

STATEMENT OF EXPECTATION

- 1.1 This Statement of Expectation (SOE) is intended to inform the Board of Inframax Construction Limited (Inframax) of the shareholders' high-level strategic direction and performance expectations in advance of your preparation of the Statement of Intent (SOI) 2021/22. In clarifying our expectations early, we expect that the passage of your SOI through to acceptance by Waitomo District Council will be more efficient and effective.
- 1.2 The Board and Inframax must be mindful that Waitomo District Council (Council) is accountable to its community and that the affairs of Inframax, positive and negative, can impact on Council. It is expected that the Board and Inframax will keep Council advised of any issues that may generate public interest – this is referred to as the 'no surprises' approach.

STATEMENT OF EXPECTATION 2021/22

- 2.1 Council expects that Inframax will treat the SOI as more than a strict compliance document and will aim for best practice. This will entail a SOI covering more than the statutory minimum requirements. As the 100% shareholder, Council is particularly interested in financial stability and profitability.
- 2.2 The SOI must meet the requirements set out in the Local Government Act 2002. Council wishes to support the company in delivering a good SOI.
- 2.3 The general expectations for Inframax are as follows:
 - 1 The SOI must include a complete set of high level prospective financial statements for at least three years (preferably five years) i.e. Statement of Comprehensive Income, Statement of Financial Position and Cash-flow Statement.
 - 2 The SOI must disclose measures such as Earnings before interest, tax, depreciation and amortisation (EBITDA) and balance sheet ratios where applicable.
 - 3 The SOI must fully comply with Schedule 8 of the Local Government Act 2002 (LGA).
 - 4 Dividends are to be disclosed along with the dividend pay-out policies. Where dividends are not increasing over time, then an explanation should be provided. E.g. increased capital expenditure.
 - 5 Significant capital expenditure and asset management intentions should be included.
 - 6 Inframax should use the same information for both managing the business and reporting through to the shareholders i.e. the information used for setting and reporting against for the SOI should overlap and be a subset of the information used for internal reporting.
 - 7 SOI and other reports should be in a plain style, concise, relevant, accessible and focused on meeting the needs of the Council and the community they represent. The use of graphs, tables and charts is expected to convey both

financial and non-financial information along with trends (past, current and future numbers).

- 8 To be effective, the SOI must disclose the performance story for Inframax, providing a clear and succinct understanding of the purpose, the goods and services it delivers and what success looks like.
- 9 The main aspects of the SOI performance story are:
 - 1 Strategic context
 - 2 Specifying and presentation of the outcomes framework
 - 3 Main measures and targets, outcomes and objectives
 - 4 Linking the strategy outputs and performance measures together to provide a comprehensive view of the Boards vision.
- 10 **Risk Management** - Council would like to understand better in the SOI how the Board is considering and managing risks.
- 11 **Sustainability** – Council wishes to gain a better understanding from the SOI, how the Board is addressing sustainability including carbon emissions and waste minimisation.
- 12 **Health and Safety** - given the Health and Safety at Work Act 2015 (the Act), it is appropriate for the Council to set out its expectations in relation to Health and Safety.
 - Under section 44(3) of the Act elected members do not have a duty to exercise due diligence to ensure that any CCO complies with its duties or obligations under the Act unless that member is also an officer of that CCO.
 - However, as a key funder it is still appropriate to set out expectations of Health and Safety management. Council expects the Board to set appropriate Health and Safety strategy and policy, understand the nature of risks/hazards within the business, monitor performance and activities to ensure risk is being managed and review H&S systems and performance.
- 13 **Governance Performance** - in order to aid Council when making decisions on Board remuneration and appointments, the Board should undertake regular evaluation of its own performance:
 - Council expects these reviews to be carried out at least once every two years,
 - The Chair of the Board should reference this evaluation when making recommendations.
- 14 **Community Consultation** -Before making a decision that may significantly affect land or a body of water, Inframax must take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, wāhi tapu, valued flora and fauna, and other taonga. This is a new provision in the LGA effective from 22 October 2019.

15 **Communication** - communication is more than formal reporting. It means two-way dialogue and a commitment to sharing strategic priorities and objectives. It also means responding promptly and appropriately on issues raised. Council's expectations around regular reporting include:

- Six monthly reporting and governance meetings between the Board and Council's Audit Risk and Finance Committee to allow progress against agreed outcomes to be measured as per the SOI.
- Informal briefing convened every two months, hosted by the Board and attended by Council nominated elected members to support governance relationships.

1.1..1. Other engagement at an operational level as required, to support financial and non-financial reporting obligations under the LGA, the Financial Markets Conduct Act 2013 and any other relevant legislation or regulation, and to enable the sharing of information and ensure the 'no surprises' approach is effective.

2.4 There are also some specific expectations in relation to Inframax Construction Limited this year, they are as follows:

- 1 Increase the Equity ratio towards the target of 60%
- 2 Achieve an EBITDA of greater than \$2 million
- 3 Provide support to 4 Local activities in the Waitomo District
- 4 Maintain ISO 9001 and ISO 45000 Accreditation
- 5 Ensure all conditions of a Resource Consent are complied with when undertaking any activities associated with a resource consent.