19 October 2026

Timaru District Holdings Limited
PO Box 178
Timaru 7940

Dear Mark

Letter of Expectation - Council Controlled Organisations: Timaru District Holdings Ltd (TDHL)

This letter has been prepared by the Timaru District Council. Its purpose is to set out our expectations, and in doing so define what success looks like from our perspective. It is intended that this letter will help you with preparation of your Statement of Intent (SOI), which must fully comply with Schedule 8 of the Local Government Act 2002.

a) STRATEGIC DIRECTION AND LEADERSHIP

Strategy

TDHL is expected to maintain:

- a clear and unambiguous statement on the purpose and strategic intent which aligns with the Strategic Direction and Long-Term Plan of Council;
- a medium-to-long-term strategic outlook (5-10 years) outlining planned initiatives, investment priorities and growth opportunities;
- a defined process for exploring and undertaking growth for the organisation.

Governance and Leadership

- Council expects TDHL to demonstrate and promote the highest standards of governance and leadership both internally and with entities they hold shares in.

b) PORTFOLIO PERFORMANCE AND COMMERCIAL DISCIPLINE

TDHL is expected to maintain and grow a portfolio that is fit for purpose and actively managed to ensure long-term ratepayer value through strong financial returns.

Council expects TDHL to:

- develop a dividend policy, acceptable to Council, which delivers **consistent and reliable** returns to Council that are sustainable for TDHL;
- achieve **portfolio-wide return on equity** targets;

- in consultation with Council prepare an investment framework outlining the proportion, if any, of TDHL's capital that could appropriately be allocated to strategic or economic development investments to meet Council's desire to support economic development in our district;
- maintain **commercial rigour** across all investments, leases, and subsidiaries;
- have a group (Council, TDHL, VT) mindset around **efficiencies** recognising the ratepayer is the funder and beneficiary across all organisations.

c) ALPINE ENERGY DIVESTMENT

Council required TDHL to provide regular updates on the Alpine Energy divestment, as well as a provide a formal proposal including advice and recommendations for the ownership, investment and management of funds received from any sales process.

d) LOCAL GOVERNMENT REFORM

With Local Government Reform being a priority for TDC over the next two years the opportunities for land development and management in the Timaru District needs to be considered. Council requests that TDHL draft a strategy for all land holdings owned by both Council and TDHL outlining how we maximise returns and development opportunities. This strategy is to include an option for TDHL managing all Council owned commercial property.

It would also be useful for TDHL to clearly articulate the role TDHL could play within a larger or differently structured local government entity and the value of the model.

e) STAKEHOLDER RELATIONSHIPS AND COMMUNICATIONS

TDHL is viewed as an integral part of Council and so the manner in which it conducts its business and manages relationships reflects directly on Council itself. We therefore expect TDHL to:

- proactively engage with Council on matters of significance and substance on a no surprises basis;
- provide quarterly reports including a Statement of Financial Performance, Statement of Financial Position and Statement of Cashflows with a written update from the Chief Executive and/or Chairperson highlighting material variances, risks and progress towards expectations;
- provide an annual report compliant with group financial reporting, policy and practice;
- exhibit best practice business standards and culture through being an active shareholder, good landlord and responsible corporate citizen;
- manage key external relationships in a proactive and positive manner that enhances the reputation of itself and Council;
- work closely at an executive level, and ensure the strategic alignment, with Council and other CCOs;
- at all times be mindful of TDHL's reputation and how TDHL's actions directly reflect on Council.

f) RISK MANAGEMENT AND COMPLIANCE

TDHL is expected to proactively identify, assess and manage all significant strategic and operational risks including but not limited to health, safety and wellbeing, natural hazards, climate change and other regulatory changes. TDHL must maintain full compliance with all legal and regulatory requirements at all times.

In terms of next steps, this Letter of Expectation forms the basis for the development of your Statement of Intent for the year ending 30 June 2028. It would be useful to Council for you to provide a timeline of expected delivery of reports relating to the Alpine Energy Divestment, Land Holding Strategy and Local Government Reform. Draft Statements of Intent are due to be delivered to Council on or before 31 March 2027. As noted, your Statement of Intent should comply with the requirements of the Local Government Act 2002 (Schedules 8 and 64).

We look forward to receiving this information. Should Council's expectations in this matter not be sufficiently clear, please contact me as soon as possible so that we can better clarify this position.

Yours sincerely



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Mayor

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