

Hawke's Bay Regional Investment Company

Board of Directors

Meeting held Friday 16 March 2012, 9am
HBRC Offices @ 159 Dalton Street

Minutes

1. Present: Andy Pearce (Chairman), Sam Robinson, Fenton Wilson,
Andrew Newman, Alan Dick, Christine Scott, Jim Scotland

In attendance: Paul Drury (HBRC), Leanne Hooper (Minute Secretary)

2. Confirmation of 20 February 2012 Minutes

Resolution

2012/0316.1 The minutes of the Board of Directors meeting held
20 February 2012, having been circulated prior to the meeting,
were taken as read and confirmed as a true and accurate
record as amended.

Scott/Dick
CARRIED

2a. Matters Arising from 20 February 2012 meeting minutes

Legal advice is to be sought in relation to resolution 2012/0220.13 (pg7) – to clarify that the interactions between the constitution, Statement of Intent and policies of Council, HBRIC and PONL make clear sense and don't conflict.

PONL revaluation is complete and the Board is meeting on 19 March to adopt it. The PONL Board will then make a recommendation to Council in regard to how that value is reflect on Council's balance sheet.

Action: 1. Seek legal advice in regards to 'deemed directors' issues and interactions between the constitution, Statement of Intent and policies of Council, HBRIC and PONL; and recommend that Council seeks similar legal advice (Paul Drury)

3. Conflict of Interest Declarations

A conflict of interest was advised by Andy Pearce in relation to item 6b RFP for Advisory Services and short list, as a BNZ Director. As today's discussions would be solely around process Andy is able to participate in those discussions, however will not take part in any of the decision making activities and will not receive any of the information on which the decision of preferred provider will be based.

4 HBRC's Long Term Plan 2012-22

Well constructed, well written document. Some minor amendments relating directly to HBRIC suggested.

Resolution

2012/0316.2 That the Board of HBRIC notes HBRC's draft Long Term Plan 2012-22 and the content relating to the direction and intent of Council's investment strategy.

Scotland/Scott
CARRIED

Action: 2. Make amendments to draft LTP document as agreed, prior to final audit review (Paul Drury)

5 HBRIC Statement of Intent and Related Policy Matters

A draft SOI was considered by Council at its meeting held 29 February 2012, in order to meet LGA requirements for draft SOI documents to be lodged by 1 March each year.

From here, it is suggested that the Board of Directors review the draft and amend as agreed, prior to lodging a 'final draft' for Council's consideration at the 18 April 2012 meeting. This then provides Council with the opportunity consider the document and give feedback to the Board for consideration in finalising the Statement of Intent before the 30 June 2012 LGA deadline.

Mission Statement

Remains as is – reiteration of Council's Mission Statement.

Dividend Policy

To be amended/updated to align with the Policy included in the PONL SOI.

Rotation of Independent Directors

This will be amended to align with section 8.8h of the Constitution.

Nature and Scope of Activities to be Undertaken

Suggested amendments from Council accepted.

Borrowing and Capital Return

Amendments for clarification accepted.

Resolution

2012/0316.3 That the HBRIC Statement of Intent 2012-13 be amended as per discussions and agreement at this meeting, for acceptance at the 4 April 2012 Board of Directors meeting to enable HBRC's feedback being sought at the 18 April 2012 Regional Council meeting.

Pearce/Wilson
CARRIED

Action: 3. Make amendments to Constitution to correct dates for rotation of Independent Directors as per dates in SoI (Paul Drury)

Action: 4. Make amendments to the document using track changes, for providing to directors for final amendments/approval at the 4 April meeting (Andy Pearce, Leeanne Hooper)

6 Accounting Services & Budget/Cash Flows

Separate ledger & Chart of Accounts established within HBRC accounting system. HBRC finance staff will process transactions and compile financial reports. BNZ accounts the IRD, GST and Employer registration processes underway.

Resolution

2012/0316.4 That the Board of HBRIC agrees to the establishment of the bank accounts with the Bank of New Zealand and signs the required forms accordingly.

Dick/Wilson
CARRIED

7 Company Manager

Some concern expressed around the optics of the role as presented in the Agenda papers, which read as a 'clerical' role. Directors were expecting the Company 'Manager' role to be pitched at a higher level to engage someone with strategic ability, able to act independently and argue their case.

Mr Newman pitched the task list at this level so that someone relatively 'junior' could step in now, and liaise with professional advisors for the higher level tasks. Through discussion, Heath Caldwell (HBRC Management Accountant) was suggested as a suitable applicant. This would be an 'interim' position while the company was going through this initial establishment phase and the requirements for a 'company manager' were developed more thoroughly. The PONL CFO has offered assistance and/or mentoring for this role.

It was agreed that Andrew Newman and Andy Pearce would interview the potential candidate for this 'interim' position and to review the role at the end of June 2012.

Resolution

2012/0316.5 That the Board of HBRIC accepts the Company Secretary Person Specification and Task List as amended, and instructs the HBRIC Managing Director and Chairman to interview Heath Caldwell.

Scotland/Robinson
CARRIED

8 Ruataniwha Project Looking Forward

To date, the feasibility study has:

- locked in a storage site and developed a technically feasible dam design
- established the value of hydro-electricity and run scenarios on the on farm economic values
- established a broad feel of the value of irrigation to various processing sectors and regional economic benefit
- identified environmental issues and solutions within the storage , reticulation and river areas
- identified broad non economic values for the storage site
- broadly (with the plan change project) established the positive impact on summer river flows
- generated a degree of community awareness and general support, and a high degree of initial interest from potential investors and established a lead position in terms of potential water storage infrastructure projects in New Zealand.

Feasibility study is close to:

- establishing the specifics of the distribution network in zones A to D (with the exception of zones m & n) and broadly establishing the cost of off farm infrastructure
- (with the plan change project) establishing catchment nutrient limits for activities and mitigation measures.

9 RFP for Advisory Services & Short List

A Request for Proposal (RFP) for Commercial Feasibility Assessment, Asset Procurement and Capital Raising Services was sent out and proposals received from: Bank of New Zealand (in collaboration with NAB); Deloitte (in collaboration with Cameron Partners); PricewaterhouseCoopers; and ANZ Bank.

The services requested under the RFP are to be performed in two phases. Phase 1 is directed at establishing the commercial feasibility of the Project/WaterCo and should be completed by 29 June 2012. Phase 2 (capital raising/asset procurement) is conditional on the Phase 1 establishing the feasibility of the Project/WaterCo sufficiently to the satisfaction of HBRC and HBRIC, and the decision to proceed to Phase 2 will be at the sole discretion of Council.

Resolutions

That the Board, subject to receiving Council's request to undertake the process:

2012/0316.6 Subject to a positive response to the RFP and taking into account advice from staff and presentations from bidders, determines, via a sub-committee consisting of all Directors except Dr Any Pearce, which party it wishes to retain both for the balance of the feasibility phase and, subject to a decision to continue, the balance of the project and makes a formal recommendation to Council.

- 2012/0316.7 Upon Council approval to appoint the successful provider, requests that the HBRC Chief Executive and staff complete detailed negotiations and contracting with the successful party, taking into account any specific aspects the Board determines are essential in the contractual arrangement.
- 2012/0316.8 Recommends to Council that the Managing Director works directly with MAF to establish a funding stream from MAF to assist with the advisory service.
- 2012/0316.9 Formally advises HBRC of the need to consider both the expense to complete feasibility and the potential need to transfer \$3M of funding from 2013/14 to 2012/13 to fund financial and design advisory services.

Scott/Wilson
CARRIED

- Action:** 5. Late agenda item to go to the 21 March Regional Council meeting to formally have Council request the HBRIC Board to carry out the RFP assessment process (Fenton, Andrew, Leeanne)
- Action:** 6. Ruataniwha Water Storage Project workshop for Council, to traverse the decision making responsibility transfers and at what stages (Andrew Newman, Graeme Hansen, Leeanne Hooper)

Andrew Newman was excused at 1.25 pm

10 Directors' & Officers' Liability Indemnification & Insurance

Based on advice from Jardine Lloyd Thompson, the Board decided to accept the terms offered by Vero Liability Insurance to provide insurance with an aggregate limit of liability of \$5M, at the quoted \$6k +GST premium for the first year's cover.

Resolutions

That the Board:

- 2012/0316.10 Acknowledges HBRIC's indemnification of each and every director for any costs referred to in Section 162(3) of the Companies Act 1993 and any liability or costs referred to in Section 162(4) of the Companies Act 1993, as provided for in terms of Section 13.1 of the Company's Constitution and requests that the company provides a 'Deed of Indemnity' for each.
- 2012/0316.11 Accepts the terms and conditions outlined in this paper and the attached documents for effecting a Directors and Officers Liability insurance with Vero Liability insurance carrying a \$5million limit of liability, as quoted by Jardine Lloyd Thompson on 12 March 2012 and authorises payment of the first year annual premium of \$6,000 plus GST.

- 2012/0316.12 Agrees that the costs of the indemnity are fair to the company and provides certification of that agreement.
- 2012/0316.13 Reconsiders an appropriate level of cover prior to renewing the policy on 20 February 2013.

Robinson/Scotland
CARRIED

- Action:** 7. Provide the necessary 'Deed of Indemnity' for each Director and make the payment required to activate the policy (Paul Drury, Heath Caldwell)
- Action:** 8. Produce, and have directors sign, a certificate that the cost of the insurance cover is fair to the company (Heath Caldwell)

There being no further business to discuss, the meeting closed at 2pm

Signed as a true and correct record.

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Chairman

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Date