



HAWKE'S BAY REGIONAL
INVESTMENT COMPANY LTD

Statement of Intent

For the Year Ending 30 June 2025

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1 About Us

Hawkes Bay Regional Investment Company (HBRIC) is the investment management arm of the Hawkes Bay Regional Council (Council).

HBRIC was established in 2012 to provide appropriate separation of Council's investment assets from its core service functions. That establishment started with a shareholding in Napier Port Holdings Limited (the Napier Port).

Today, we operate under an expanded mandate, looking after both the investment assets of both Council and our own assets. HBRIC seeks to apply commercial investment expertise to these assets as a collective, providing the greatest overall benefit to the ratepayers of the Region through Council.

HBRIC is proud to be a majority shareholder in Napier Port, a significant infrastructure asset for our region. We also hold other financial and property investments, applying capital from a partial sale of the Napier Port shares in 2019.

In 2023, Council resolved to use HBRIC more fully, asking HBRIC to provide its investment management expertise across Council's own investment assets. The investment assets of the Council managed by HBRIC include financial, property, and forestry assets.

The combination of both HBRIC and Council investments under one operating entity allows HBRIC to provide scale and a more strategic approach to both asset management and to returns to Council. In supporting this wider mandate, HBRIC has and is continuing to increase its commercial capabilities, including the move to a majority independent Board of Directors and expanded Executive team.

Collectively, HBRIC manages assets of approximately \$500 million.

The Council has determined that the shareholding in HBRIC, our majority holding in Napier Port, and the proceeds from the 2019 Napier Port partial sale are Strategic Assets of the Region.

HBRIC is a wholly owned subsidiary of the Council, and a Council Controlled Trading Organisation (CCTO) and is required to annually produce a Statement of Intent.

2 Our Operating Environment

The social, economic and environmental event of the past three years have altered the risk environment in which HBRIC operates.

Since 2020, our investments have had to cope directly with pandemics (Covid-19), natural disasters (Cyclone Gabrielle), and periods of higher inflation and interest rates that we have not seen for 15 years.

HBRIC's portfolio is not immune to such events, impacting both the current asset values, but also in some cases impacting the level of our cash earnings. Our objective is to provide Council as steadily growing cash flow, so support the ongoing service that Council provides. The events of the last three years have required a reset of expectations in terms of earnings provided to Council to ensure that we preserve the assets for all generations.

Our largest investment, the Port of Napier has been impacted by each of these events, and the recovery back to 'normal' market conditions will take time, as the region rebuilds. We watch with interest as significant national entities and Port customers such as Ravensdown and PanPac reinvest back into our region.

Our shareholder, the Council too has been significantly impacted by the events of recent years. Cyclone Gabrielle has added a significant one off and ongoing costs to Council in its role of protecting our

environment.

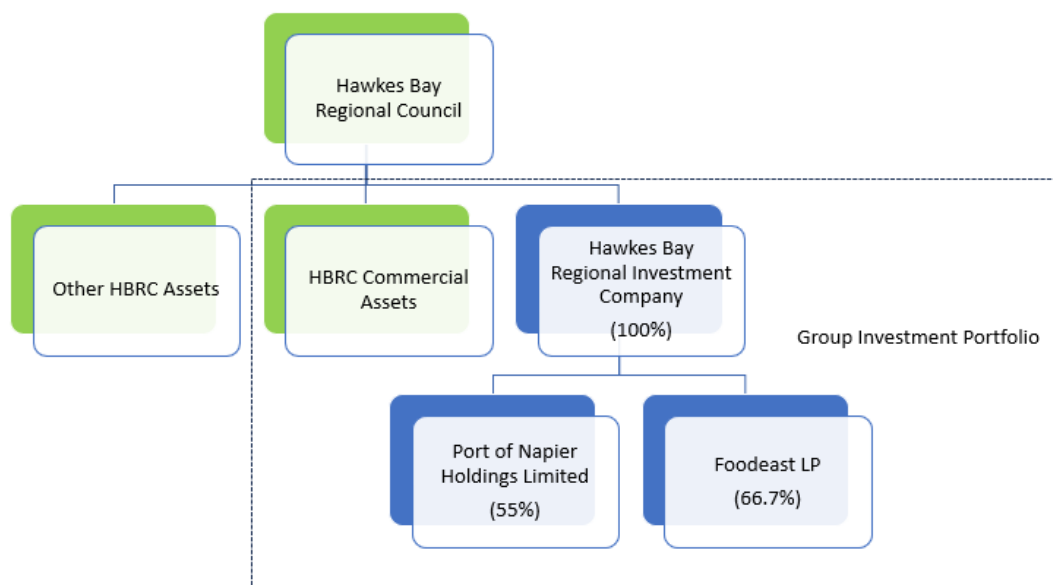
Such event, however tough, also provide the base for new opportunities. HBRIC has been asked to manage the investment such that they manage risk appropriately, but also look to create and take new opportunities that will ultimately benefit the Council and the ratepayers of today and tomorrow. To achieve this, the assets that HBRIC has today, may not be the assets of tomorrow, but rather will reflect a portfolio of assets that HBRIC believe will best achieve the Purpose and Objectives outlined in this Draft Statement of Intent.

It is against this operating environment backdrop that HBRIC has prepared its Draft Statement of Intent.

3 Our Group

This Draft Statement of Intent (SOI) is prepared in accordance with Section 64(1) of the Local Government Act 2002 (the Act).

It has been prepared following the consideration by the HBRIC Board of Directors of the Council Statement of Expectations.



The SOI covers the following:

- Hawkes Bay Regional Investment Company Limited and subsidiaries: HBRIC as an asset including its majority shareholding in the Port of Napier and Foodeast, plus other investments of HBRIC. Collectively, this is referred to as the 'HBRIC Group'.
- The Group Investment Portfolio: HBRIC has been appointed manager as Advisor and Investment Manager of Councils Commercial Assets in addition to the commercial assets owned by HBRIC. Collectively, these are referred to as the 'Group Investment Portfolio'.

Foodeast is a Limited Partnership and a CTO in its own right and produces its own SOI for HBRIC. The Napier Port, while a subsidiary of HBRIC, is not required to produce a SOI given its listing on the New Zealand Exchange (NZX).

4 Our Mission

HBRIC mission is:

To optimise and grow the long-term financial returns to Council from its Group Investment Portfolio.

5 Our Objectives

The objectives of HBRIC Ltd are to:

- Provide Council with a consistent and growing long-term cash income stream to support their service delivery,
- Manage and grow the Groups Investment Portfolio as a long-term endowment for the regions ratepayers,
- Consider Social and Environmental Responsibility through how we manage our investments and how we deal with others,
- Be a trusted advisor to Council,
- Be a responsible manager of our shareholding in the Napier Port,
- Through prudent investment, manage investment risk and look to diversify the Groups Investment Portfolio,
- Be an employer of choice, attracting the best talent to achieve our objectives.
- Be a respected partner to current and future co-investors, including Tangata Whenua.

6 Our Role

The LGA requires that the Nature and Scope of Activities Undertaken be defined.

Our Collective Role in Management of the Group Investment Portfolio

- Generation of commercial returns and a consistently growing income stream to Council through the holding of a diversified Group Investment Portfolio.
- Manage the Group Investment Portfolio from an intergenerational perspective.
- Demonstrate excellence in Risk and Asset Management through the use of experts in governance and management.
- Management of Managed Funds in accordance with the Group Statement of Investment Policy and Objectives (SIPO).
- Ensure open dialogue exists between Council as shareholder and asset owner and HBRIC.
- Be a trusted advisor to Council in relation of Commercial Assets.

Our Role as owner and manager of HBRIC Investment Assets

- Monitor the financial performance and corporate governance of the Napier Port as befits a majority

shareholder.

- Evaluate, develop, and nurture commercial opportunities as they arise.

7 Our Corporate Governance

This section gives readers an overview of the company's main corporate governance policies, practices and processes adopted or followed by the HBRIC Ltd Board.

Role of the Board of Directors

The Board of Directors is responsible to Council for the strategic direction and control of HBRIC Ltd's activities. The Board is to guide and monitor the business and affairs of HBRIC Ltd in accordance with its mission and objectives as set out in this Statement of Intent.

Council has delegated responsibility for its Investment Assets to the HBRIC Board.

Management has been delegated responsibility for the day-to-day management of the company. HBRIC Ltd may make use of external advisers from time to time.

All directors are required to comply with a formal Code of Conduct, which is based on the New Zealand Institute of Directors' Principles of Best Practice.

Board Composition and Fees

Appointments to the HBRIC Ltd Board are made directly by Council in accordance with Council's Policy on Director Appointments.

Fees for the HBRIC Ltd Board will be set triennially in accordance with this same Council policy. HBRIC Ltd will affect an appropriate directors' and officers' liability insurance cover at the expense of HBRIC Ltd.

The Board meets regularly as required.

Subsidiary Companies

All subsidiary companies (not including Napier Port Holdings or those where HBRIC Ltd owns less than 50%) are required to submit an annual Statement of Intent to HBRIC Ltd, which will evaluate them and suggest changes as considered necessary, before finalisation by the company concerned. In the event of a new subsidiary company being established the first statement of Intent of the subsidiary company will be referred to the Council for comment.

Subsequently, if any material changes are proposed by subsidiaries, HBRIC Ltd will consult with Council on such changes.

Representatives of the subsidiary board and management will meet with HBRIC Ltd at least twice each year, to discuss the company's strategic direction and any significant issues that arise. The Board also receives other reports as are necessary to perform its monitoring function. HBRIC Ltd however, does not involve itself in the operational management of the subsidiary companies.

Board Appointments

All directors of subsidiary companies (and associate companies, if any) are selected in accord with Council Policy on appointment to subsidiaries. We seek an open, professionally managed process, targeting appropriate relevant expertise and aptitude in consultation with Council.

Director appointments of Napier Port are done in accordance with NZX guidelines.

Financial Results

Directors receive and review HBRIC Ltd parent company financial and other reports regularly and provide formal group and parent company financial statements to the shareholder annually – for the year ended 30 June.

Joint Ventures

Joint ventures not established as company entities will adhere to the reporting requirements specified for subsidiary companies above.

8 Our Responsibility to Our Shareholder

Statement of Expectation

Council has in accord with the Act, prepared a Statement of Expectation for HBRIC. This includes the expanded role that this SOI has been prepared in accordance with. Council supplied the Statement of Expectation on 9 November 2023 and is available on the Council website (www.hbrc.govt.nz).

Statement of Intent

In accordance with the Local Government Act 2002, each year by 1 March HBRIC Ltd will submit a draft Statement of Intent for the ensuing year to Council for its consideration. The SOI sets out HBRIC Ltd's overall objectives, intentions, and financial and performance targets. Having considered any comments on the SOI by Council, the final operative Statement of Intent is then delivered to Council (as shareholder) for its approval on or before 30 June each year.

Expense Reimbursement

It is anticipated that there will be instances where Council uses the service of HBRIC, and HBRIC uses the services of Council. Any such expenditure can be charged accordingly where it is agreed reasonable by Council and the Board of Directors. A Management Agreement will be created to outline specific costs that can be recovered as part of the enhanced role of HBRIC.

No Surprises

The relationship between HBRIC and its shareholder is based on Trust and Confidence. The Group therefore operates a "no surprises" policy between HBRIC and Council. Any significant variation from the Statement of Intent or Statement of Expectations will be informed at the soonest practical opportunity.

9 Our Shareholders Funds and Valuation

The estimated figures below reflect the 30 June positions of their respective years and take into account changes to asset values due to revaluations. HBRIC Ltd will keep council informed of performance against targets on a timely basis.

The values below represent the HBRIC Group, including the shareholding in the Napier Port at market value. The Napier Port is NZX listed and its market value may differ from its accounting value under IFRS.

At the time of providing this forecast, HBRIC holds no material debt. The Group has the ability to take on debt to support the ongoing expansion of the Groups objectives.

Parent Company	2025	2026	2027
Shareholder's funds/total assets	>95%	>95%	>95%
Net debt (\$m)	\$0m	\$0m	\$0m
Shareholders' funds (\$m) *	\$300m	\$309m	\$319m

At the time on providing this SOI, HBRIC also managed, on request of Council over \$150m of other investment assets.

Valuation

HBRIC Ltd will monitor its own market value at 30 June in each financial year by undertaking an internal assessment of its ongoing capital value (including valuation of subsidiaries and associates). This will be used to assist the management of capital, debt, revenue, and expenditure streams to achieve the returns set out in Section 10 of this Statement of Intent.

The commercial value of HBRIC at the time of writing is \$345m.

10 Our Performance Targets

Performance Targets are effective for the year of this Statement of Intent. Targets will be measured and reported on in the Annual Report of HBRIC for the year to 30 June 2025.

The following Performance Targets are applicable to the HBRIC Group only.

Portfolio	Objective	Measure
Port	Maintain a majority holding in the Napier Port.	Hold greater than 50.1% shareholding. Council approval and community consultation through the Special Consultative Procedure set out in Section 93 of the Act and the relevant Council policy must be sought prior to any change to the current shareholding.
	Monitor and report on the performance of the Napier Port.	Two investor presentations by Napier Port representative to the HBRIC Board (or Council) annually.
Managed Funds	Compliance with the Group SIPO.	Compliance with the Group SIPO, or notification to Council in advance of material breaches.
Real Assets	Grow and develop a portfolio of real assets for long term commercial return.	Annual review of each Real Asset investment by the HBRIC Board of asset performance.
Other Investment Assets	Assess, and when active, grow and develop a portfolio of other investment assets for long term commercial return.	Annual review of Other Investment Asset investment by the HBRIC Board of asset performance.

The following Performance Targets are applicable to the Group Investment Portfolio

Portfolio	Objective	Measure
Managed Funds	Ensure Councils Managed Funds are in compliance with the Group SIPO.	Compliance with the Group SIPO, or notification to Council in advance of material breaches.
Real Assets	Monitor, manage, and diversify a portfolio of real assets for long term commercial return.	Annual review of each Real Asset class (Wellington and Napier leasehold property, and forestry) investment by the HBRIC Board..
Governance	Keep Council informed on a 'no surprises' basis through regular presentation to Council.	Quarterly presentation to Council by HBRIC.
	Meet the distribution expectations within the SOI.	Ensure distribution of cash proceeds from the Group Investment Portfolio are made available to Council in accord with the expectations of this SOI.
	Adherence to Health and Safety standards for HBRIC.	Compliance with H & S legislation by and for HBRIC staff.
	Ensure Group policies and procedures are current and appropriate.	All policies and procedures reviewed no less than biennially by the HBRIC Executive.
	Promote and support approaches to responsible investment that align capital with achieving a healthy, sustainable society, environment, and economy.	Maintain a written set of principles for responsible investment which is reviewed no less than biennially.

11 Financial Performance Targets

FY25

Deliver shareholder cash expectations , including additional dividend	\$15,050,000
Deliver shareholder growth expectations on the Group investment portfolio for the financial year	2.5% p.a.
Creation of resilience fund	

12 Our Distributions to Shareholder

The Group is conscious of trying to ensure that Council receives a steadily increasing income stream from the Group Investment Portfolio. It is up to the Board of Directors of HBRIC to determine the portion of Distribution that is derived from HBRIC, and the level of cash income derived for Council from its own portfolio under HBRIC management.

HBRIC Ltd will pay dividends to the shareholder after taking into account its profitability, future investment, and cash management requirements. Dividends payable to the shareholder will be determined by the Board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993. Dividends are

forecast to be paid in regular instalments agreed with Council each financial year. HBRIC Ltd expects a blend of growth and income across the portfolio to achieve the distribution forecast to Council and inflation adjusted asset growth. The cash return expectation to Council has historically been set at 3% of Managed Funds with other assets having their own return profiles. The level of actual distribution paid from HBRIC to Council, as a portion of the total cash earnings to Council from the Group Investment Portfolio, is set in the Statement of Expectations issued by Council to HBRIC each year, as modified by any subsequent direction of Council.

Financial Year	2025	2026	2027
Distribution (\$m) Total to Council from Group Investment Portfolio	\$15.05m	\$13.3m	\$13.5m
Distribution proportion of above coming from HBRIC as a dividend	40% – 80% (\$6m - \$12m)	40% – 80% (\$5.3m to \$10.6m)	40% – 80% (\$5.4m to \$10.8m)

Cash expectations (for distribution) are assessed against annual return targets. Total investment returns will be assessed as gross on a rolling five-year basis. Inflation adjusted returns are reflected as net returns less distributions. For the purpose of managing reserves, inflation will be set at 2.5% per annum through the Long-Term Plan.

Council seeks to grow resilience over the life of the 2024 Long Term Plan. Council wishes to see HBRIC grow resilience equivalent to one year's dividend from the Port, through the retention of capital gains and any surplus cash from Investment Assets over and above the distribution proposed in the Long-Term Plan.

13 Our Reporting

Statutory information requirements

The company will provide an annual Statement of Intent in accordance with Section 64(1) of the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the shareholder.

HBRIC Ltd will submit a Consolidated Annual Report to the shareholder. The annual report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period, and to comply with the requirements of the Companies Act and Financial Reporting Act.

HBRIC Ltd will provide a parent entity quarterly report to the shareholder within two months after the end of the first half of each financial year. The report will provide among other things, an update on the financial performance and investing activities of the company.

Other information to meet the needs of Council

The company will provide regular reports to Council on its activities and the results of its subsidiary companies. It will operate on a timely basis in respect of significant shareholder - related matters, to the fullest extent possible in the context of commercial sensitivity and confidentiality agreements.

14 Our Policy on Acquisition and Divestment

HBRIC Ltd will comply with Council's Investment Policy as set out in the Long-Term Plan (LTP) 2024-34 (or

any successive LTP's) for acquisitions and divestments.

The Group has the ability to enter into new financial investments, or to dispose of existing financial investment, provided it is in accordance with this Statement of Intent and HBRIC working towards the long term objectives of the Group.

HBRIC Ltd will periodically review its investments to ensure that continued ownership represents the best option for HBRIC Ltd and Council and will consult with Council prior to any material divestment or major restructuring of a subsidiary company.

Changes in investment assets such as Managed Funds must be in accordance with the Group SIPO. This includes adherence to the Groups position on Responsible Investment. Any change to the SIPO requires the approval of Council.

15 Our Activities for Which Compensation is Sought

HBRIC Ltd has lent Hawke's Bay Regional Council \$16.63m. The loan is interest bearing with Council making schedular payments to HBRIC Ltd.

Currently HBRIC Ltd procures certain treasury, financial, accounting and other services from HBRC to support its operations. As a result of HBRIC's recently expanded mandate HBRIC Limited is reviewing its operating and resourcing model, which may result in HBRIC seeking compensation from Council in respect of management services and responsibilities in relation to HBRC-owned Investment Assets. Any proposed changes will need to first satisfy HBRC procurement and delegations policies.

16 Our Accounting Policies

HBRIC Ltd will adopt accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Hawke's Bay Regional Council group.

17 Our Directory

Postal Address:

Private Bag 6006, Napier 4142

Registered Address:

159 Dalton Street, Napier South, Napier 4110

Board of Directors:

Mr Dan Druzianic	Independent Director and Board Chair
Mrs Debbie Birch	Independent Director
Mr Jonathan Cameron	Independent Director
Mr Will Foley	Director and HBRC Councillor
Mr Neil Kirton	Director and HBRC Councillor

Executive:

Mr Tom Skerman	Commercial Manager
Contact email – comms@hbric.nz	