



**HAWKE'S BAY REGIONAL  
INVESTMENT COMPANY**

# **STATEMENT OF INTENT**

for the year ending 30 June 2027





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# ABOUT US

**Hawke's Bay Regional Investment Company (HBRIC) is the investment management arm of Hawke's Bay Regional Council (Council).**

HBRIC was established in 2012 to provide appropriate separation of Council's endowment 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 the investment assets of both Council and our own assets. HBRIC applies commercial investment expertise to these assets as a collective, providing the greatest overall returns to the ratepayers of the region through 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 with relevant governance expertise and investment management capability.

Collectively, HBRIC manages assets of approximately \$577 million comprising both HBRIC-owned assets and Council-owned commercial investment assets managed under delegation. This scale allows for a highly strategic approach to both asset management and returns to Council, and means HBRIC can manage distributions to Council at a portfolio level rather than asset-by-asset.

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

The Council has determined that its shareholding in HBRIC, HBRIC's majority holding in Napier Port, and the proceeds from the 2019 Napier Port partial sale are Strategic Assets of the Region, for the purposes of the Local Government Act 2002.

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

## Current group investment portfolio

The group investment portfolio was valued at \$577m (June 2025) and is invested across a concentrated range of assets with Napier Port being the Group's largest investment (\$354m).

### HBRIC'S CURRENT PORTFOLIO ALLOCATION (AS AT JUNE 2025)

Asset	Holding entity	Description	Investment type	Liquidity level	Proportion (%)	Value (\$m)
Napier Port	HBRIC	<ul style="list-style-type: none"> <li>New Zealand's second largest export port</li> <li>55% owned by HBRIC, with requirement to hold &gt;50.1%</li> <li>Considered to be an illiquid investment given requirement to hold &gt;50.1% and size of shareholding relative to daily liquidity</li> </ul>	Single asset	Illiquid	61.3%	354
Managed funds	HBRIC	<ul style="list-style-type: none"> <li>Consists of "Multi Asset Portfolio" - managed by Harbour Asset Management since 1 October 2024</li> <li>Asset allocation: equities, fixed interest and cash</li> </ul>	Diversified portfolio	Liquid	9.0%	52
Foodeast-Haumoko Ltd Partnership	HBRIC	<ul style="list-style-type: none"> <li>A commercial property business promoting food innovation and a manufacturing hub that supports product development, commercialisation, and scale-up for food businesses</li> <li>Partnership between HBRIC (67%), Hastings District Council (16%) and Progressive Meats (16%)</li> </ul>	Single asset	Illiquid	0.6%	4
Cash	HBRIC	Cash on balance sheet	Cash	Liquid	1.4%	8
HBRIC subtotal					72.3%	417
Managed funds	Council	<ul style="list-style-type: none"> <li>Two portfolios - "Port Portfolio" and "Multi Asset Portfolio"</li> <li>"Port Portfolio" refers to investment of proceeds received from HBRIC's sale of 45% stake in NPH at IPO</li> <li>Both portfolios have similar asset allocation as HBRIC Managed Funds mentioned above</li> </ul>	Diversified portfolio	Liquid	21.6%	125
Wellington property	Council	Comprises leasehold interests in 11 Kelburn and Thorndon properties	Single asset	Illiquid	4.2%	24
Napier property	Council	Approximately 256 properties on leasehold land	Single asset	Illiquid	1.9%	11
Council subtotal (managed by HBRIC)					27.7%	160
<b>GROUP TOTAL</b>					<b>100.0%</b>	<b>577</b>

# OUR OPERATING ENVIRONMENT

**HBRIC's operating environment has changed materially over recent years, increasing both the complexity and importance of disciplined investment stewardship.**

Since 2020, HBRIC's investment portfolio has been exposed to a series of significant external shocks, including the Covid-19 pandemic, Cyclone Gabrielle, and a period of elevated inflation and interest rates not experienced for more than a decade. These events have affected asset values, cash earnings, and the reliability of investment income, reinforcing the need to balance income generation with capital protection.

HBRIC's objective is to provide Council with a steadily growing and reliable income stream to support public services, while preserving the long-term value of the assets held on behalf of current and future ratepayers. Recent experience has underscored the importance of managing investment assets at a portfolio level, smoothing income across market cycles, and avoiding short-term decisions that could undermine intergenerational value.

Napier Port Holdings Limited remains HBRIC's largest investment and represents the majority of portfolio value and a significant share of cash earnings. As at the date of this Statement of Intent, the Port accounts for approximately 80% of HBRIC's portfolio value. This concentration reflects both the Port's strategic importance to the region and statutory requirements that limit HBRIC's ability to diversify away from this asset in the short term. As a result, HBRIC is exposed to market value volatility and sector-specific risks that cannot be fully mitigated through diversification alone.

In parallel, Council has faced increasing fiscal pressure, driven by the impacts of Cyclone Gabrielle and rising infrastructure, climate

adaptation, and service delivery costs. These pressures have heightened the importance of reliable and sustainable investment income and sharpened the distinction between income available for distribution and capital that must be protected to preserve future choices.

In response, Council has taken deliberate steps to strengthen its investment governance and capability. This has included evolving HBRIC's mandate to provide portfolio-level oversight of Council's commercial investment assets and increasing the depth of investment expertise through the appointment of independent directors. These changes support more rigorous, commercially grounded decision-making and clearer separation between governance, investment management, and political considerations.

Proposed local government reforms and broader sector-wide fiscal pressures further reinforce the importance of disciplined capital stewardship, clear separation between capital and income, and decision-making that preserves long-term value and optionality for future councils.

Against this backdrop, HBRIC's role is to steward investment capital in a manner that balances income reliability with intergenerational value. This includes managing assets at a portfolio level, maintaining appropriate liquidity and reserves, and avoiding irreversible capital decisions driven by short-term fiscal pressures. While the composition of the portfolio may evolve over time, HBRIC's focus remains on protecting future choices while delivering sustainable benefits to the region.

# OUR GROUP

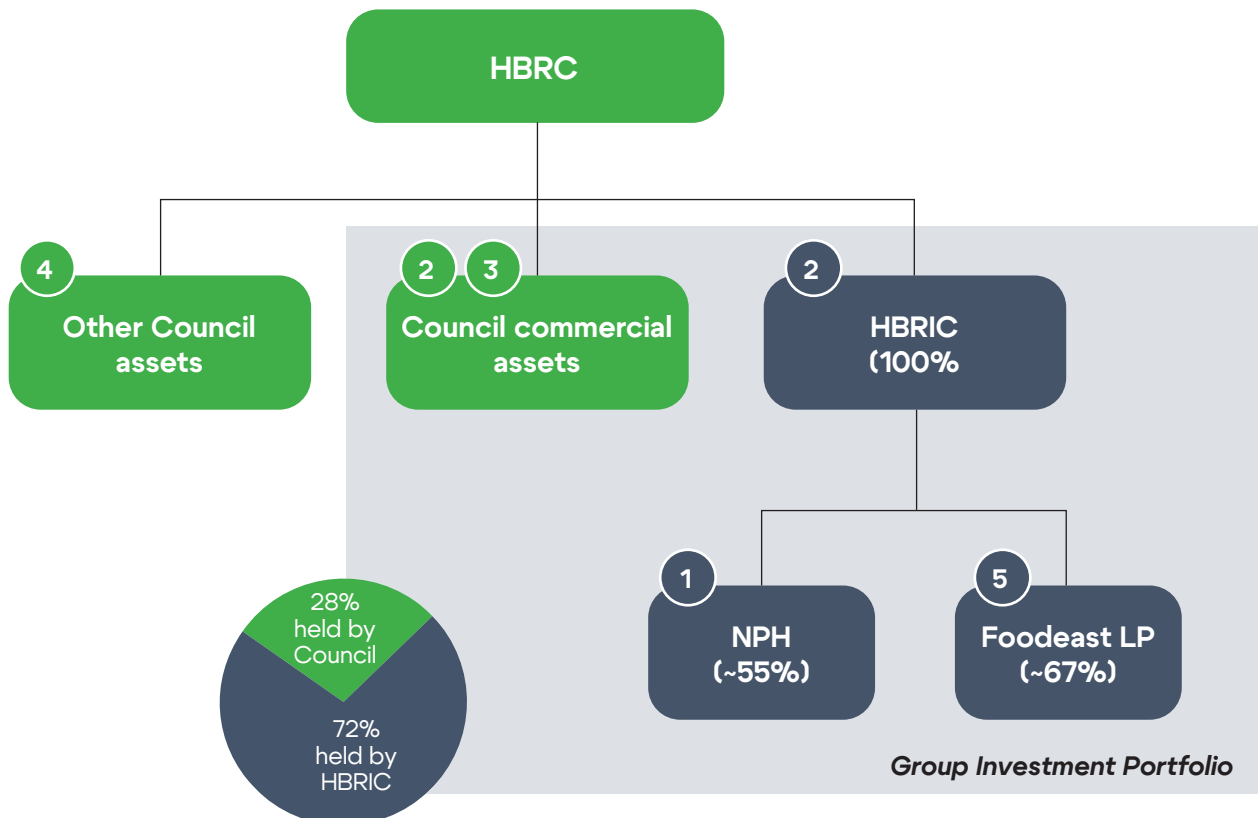
**This Draft Statement of Intent (Sol) is prepared in accordance with Section 64(1) of the Local Government Act 2002 (the Act).**

It has been prepared following the consideration by the HBRIC Board of Directors of the Council Statement of Expectations issued in November 2023.

The Sol covers the following:

- **HBRIC Owned Assets:** including its majority shareholding in the Port of Napier and Foodeast, plus other investments of HBRIC.
- **HBRIC Managed Assets:** HBRIC has been appointed 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 CCTO 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 Stock Exchange (NZX).



# OUR MISSION

To steward and grow the Group Investment Portfolio to deliver reliable long-term income to Council while protecting intergenerational capital.



# OUR ROLE

**The Local Government Act 2002 requires HBRIC to specify the nature and scope of the activities it undertakes. HBRIC performs two distinct but related roles, each of which is described below.**

## **Role as an investment holding company (principal)**

In respect of assets owned by HBRIC Ltd and its subsidiaries, HBRIC's role is to:

- hold, manage, and oversee commercial investment assets on a long-term basis;
- generate sustainable cash returns to Council through dividends and other distributions;
- preserve and grow the long-term value of HBRIC's capital, recognising its intergenerational purpose;
- exercise shareholder rights responsibly in respect of subsidiaries and associated entities, including monitoring financial performance, capital allocation, and governance arrangements;
- ensure that investment decisions are made on a commercial basis, supported by appropriate expertise and robust risk management.

This role includes HBRIC's responsibilities as majority shareholder in Napier Port Holdings Limited and as owner or investor in other commercial assets held on its balance sheet.

## **Role as Group Investment manager (agent)**

In addition to its responsibilities as an investment holding company, HBRIC has been delegated by Council to provide investment management and advisory services in respect of certain Council-owned commercial investment assets (the Group Investment Portfolio).

In that capacity, HBRIC's role is to:

- manage Council-owned investment assets in accordance with agreed mandates, policies, and delegations;
- provide independent commercial advice to Council on portfolio structure, risk, returns, and liquidity;
- implement and oversee external investment managers and advisers where appropriate;
- monitor and report on the performance of the Group Investment Portfolio against agreed benchmarks and objectives;
- make recommendations to Council on asset allocation, reinvestment, and distribution matters, recognising that ownership decisions remain with Council.

HBRIC does not own the Council-held investment assets it manages and does not exercise ownership rights in respect of those assets except where expressly authorised by Council.

## **Relationship with Council**

HBRIC operates within a shareholder-board-management framework consistent with good CCTO governance practice. Council sets strategic direction, risk appetite, and distribution expectations through its Long Term Plan, Statement of Expectations, and related policies. HBRIC's Board is responsible for implementing those settings within its statutory and fiduciary duties and for ensuring a transparent, professional, and "no surprises" relationship with its shareholder.

# OUR OBJECTIVES

The objectives of HBRIC Ltd are to:

**1. Deliver sustainable investment income to Council**

Generate a sustainable and growing long-term cash income stream for the Hawke's Bay Regional Council from HBRIC's owned investment assets.

**2. Provide intergenerational capital stewardship**

Preserve and grow the real (inflation-adjusted) value of HBRIC's capital over the long term, recognising its role as an intergenerational endowment for the region.

**3. Enhance income reliability and resilience**

Improve the reliability of Council's investment income across market cycles through prudent portfolio management and the establishment and maintenance of balance-sheet reserves, including the Dividend Resilience Reserve.

**4. Manage risk professionally and transparently**

Manage investment, liquidity and concentration risk in a disciplined manner, consistent with Council's risk appetite, Statement of Expectations, and good institutional investment practice.

**5. Exercise responsible ownership of strategic assets**

Act as a responsible and commercially focused shareholder in Napier Port Holdings Limited and other subsidiaries, exercising ownership rights in a manner that supports long-term value, capital discipline and good governance.

**6. Deliver delegated Group investment management functions**

Where Council has delegated responsibility for the management of Council-owned commercial investment assets, deliver those functions professionally and independently, in accordance with agreed mandates, policies, and reporting requirements.



# OUR CORPORATE GOVERNANCE

**This section gives 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's Appointments Policy. 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. HBRIC Ltd has no director appointment rights for Napier Port.

## **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.

# OUR RESPONSIBILITY TO OUR SHAREHOLDERS

## Statement of Expectation

Council has in accord with the Act, delivered a Statement of Expectation to HBRIC on 9 November 2023. This confirmed the expanded role that this SOI has been prepared in accordance with. That Statement of Expectation applied to the financial years 2025 to 2027 and is available on the Council website ([www.hbrc.govt.nz](http://www.hbrc.govt.nz)). A supplementary amendment to dividend expectations for the 2025 and 2026 financial years was delivered to HBRIC on 4 June 2024.

## 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.

# 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 Group's objectives.

<b>PARENT COMPANY</b>	<b>2024 Actual</b>	<b>2025 Actual</b>	<b>2026 Estimate</b>
Shareholder's funds/total assets	>95%	>95%	>95%
Net debt (\$m)	\$0m	\$0m	\$0m
Shareholder's funds (\$m)	\$345m	\$417m	\$465m

## 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 the next section.

The total equity of HBRIC on 31 May 2026 was \$467m (unaudited).

# OUR PERFORMANCE TARGETS

PORTFOLIO	OBJECTIVE	MEASURE
<b>Napier Port</b>	Maintain a majority holding in the Napier Port.	Hold greater than 50.1% 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.
<b>Managed funds</b>	7% p.a. Total Investment Return, including 2.5% p.a. Capital Protection.	Total investment returns will be assessed as net of fees and tax, on a rolling five-year basis. Capital Protected return is reflected as Total Investment Returns less any cash distributions.
	Compliance with the Group SIPO.	Compliance with the Group SIPO, or notification to Council in advance of material breaches.
<b>Other investment assets</b>	Grow a portfolio of other investment assets for optimal long term commercial return in accordance with the HBRIC Group Investment Strategy.	Annual performance review of other Investment Assets.
<b>Governance</b>	Keep Council informed on a 'no surprises' basis through regular presentation to Council.	HBRIC Quarterly presentation to Finance, Audit, Risk and Emergency Committee. Councillor Director representation on HBRIC Board.

The following Performance Targets are applicable to the HBRC Group Investment Portfolio:

PORTFOLIO	OBJECTIVE	MEASURE
<b>Managed funds</b>	7% p.a. Total Investment Return, including 2.5% Capital Protection.	Total investment returns will be assessed as net of fees and tax, on a rolling five-year basis. Capital Protected return is reflected as Total Investment Returns less any cash distributions.
	Ensure all Managed Funds are in compliance with the Group SIPO.	Compliance with the Group SIPO, or notification to Council in advance of material breaches.
<b>Other investment assets</b>	Monitor, manage, and diversify the Group's portfolio of other Investment assets for optimal long term commercial return.	Annual review of HBRC other investment Assets by HBRIC (Wellington and Napier leasehold property).
<b>Dividend and returns</b>	Meet the distribution waterfall expectations set out in Council's Statement of Expectations.	Meet Council's Group Investment Portfolio dividend expectations: <ul style="list-style-type: none"> <li>· FY27 Cash Dividend of \$14.5m</li> <li>· Minimum Growth of Dividend Resilience Reserve of \$2,000,000 – subject to drawdown event<sup>1</sup></li> </ul>
<b>Governance</b>	Ensure Group Investment strategy, SIPO and, policies are current and appropriate.	All policies and procedures reviewed no less than biennially by the HBRIC Board.

<sup>1</sup> HBRIC notes that the Government's "Simplifying Local Government" reform programme has increased the potential for future changes to local government structures, functions, funding arrangements and asset ownership models across Hawke's Bay over the next few years. In this context, HBRIC recognises HBRC's expectation that HBRIC maintain flexibility in its investment planning and capital management approach, recognising that future regional governance arrangements may influence the long-term role, structure, and funding requirements of the HBRC Group investment portfolio. Accordingly, HBRIC will consult with HBRC regarding the timing and appropriateness of further contributions to, and withdrawals from, the Dividend Resilience Reserve or similar reserve mechanisms.

# OUR DISTRIBUTIONS TO SHAREHOLDERS

HBRIC 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, with a minimum of two, six-monthly instalments. 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 was historically 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 from time to time.

FINANCIAL YEAR	2024/25	2025/26	2026/27
<b>Budget</b> LTP Distribution from Group Investment Portfolio – SoE 11/23	\$12.5m	\$13.0m	\$13.5m
<b>Actual</b> LTP Distribution from Group Investment Portfolio	\$15.05m plus \$16.6m special dividend	\$16.4m	\$14.5m (proposed)
Distribution proportion of above coming from HBRIC as a dividend	69% \$10.4m plus \$16.6m special dividend	94% \$15.3m	

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 has been set at 2.5% per annum through the Long-Term Plan.

# 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.



# OUR POLICY ON ACQUISITION & DIVESTMENT

HBRIC Ltd will comply with Council's Investment Policy as set out in the Three-Year Plan (LTP) 2025-27 (or any successive LTPs) for acquisitions and divestments.

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

HBRIC Ltd will continuously review Group investment assets 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 Group's position on Responsible Investment. Any change to the SIPO requires the approval of Council.

# OUR ACCOUNTING POLICIES

HBRIC Ltd has adopted 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. For accounting purposes the HBRIC group applies NZGaap rules to their valuation, while their parent HBRC will value the entity under IPSAS PBE.

# OUR DIRECTORY

## Postal address

4 Hanui Road, Hastings 4172

## Registered address

Nexia Hawkes Bay Limited, 308 Queen Street East, Hastings, 4122.

## Board of Directors



**Debbie Birch**  
Chair



**Brendon Barnes**  
Independent  
Director



**Jonathan Cameron**  
Independent  
Director



**Sophie Siers**  
Council-appointed  
Director



**Neil Kirton**  
Council-appointed  
Director

## CFO Services

Ashleigh Gilmour (Partner)  
Nexia Hawke's Bay

## Executive

Tom Skerman  
Contact email – [tom.skerman@hbrc.nz](mailto:tom.skerman@hbrc.nz)



**HAWKE'S BAY REGIONAL  
INVESTMENT COMPANY**