.

Dunedin City Holdings Ltd.

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Appendix 4 - Draft format for Subsidiary Company Reporting

Purpose

To update the shareholders on the results and activities for the quarter ended 31 March 2011.

Summarised Financial Metrics

31 March 2011

| Financial Metrics: | | YTD Actual | YTD Budget | YTD Prior Year | Full Year Budget | Full Year Forecast | FY 2010 |
|-------------------------------------|-------|------------|------------|----------------|------------------|--------------------|---------|
| Profit After Tax | \$000 | 12 | 11 | 10 | 15 | 16 | 14 |
| Profit Before Tax | \$000 | 17 | 16 | 15 | 21 | 20 | 18 |
| Cash Flow from Operations | \$000 | 21 | 19 | 19 | 25 | 23 | 23 |
| Debtor Aging | days | 25 | 30 | 25 | 30 | 30 | 25 |
| Capital Spend | \$000 | 10 | 15 | 20 | 15 | 13 | 25 |
| Current Assets: Current Liabilities | % | 60 : 40 | 60 : 40 | 60 : 40 | 60 : 40 | 60 : 40 | 50 : 50 |

| Covenants: | | YTD Actual | YTD Budget | Full Year Budget | Covenant | Full Year Forecast | FY 2010 |
|------------------------|-------|------------|------------|------------------|----------|--------------------|---------|
| Interest Cover | times | 3.0 | 2.5 | 2.6 | > 2.50 | 2.7 | 3.1 |
| EBITDA Headroom | \$000 | 8 | | 7 | | 11 | 10 |
| Interest Cost Headroom | \$000 | 4 | | 3 | | 4 | 6 |
| Gearing | % | 50% | 51% | 52% | < 60% | 50% | 50% |
| Asset Value Headroom | \$000 | 10 | | 8 | 10 | | 9 |

Economic Overview

[Overview of economic conditions and their influence on the entity's trading performance]

March Year-to-date Result

The March 2011 year-to-date post-tax profit is \$__m.

[Analysis of key drivers of financial performance for the period; revenue, cost of sales, financing]

Full Year Outlook

[Profit outlook and summary of key drivers]

Strategic Initiatives

[Update on any strategic initiatives with particular reference to influences on shareholder value]

Environmental

[Triple bottom line reporting with a focus on progress towards achievement of metrics]

Social

[Triple bottom line reporting with a focus on progress towards achievement of metrics]

Achievement against SCI Targets

[Summary of performance against SCI/COI targets with a view to full year performance]

| Measure | Status |
|-----------------------|----------------------------------|
| Financial Targets | On track to achieve 2011 targets |
| Environmental Targets | On track to achieve 2011 targets |
| Social Targets | On track to achieve 2011 targets |

Financial statements

CentrePort Group
STATEMENT OF FINANCIAL PERFORMANCE
 For the Month of March 2011

| Prior year Actual | | MID | YTD | Full Year | |
|-------------------|------------------------------|--------|--------|-----------|---------|
| MTD | YTD | | | SCI | Outside |
| | | ACTUAL | BUDGET | VAR | |
| | \$000 | | | | |
| | Port | | | | |
| | Property | | | | |
| | TOTAL REVENUE | | | | |
| | EBIT | | | | |
| | Net Interest | | | | |
| | NPBT | | | | |
| | Tax Provision | | | | |
| | Associates - Retained Profit | | | | |
| | NPAT | | | | |

CentrePort Group
SEGMENTAL FINANCIAL PERFORMANCE
 For the Month of March 2011

| PORT | | | | | PROPERTY | | | |
|--------|--------|--------|--------|------------------------------|----------|--------|--------|--------|
| MONTH | YTD | | | | MONTH | YTD | | |
| ACTUAL | BUDGET | ACTUAL | BUDGET | | ACTUAL | BUDGET | ACTUAL | BUDGET |
| | | | | \$000 | | | | |
| | | | | TOTAL REVENUE | | | | |
| | | | | EBIT | | | | |
| | | | | Net Interest | | | | |
| | | | | NPBT | | | | |
| | | | | Tax Provision | | | | |
| | | | | Associates - Retained Profit | | | | |
| | | | | NPAT | | | | |

CentrePort Group
STATEMENT OF FINANCIAL POSITION
As at 31 March 2011

| \$000 | GROUP Mar 2011 | GROUP FY 2010 |
|--------------------------------------|-------------------|------------------|
| EQUITY | | |
| Capital Reserves | | |
| Retained Earnings | | |
| Share Capital | | |
| Profit/Loss to Date | | |
| Total Equity | | |
| ASSETS | | |
| Current Assets | | |
| Receivables - Trade | | |
| Receivables - Non Trade | | |
| Inventories | | |
| Cash and Deposits | | |
| Tax Refund | | |
| Total Current Assets | | |
| Assets Held for Sale | | |
| Non Current Assets | | |
| Fixed Assets | | |
| Port Property | | |
| Investment Property | | |
| Investments | | |
| Deferred Tax | | |
| Total Non Current Assets | | |
| TOTAL ASSETS | | |
| LIABILITIES | | |
| Current Liabilities | | |
| Term Borrowings ¹ | | |
| Creditors and Accruals - Other | | |
| Creditors and Accruals - Employee | | |
| Other Financial Liabilities | | |
| Dividend Provision | | |
| Deferred Tax | | |
| Total Current Liabilities | | |
| Non Current Liabilities | | |
| Term Borrowings ¹ | | |
| Future Tax Liability | | |
| Other Financial Liabilities | | |
| Creditors and Accruals - Employee | | |
| Total Non Current Liabilities | | |
| TOTAL LIABILITIES | | |
| NET ASSETS | | |

CentrePort Group
CASH FLOW STATEMENT
31 March 2011

| \$'000 | YTD Mar 11 |
|--|-----------------------|
| Cash flows from operating activities | |
| Cash was provided from: | |
| Receipts from Customers | |
| Interest Received | |
| Dividends Received | |
| Cash was disbursed to: | |
| Payments to Suppliers and Employees | |
| Taxation paid (Income/WHF) | |
| Interest Paid- Operating | |
| Net cash flow from operating activities | |
| Cash flows from investing activities | |
| Cash was provided from: | |
| Proceeds from Sale of Property Plant & Equipment | |
| Cash was applied to: | |
| Purchase of Fixed Assets - Property | |
| Purchase of Fixed Assets - Port | |
| Interest Paid- Capitalised | |
| Net cash used in investing activities | |
| Cash flows from financing activities | |
| Cash was provided from: | |
| Term Borrowings | |
| Cash was applied to: | |
| Dividend paid ^(Note 1) | |
| Net cash used in financing activities | |
| Net increase/(decrease) in cash flow | |
| Opening cash brought forward | |
| Closing utilised at month end | |

Appendix 5 - List of Governance Principles: ASX Corporate Governance Council**A company should:**

- 1. Lay solid foundations for management and oversight**
Recognise and publish the respective roles and responsibilities of board and management.
- 2. Structure the board to add value**
Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
- 3. Promote ethical and responsible decision-making**
Actively promote ethical and responsible decision-making.
- 4. Safeguard integrity in financial reporting**
Have a structure to independently verify and safeguard the integrity of the company's financial reporting.
- 5. Make timely and balanced disclosure**
Promote timely and balanced disclosure of all material matters concerning the company.
- 6. Respect the rights of shareholders**
Respect the rights of shareholders and facilitate the effective exercise of those rights.
- 7. Recognise and manage risk**
Establish a sound system of risk oversight and management and internal control.
- 8. Encourage enhanced performance**
Fairly review and actively encourage enhanced board and management effectiveness.
- 9. Remunerate fairly and responsibly**
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.
- 10. Recognise the legitimate interests of stakeholders**
Recognise legal and other obligations to all legitimate stakeholders.

Appendix 6 – Evaluation Forms

BOARD EVALUATION FORM FOR "THE ENTITY"

Please grade each component of board process as detailed below

Low

High



Board Functions

☐ ☐ ☐ ☐ ☐ ☐

The board understands, agrees annually and Promulgates its functions.

☐ ☐ ☐ ☐ ☐ ☐

The board knows and understands the board's beliefs, values, philosophy, mission, and vision and reflects this understanding on key issues throughout the year.

☐ ☐ ☐ ☐ ☐ ☐

The board devotes significant time and serious thought to the organisation's longer term objectives and to the strategic options available to achieve them.

☐ ☐ ☐ ☐ ☐ ☐

The board has defined and communicated to Management the scope and powers, roles and Responsibilities to be adhered to by management to meet routine and exceptional circumstances.

☐ ☐ ☐ ☐ ☐ ☐

The majority of the board's time is not spent on issues of day-to-day management.

☐ ☐ ☐ ☐ ☐ ☐

The board is involved in formulating long range strategy from the beginning of the planning cycle.

☐ ☐ ☐ ☐ ☐ ☐

The board ensures that the organisation has sufficient and appropriate resources to achieve its strategic goals.

☐ ☐ ☐ ☐ ☐ ☐


Proposals from management are analysed and debated vigorously before being approved by the board. A proposal that is considered inappropriate is declined.



☐ ☐ ☐ ☐ ☐ ☐

The board has an operating plan that specifies its Functions, activities and objectives.

☐ ☐ ☐ ☐ ☐ ☐

The board has reviewed its needs in terms of skills and has these skills.

| | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | When appropriate the board seeks counsel from professional advisors. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Chief Executive Officer remuneration and performance is reviewed and determined by the board. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The board determines, annually, the objectives and measurement criteria for the Chief Executive Officer. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | A broad range of appropriate performance indicators are used to monitor the performance of management. Reliance is not placed solely on the financial statements provided by management. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The board has identified the groups to which it is accountable. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Board activities are conducted in an atmosphere of creative tension. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The board has procedures in place to ensure that the organisation is meeting its legal responsibilities. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Formal review of the board's performance has become an integral part of the culture of the board. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The board ensures that key members of management are brought into the board meetings so that the board can participate and <u>add value</u> to their deliberations and work on behalf of the board. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The board ensures all conflicts of interest are declared. |
|  | | | | | | |
| Board Meetings | | | | | | |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Sufficient time is provided during board meetings for thoughtful discussion in addition to management dialogue. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Board time is used effectively so that the board <u>adds value</u> to management. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Formal meeting and reporting procedures have been adopted by the board. |

| | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Board members receive timely and accurate minutes, advance written agendas and meeting notices, and clear and concise background material to prepare in advance of meetings. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All board members are fully informed of relevant matters and there are never any surprises. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Absenteeism from board meetings is the exception rather than the rule. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Board meetings are facilitated, but not overly influenced by the chairperson. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | All board members are permitted to add items to the meeting agenda. |
|  | | | | | | |
| Board Structure | | | | | | |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The board has sufficient independent directors. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Subcommittees are appointed by the board with terms of reference, composition and reporting back requirements. These aspects are formally recorded |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The audit committee works effectively and reports properly to the Board. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Authority to approve the partner in charge of the audit is retained by the audit committee, not management. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The terms of reference of each committee is restricted to prevent the emergence of a "two-tiered" board. |
|  | | | | | | |
| Communication | | | | | | |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Board members are encouraged to discuss matters with members of management after gaining the approval of the chairperson. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | The board receives sufficient information in an appropriate format as determined by the board, from management. |

☐ ☐ ☐ ☐ ☐ ☐

The board's information requirements are communicated to management on a regular basis.

☐ ☐ ☐ ☐ ☐ ☐

Requested information is received in a timely fashion.

☐ ☐ ☐ ☐ ☐ ☐

The board is proactive in developing an effective communication strategy for "the entity".

General:

What would improve the Board's effectiveness?

What is the Board's biggest weakness?

DIRECTORS' EVALUATION FORM

Director being Evaluated: _____

Date of evaluation: _____



Competence

- | | | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Fits in well and endorses a team approach. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Influential, experienced and respected. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Maintains high quality peer relationships. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Adds to the board's strengths, abilities, experience and judgement. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Is a good communicator. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Acts ethically within the Board & wider community. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Brings special skills and/or wisdom to the Board. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Understands corporate mission and social responsibilities. |



Independence

- | | | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Displays confidence and courage of thought, speech and action. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Avoids real or apparent conflicts of interest. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Maintains free standing posture in situations where independence is important. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Resists board self-protectionism. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Displays aptitude for free thinking. |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Objectively considers trade-offs and consequences. |

☐ ☐ ☐ ☐ ☐ ☐

Is willing to risk rapport and collateral with chairperson, CEO and fellow directors in taking a reasoned, independent position.

☐ ☐ ☐ ☐ ☐ ☐

Does not grandstand.

☐ ☐ ☐ ☐ ☐ ☐

Would relinquish directorship rather than be considered captive.



Preparedness

☐ ☐ ☐ ☐ ☐ ☐

Is well briefed.

☐ ☐ ☐ ☐ ☐ ☐

Spends extra time with chairperson and CEO where necessary, on relevant issues.

☐ ☐ ☐ ☐ ☐ ☐

Comes to meetings with issues and concerns thought through.

☐ ☐ ☐ ☐ ☐ ☐

Familiarity with company history, philosophy, vision and strategic plans.

☐ ☐ ☐ ☐ ☐ ☐

Respects confidentiality.

☐ ☐ ☐ ☐ ☐ ☐

Mixes and exchanges views with others in the corporate world, and keeps abreast of professional, industry, national and international trends.

☐ ☐ ☐ ☐ ☐ ☐

Understands statutory and fiduciary obligations.

☐ ☐ ☐ ☐ ☐ ☐

Appreciation of current legislative and regulatory matters.

☐ ☐ ☐ ☐ ☐ ☐

Is a continuing student of corporate enterprise, governance and management.

☐ ☐ ☐ ☐ ☐ ☐

Maintains the correct balance between directing and supporting management and interference.

[illegible]

Comments on nature and extent of contribution

Comments on Intellectual/Creative Contribution/Effectiveness

Comments on Team Skills, and ability to think about the board, and board discussion as a unit

What do you most value from this Director?

What could this Director do to improve their effectiveness and contribution?
