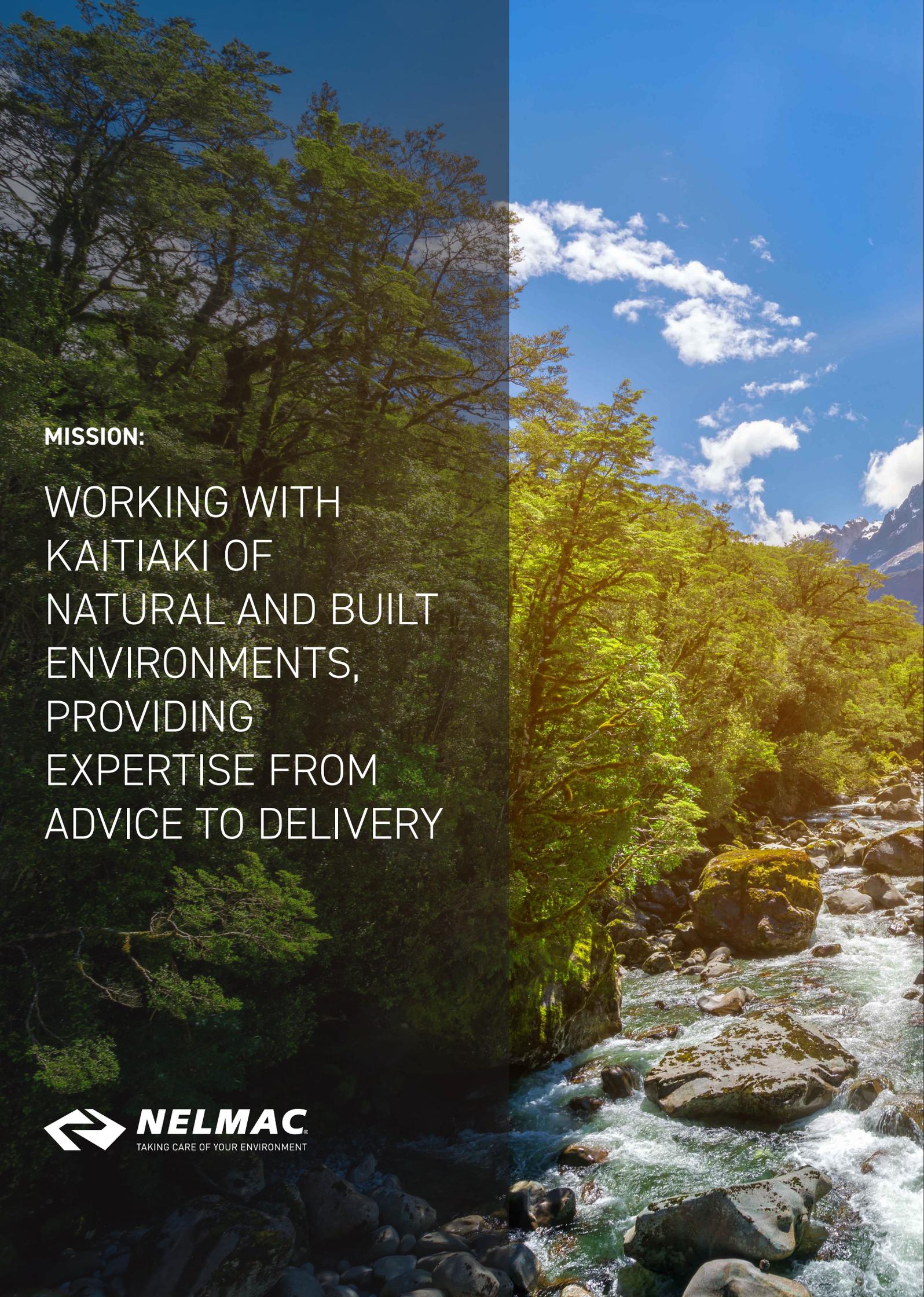




NELMAC
TAKING CARE OF YOUR ENVIRONMENT

NELMAC STATEMENT OF INTENT

FINANCIAL YEAR 2020 - 2021



MISSION:

WORKING WITH
KAITIAKI OF
NATURAL AND BUILT
ENVIRONMENTS,
PROVIDING
EXPERTISE FROM
ADVICE TO DELIVERY



NELMAC
TAKING CARE OF YOUR ENVIRONMENT

CONTENTS

CONTENTS	
1.0 INTRODUCTION.....	4
2.0 OBJECTIVES.....	5
3.0 NATURE AND SCOPE OF ACTIVITIES.....	7
4.0 STRATEGY.....	9
4.1 DIVISIONAL STRATEGIES.....	9
4.2 ASSET MANAGEMENT AND CAPITAL EXPENDITURE STRATEGY.....	10
4.3 HEALTH AND SAFETY.....	10
4.4 RISK MANAGEMENT.....	11
4.5 SUSTAINABILITY.....	12
5.0 CORPORATE GOVERNANCE.....	13
5.1 ROLE OF THE BOARD.....	13
5.2 COMPOSITION OF THE BOARD.....	13
5.3 BOARD CODE OF CONDUCT.....	13
5.4 BOARD COMMITTEES.....	14
6.0 FINANCIAL.....	16
6.1 STATEMENT OF COMPREHENSIVE INCOME.....	16
6.2 STATEMENT OF CASH FLOWS.....	16
6.3 STATEMENT OF FINANCIAL POSITION.....	17
7.0 PERFORMANCE MEASURES.....	18
8.0 COVID-19.....	19
9.0 INFORMATION TO BE PROVIDED TO SHAREHOLDER.....	20
9.1 STATEMENT OF INTENT.....	20
9.2 ANNUAL REPORT.....	20
9.3 HALF YEARLY REPORT.....	21
10.0 DISTRIBUTION POLICY.....	22
11.0 ACCOUNTING POLICIES.....	22
12.0 PROCEDURE FOR ACQUISITION / DIVESTMENT.....	22
13.0 DIRECTORS' ESTIMATE OF COMPANY VALUE.....	22

1.0 INTRODUCTION

This Statement of Intent is presented by the Directors of Nelmac Limited (Nelmac) in accordance with Schedule 8 of the Local Government Act 2002. Nelmac is a Council-Controlled Trading Organisation (CCTO), solely owned by Nelson City Council (NCC, the Shareholder). This Statement of Intent summarises Nelmac's objectives, nature and scope of activities to be undertaken, forecast financials, performance targets and other measures in relation to its objectives for the three year period from 1 July 2020 to 30 June 2023.

2.0 OBJECTIVES

Nelmac's overarching goal can be summarised as Kaitiakitanga, which for Nelmac means the guardianship, protection, care and upkeep of our stakeholders' natural and built environments. Our Vision is to enhance New Zealand's environment for community wellbeing. Our Mission is to work with Kaitiaki of natural and built environments, providing expertise from advice to delivery. To achieve our Vision, Mission and Objectives below, Nelmac lives by the following Values:

- We are one team.
- We have a positive impact.
- We strive to do things differently.
- We do as we say.
- Relentless pursuit of zero harm.

Nelmac's Objectives are to:

- Protect Our Core Business
- Improve Sustainability
- Protect & Develop our People
- Enhance our Environment
- Grow and Diversify our Customer Base

Nelmac's pursuit and achievement of these Objectives result in additional benefits to our Shareholder, such as:

- Ensuring that NCC as Shareholder and strategic partner is a priority, along with assisting NCC towards best practices and continuous improvement in environmental asset management and maintenance.
- Profits generated from serving NCC and other clients are passed to the Shareholder as a distribution or reinvested into the 100% NCC-owned business.
- A sizeable local employer dedicated to attracting, developing and retaining skilled staff in the region.
- Retaining significant investment in the region, with Nelmac's head office and key professional leadership positions based in Nelson.
- Support of other regional businesses through local procurement of plant, materials and subcontracted services.
- Expansion of Nelmac's services to national clients, such as Department of Conservation and OSPRI, increases Nelson's visibility across the country.

- Significant local presence and scale enabling immediate support during times of civil emergency and a key responder in the event of rural fires, flooding, land subsidence, earthquakes and civil defense.
- An active supporter of the community through sponsoring and working with government, sport & recreation groups and non-profit organisations.
- Active pursuit of opportunities for partnerships and collaborations with other leading Nelson based organisations, in order to develop Nelson as a centre of excellence to attract talent and expert knowledge and services.
- We will continue to develop and grow our iwi engagement strategy, to build stronger relationships and unlock opportunities for Nelmac growth and for iwi participation.

3.0 NATURE AND SCOPE OF ACTIVITIES

For over two decades, Nelmac has enhanced the wellbeing of New Zealand communities by providing environmental asset management services in the core areas of Recreation, Conservation and Three Waters, along with Refuse & Recycling and Landscape Architecture & Planning services.

Nelmac's service offerings and activities include:

WATER

- Three Waters Utilities operations, maintenance and construction (for freshwater, stormwater and wastewater networks)
- Wastewater treatment facility operations and maintenance
- Civil water projects
- Reinstatement works following utility repairs or construction
- Supervisory Control and Data Acquisition (SCADA) - remote data monitoring and control

RECREATION

Parks and Open Spaces Management

- Maintenance of parks and reserves
- Construction and maintenance of sports grounds
- Arboriculture services, including tree pruning, tree felling and line clearance work
- Construction, maintenance and compliance of playgrounds
- Vegetation control to roads, utilities and ecological linkages
- Cemetery management and maintenance
- Landscape construction for local authority, commercial and private clients

Facilities Management

- Recreational and community service asset management, e.g. marina, campgrounds, crematoria
- Building asset maintenance
- Plumbing, electrical, carpentry, joinery and painting trades
- Light construction
- Engineering – fitting and fabrication

CONSERVATION

- Conservation reserve maintenance & asset management for local authorities
- Biosecurity, pest plant and animal monitoring and control
- Ecological planning, management and restoration
- Track and trail design, build and maintenance
- Wholesale nursery, including production of eco-sourced plants

LANDSCAPE ARCHITECTURE & PLANNING

- Urban park and civic space design
- Landscape design, commercial and private
- Revegetation planning
- Project management of landscape construction/planting
- Resource consent and planning advice/assessments

REFUSE & RECYCLING

- Refuse collection, residential and commercial
- Recycling collection, residential and commercial
- Street bin servicing and cleaning

ADDITIONAL SERVICES

- Emergency services response, such as flooding, fires and windstorms
- Traffic management for events, emergencies and major projects
- Vehicle and equipment maintenance and general engineering services

4.0 STRATEGY

Nelmac specialises in delivering integrated environmental asset management services underpinned by whole of life asset management. The Company is also moving towards more collaborative contracts and long-term relationships with clients.

4.1 Divisional Strategies

Each Nelmac Division is guided by its own Divisional Objective and Strategy to drive both near-term and longer-term achievements and progress toward the overall company objectives:

- Water Division: A strong regional New Zealand supplier of three waters asset management, operations and construction services
- Recreation Division: Through business excellence, become one of New Zealand's best providers of parks and facilities maintenance services in order to retain current and gain diversified market share
- Conservation Division: A recognised national leader in conservation, particularly in biosecurity, track building/maintenance and ecology
- Other key departments: The preferred landscape architect/planner and waste management provider for councils and large property/facility owners in Nelmac geographical areas

Successful delivery of our divisional strategies is underpinned by:

- The expertise of our people
- Development of our intellectual property in water, conservation, ecology and asset management of the natural and built environment
- Growth targeted at strategic opportunities and leveraging of our core competencies
- Adoption of field data collection technology which enables smart programming of work, proof of service, data integration with client systems, and seamless dashboard style reporting

Nelmac's long-term strategy is shaped by our markets still maturing in funding, procurement practices and asset management disciplines along with the consolidation of our core competencies.

4.2 Asset Management and Capital Expenditure Strategy

As an environmental asset management company, our assets are often dedicated to individual contracts. Some level of plant sharing is possible but usually limited. As such, Nelmac's business growth relies on sufficient headroom or ability to utilise retained earnings and/or raise capital/debt in order to secure opportunities that offer a compelling business case.

Nelmac's capital assets play a fundamental role in enabling our strategic growth, maintaining profitability and continuous improvement in service quality and efficiency. Our asset management strategy drives our efforts to manage, maintain and maximize the life and productivity of our capital assets – plant, fleet and depots. Our capital expenditure strategy includes (1) an ongoing process to prioritise new assets to sustain and grow our business in the immediate and near future, (2) a systematic financial evaluation for each significant new investment and (3) instigating the review of major assets as to whether they are fit for purpose (for service delivery and health and safety).

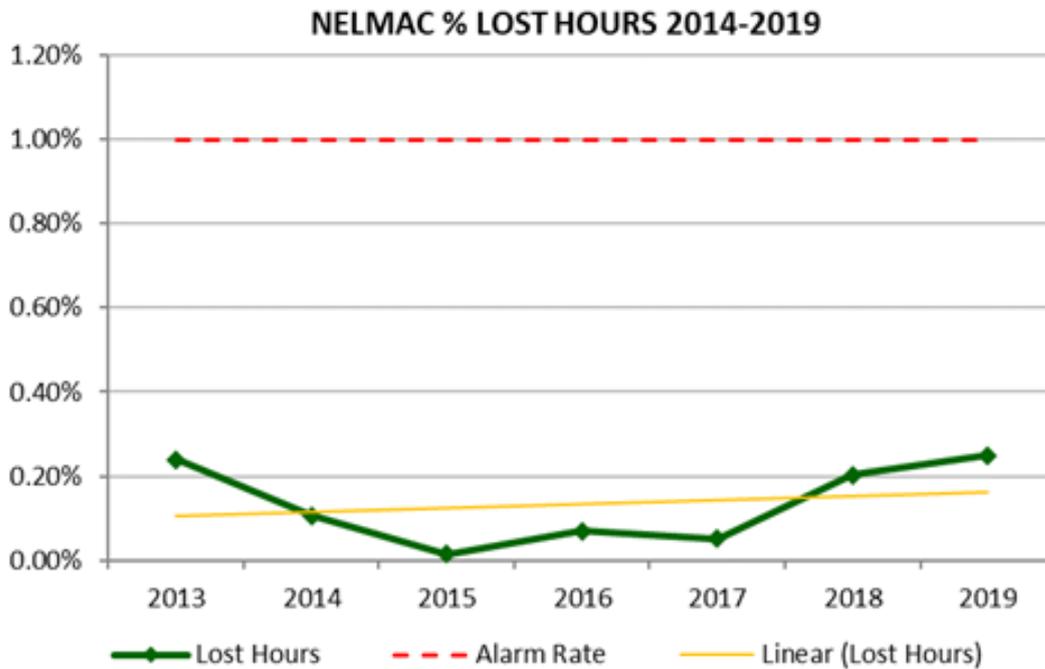
4.3 Health and Safety

Prioritising Health and Safety is a key focus. We are continually refining our response to workplace safety events supported by a significant emphasis on staff engagement, together with responding to trends identified by our lead indicators.

Health and Safety is a primary agenda item for the Board of Directors at each monthly meeting. In addition, critical risk incident information is reviewed by the Board as well as any findings and corrective actions from any Nelmac ICAM investigations. Nelmac has adopted Bow-tie training through the company's Leadership Development Programme. Bow-tie is a risk assessment tool which enables Nelmac to identify critical risks and put in place effective controls for risk mitigation.

The journey towards Zero Harm is on-going and at the forefront of operations across the company. Nelmac has developed and implemented a set of seven golden rules, which guide staff behaviours relating to our critical risks.

One of Nelmac's key safety indicators is "percentage of workday losses vs. hours worked" which is tracking well below the SOI target of 1%.



4.4 Risk Management

Nelmac is adopting an Enterprise Risk Management (ERM) approach to managing risk and uncertainty in achieving the company's objectives.

At Nelmac, ERM will be an ongoing process which permeates all aspects of the business including:

- Strategy, critical business risks, business excellence, sustainability, change and project management, plus operational delivery including health and safety.
- Environmental risks, including natural hazards and climate change.
- Emergency response planning in the event of any potential civil emergency caused by storm, earthquake, fire, flooding or similar.
- The company maintains an Emergency Management and Recovery Plan which includes the following elements: Business Continuity, Emergency Action, Recovery and other.

4.5 Sustainability

Nelmac is committed to advancing our corporate sustainability. Our next step is to develop a Sustainability Plan, with mid-term priorities, activities and targets, including how the company will measure our carbon foot-print as well as set and meet a carbon emissions reduction target. The plan will also describe how the company intends to address the drivers and impacts of climate change (e.g., risk resilience, mitigation, adaptation).

In the immediate term, we are progressing on opportunities to advance our sustainability goals, such as:

1. Transitioning to a lower-carbon and more fuel-efficient fleet.
2. Assisting clients to assess and identify sustainability opportunities and risks, including for climate mitigation, adaptation or resilience.
3. Developing sustainability solutions related to Nelmac's core businesses.
4. Providing financial or in-kind support to community organizations/initiatives.

5.0 CORPORATE GOVERNANCE

5.1 Role of the Board

- Ensuring the Company meets its objectives as defined in this Statement of Intent.
- Ensuring the Company complies with all its lawful obligations.
- Ensuring the shareholders are kept well informed on all relevant issues.
- Making decisions as to strategy and policy.
- Employing the Chief Executive (including entering into a performance management agreement, reviewing performance and setting remuneration).
- Ensuring sound financial management of the Company.
- Ensuring the Company is regularly monitoring business risks and that appropriate insurance is maintained.
- Ensuring the Company has in place a process for annual reporting against statutory/legislative requirements and complies with the reporting requirements outlined under Performance Measures in Section 9 of this document.

5.2 Composition of the Board

- The Board is made up of five non-executive Directors
- The Shareholders, after consultation with the Board, will be responsible for appointing directors to the Board.
- The Shareholders have formally adopted a policy/procedure for appointment of Directors, dated November 2015.
- The shareholders will set total remuneration for the Board at the Annual General Meeting. The Board will be responsible for deciding the apportionment of this amount.

5.3 Board Code of Conduct

- All Board members will be required to comply with Nelmac's Code of Ethics and the New Zealand Institute of Directors' "Code of Proper Practice for Directors".
- All Board members will apply their best endeavours to ensure the Company achieves the economic, social and environmental objectives defined in Section 3 of this document.
- All Board members will apply their best endeavours to ensure the Company complies with the requirements of its Constitution and this Statement of Intent.

5.4 Board Committees

Nelmac has established four Board sub committees encompassing Audit and Risk, Health and Safety and Remuneration. Under its terms of reference, each subcommittee is chaired by a member of the Board who is not the Board Chairman and is attended by other Nelmac directors, the CEO and the relevant Nelmac executives.

In fulfilling their responsibilities, the committees seek and receive independent advice and make recommendations to the Board for its consideration.

Board Health and Safety Committee

The objective of the Board Health and Safety Committee is to provide assurance and assistance on the company's health and safety systems, and its external accountability and reporting responsibilities.

The committee also assists the Board regarding:

- Monitoring of health and safety systems
- Company health and safety culture
- Critical risks

Board Audit Committee

The objective of the Audit Committee is to provide assurance and assistance on the company's financial control and compliance framework, along with compliance to external accounting and reporting responsibilities.

Board Risk Committee

The objective of the Audit and Risk Committee is to provide assurance and assistance on the company's risk, control and compliance framework.

- The committee also assists the Board regarding:
- The monitoring and review of risk management framework and processes.
- The committee satisfies the Board that adequate insurance is in place for the company's size and risk profile.

Board Remuneration Committee

The objective of the Remuneration Committee is to provide assurance and assistance on the company's remuneration strategy and employment conditions for their Chief Executive (CE) and other senior executives.

The committee assists the Board regarding:

- Remuneration, retention and recruitment strategy.
- Remuneration arrangements, training and development plans for the CE and other senior executives.
- Succession plans for the CEO and other senior executives.

Board Performance Management

The Board reviews its own performance regularly.

The Chair will reference these evaluations and any strategic consideration regarding the skill-mix of the Board when making recommendations to the Shareholder on the reappointment or recruitment of Board members.

6.0 FINANCIAL

When preparing the below forecasts, Nelmac have assumed that there will be no material change to their business activities.

6.1 Statement of Comprehensive Income

	Actual	Actual	Forecast	Forecast	Forecast	Forecast
(\$000)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Gross Revenues	31,595	34,737	38,805	38,286	39,272	40,257
Operating Expenditure (Incl Interest & Depn)	30,504	34,168	38,100	37,482	38,251	39,210
EBITDA	2,341	1,857	2,047	2,197	2,447	2,503
EBIT	1,228	752	847	945	1,157	1,179
Net Profit before Subvention Payments	1,091	602	712	804	1,021	1,047
Subvention Payments (in lieu of Dividend)			356	402	511	523
Retained Net Profit Before Tax			356	402	511	523
Taxation @ 28%	310	181	100	113	143	147
Net Profit after taxation	781	421	256	289	368	377
<i>Dividend Declared (paid in following year)</i>	391	210				
<i>Gross Distribution before Tax</i>	545	301	356	402	511	523

Dividend and Subvention Payment are paid in following year

6.2 Statement of Cash Flows

	Actual	Actual	Forecast	Forecast	Forecast	Forecast
(\$000)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Cash from Customers	30,590	33,806	39,175	38,799	39,881	40,881
Cash disbursed	29,131	32,506	37,888	37,056	37,930	38,859
Net Cash from operations	1,459	1,301	1,287	1,743	1,950	2,022
Cash Invested	(1,212)	(1,306)	(1,500)	(1,429)	(1,508)	(1,517)
Cash from Financing	179	320	(424)	-	-	-
Subventions Payments				(356)	(402)	(511)
Dividends Paid	(384)	(391)	(210)			
NET INCREASE/(DECREASE) IN CASH	42	(77)	(847)	(42)	41	(5)
Opening Cash Balance	54	96	19	80	38	79
CLOSING CASH BALANCE	96	19	80	38	79	73

6.3 Statement of Financial Position

	Actual	Actual	Forecast	Forecast	Forecast	Forecast
(\$000)	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Share Capital	2,000	2,000	2,000	2,000	2,000	2,000
Retained Earnings	6,696	6,726	6,772	7,061	7,429	7,805
Reserves	-	-	-	-	-	-
Equity	8,696	8,726	8,772	9,061	9,429	9,805
Current Assets	5,825	6,225	6,016	6,117	6,220	6,326
Non Current Assets	10,138	10,268	10,543	10,832	11,200	11,577
Total Assets	15,964	16,493	16,559	16,949	17,420	17,902
Current Liabilities	4,463	4,643	5,086	5,188	5,292	5,397
Borrowings	2,804	3,124	2,700	2,700	2,700	2,700
Total Liabilities	7,268	7,767	7,786	7,888	7,992	8,097
Net Assets	8,696	8,726	8,772	9,061	9,429	9,805

NOTE:

The Company has adopted a Bank Debt to Equity ratio (equity ratio) of up to 55%, but expects this ratio will fluctuate, depending on a variety of circumstances including asset renewal and investment cycles.

7.0 PERFORMANCE MEASURES

Objective Area	Goal	Measure	Timeframe
Quality of Service	Maintain A/NZS ISO 9001 Quality Accreditation	ISO 9001 Accredited	June 2021
	Improve on 2019 Pulse survey	Exceed score of 4.16	June 2021
	Improve on 2020 Net promoter score in FY 2022	Exceed score from 2020 of 5.5	June 2022
Sustainability and Community	Enhance the sustainability plan to incorporate climate change responsiveness	Risk resilience, mitigation and adaption strategies included in sustainability plan	June 2021
	Reporting of planned initiatives and impact on reducing carbon emissions	Carbon emissions included in annual report and compared against 2020 baseline	June 2021
	Reduced carbon emissions year on year (adjusted for COVID)	Reduce overall carbon emission compared with 2020	June 2021
	Support community organisations/ initiatives	25% overall carbon reduction compared to 2020	June 2025
People and Safety	Employee Turnover comparable to industry average	Financial or in-kind contributions equivalent to 5% of net profit after tax	June 2021
	Reduce average total recordable injury frequency rate (TRIFR)	Employee Turnover within 5% of the national industry average	June 2021
	Maintain ISO 45001 accreditation for health & safety	TRIFR reduction from 12% to under 10%	June 2021
Non-shareholder business	Profitable growth in non-NCC work	ISO 45001 accredited	June 2021
Equity ratios	Profitable year on year growth in non-NCC work	Profitable year on year growth in non-NCC work from 2020 to 2021	June 2021
	Return on Equity is at or above industry benchmarks	EBIT Return on Equity benchmark based on a sample of industry pairs	June 2021
	Bank Debt to Equity Ratio within acceptable risk tolerance	Bank Debt to Equity Ratio at or below 55%	June 2021

8.0 COVID-19

A Nelmac Crisis Management Team (CMT) has been operational since February 2020, consisting of a range of experienced personnel with key connections across our three divisions and the Corporate Services teams. As the worldwide situation began to evolve, the CMT gathered to develop Nelmac's response for when the virus would inevitably hit New Zealand shores. Nelmac's response plan identified five clear stages which have since aligned with the government's four alert level system.

The plan takes into account:

- Which essential service teams needed to remain operational & how we keep these teams safe
- Volunteers to backfill essential service roles to ensure continuation of service
- Protection of high risk and vulnerable staff
- The recent travel history of staff
- Technology requirements needed to enable people working from home
- Pay arrangements structured to accommodate variability in work patterns across departments

When the government alert level system was announced in March, much of our plan remained the same. This increased the confidence Nelmac staff had in the CMT and the response plan. Approximately one third of the workforce continued to provide Essential Services under Level 4 lockdown.

Managing the health, safety and wellbeing of all staff remains the priority through the crisis. Providing consistent communication, access to personal protective equipment, and access to flu vaccinations (with an additional person of the employee's choosing) ensures we continue to look after staff effectively and that we respond effectively. This combined with all the planning and backup plans, ensure we are prepared for the long haul if required.

Post lockdown we undertook a condensed budgeting and strategic planning cycle, which was more tactical in focus and included multiple scenarios that could eventuate over the next 12 to 18 months. This process also included engaging with our customers to understand the forward impact on demand for our services. We updated our shareholder in May with a revised 2021 forward guidance of \$800k compared with a pre COVID SOI target of \$1,073k.

9.0 INFORMATION TO BE PROVIDED TO SHAREHOLDER

9.1 Statement of Intent

Information	Reporting Date
<p>Draft Statement of Intent:</p> <p>The Directors shall deliver to the shareholder a draft SOI which fulfils the requirements of Schedule 8 of the Local Government Act 2002 before March 1 each year</p>	Before March 1 each year
<p>Statement of Intent:</p> <p>After considering shareholders' comments on the draft, the Directors shall deliver to the shareholder a SOI which fulfils the requirements of Schedule 8 of the LGA 2002 and which meets the shareholder's approval annually before 30 June each year.</p>	Before June 30 each year

9.2 Annual Report

Information	Reporting Date
<p>The Directors shall deliver to the shareholders an annual report prepared to comply with Section 67 of the LGA 2002, Finance Reporting Act & International Financial Reporting Standards, and audited financial statements in respect of the financial year, containing the following information as a minimum:</p> <ul style="list-style-type: none"> • Directors' report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendations as to dividend. • Revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures from previous years. • Statement of financial position at the end of the year. • Statement of cash flow • Auditor's report on the above statements and the measurement of performance in relation to objectives. 	Within three months of the end of the financial year

9.3 Half Yearly Report

Information	Reporting Date
<p>The Directors shall deliver to the shareholder an unaudited report containing the following as a minimum in respect of the period under review:</p> <ul style="list-style-type: none">• Revenue statement disclosing actual and budgeted revenue and expenditure, and comparative figures from previous years.• Statement of financial position (summarized) at the end of the half year.• Statement of cash flow (summarized)• Commentary on the results for the first six months together with a report on the outlook for the second six months with reference to significant factors likely to have an effect on the company's performance, including an estimate of the financial result for the year based on that outlook	<p>Within two months of the end of the first half of each financial year</p>

10.0 DISTRIBUTION POLICY

The company will distribute to the shareholder at least either 50% of the taxable profit by way of subvention payments and dividends, or 50% of tax paid profit by way of dividends. This is provided that, there are no specific reasons why the Directors consider that the company is unable to meet this distribution policy. If so, they shall notify the shareholder and discussion shall be held in respect of variance from that policy.

11.0 ACCOUNTING POLICIES

General Accounting Policies:

The accounting policies recognised by the NZ Institute of Chartered Accountants for the measurement and reporting of profit and financial position will be adopted by the company.

Particular Accounting Policies:

Specific accounting Policies will be detailed in the financial statements.

12.0 PROCEDURE FOR ACQUISITION / DIVESTMENT

Nelmac may at times, consider the acquisition, subscription or divestment of interests to meet its operating needs and strategic objectives.

When such an acquisition, subscription or divestment of interests is valued at more than \$1.5 million the Directors will obtain the prior approval of the shareholder by special resolution. Approval will not be required where the value is equal to or less than \$1.5 million, however the shareholder will be advised in writing within 14 days.

13.0 DIRECTORS' ESTIMATE OF COMPANY VALUE

The Directors estimate that the opening balance of Shareholder's funds in the annual accounts represent the net value of the company's assets. The value of Nelmac as a 'going concern' is greater than the net value of its assets. The Directors will promptly advise the Shareholders if they believe the value of Nelmac as a "going concern" risk falling below the net value of the company's assets.