

TRUST TAIRĀWHITI

On 5 December 2023

The meeting was held via Zoom and in person at Shed3 50 Esplanade Gisborne

PRESENT:

John Clarke (Chair), Rehette Stoltz, Wi Pere Mita (online), Rawinia Kamau, and David Battin.

IN ATTENDANCE:

Trust Tairāwhiti executive team members: Chief Executive Officer – Doug Jones, Chief Financial Officer – Phil McLeod, General Manager Economic Development – Richard Searle, General Manager Shared Services – Kim Allan, General Manager Hāpori – Audine Grace-Kutia, and Executive Advisor – Charlotta Passe.

APOLOGIES:

Trustee Warren Williams.

3.1 Trustee-only decisions

Secretarial note: Trustees went into committee for items 3.1.a 2024 Chair Election, and 3.1.b Trustee retirement and skill matrix.

Dr Warren Williams had submitted in advance, a letter of support regarding election of Mr David Battin as Chairperson.

Trustees

- I. noted and discussed the Chair candidate expression of interest and
- II. voted to confirm Mr David Battin as the Trust Chair for 2024.

Unanimous Approval

Trustees discussed the possibility of implementing a Deputy Chair role and agreed that this role would be put in place, effective immediately with Mr John Clarke assuming the role. The new Chair will follow up with Gisborne District Council (GDC) regarding the Deputy Chair role, and remuneration structure changes needed.

Action Point

Dr Williams provided advance commentary on the trustee retirements and skills matrix before the meeting enquiring as to why a 'commercial business' category had been added, and if an update was needed from trustees.

It was clarified that this skill category was suggested following trustee feedback on the initial skill matrix. Trustees concurred on including commercial business experience in the matrix, and an updated version will be distributed to trustees for completion.

It was noted that Mr David Battin will now be ex officio for the Audit and Risk (A+R), and People and Culture (P+C) committees and that Mr Clarke will become a member of the A+R committee.

Dr Williams also provided advance commentary on the process for trustee reapplication, seeking clarification of the process. The General Manager Shared Services (GMSS) clarified that this process is managed by GDC and is hence not a documented Trust Tairāwhiti process.

3.2 Approval of closed meeting minutes and matters arising

3.2.a Minutes

The closed minutes of the meeting held 7 November 2023 were taken as read and approved, and Dr Williams' advance approval of the minutes was noted.

Unanimous Approval

Matters arising

Nil.

3.2.b Action items

The paper was taken as read.

The Chair acknowledged Dr Williams' advance comment regarding progressing the Ngāti Oneone actions. A letter was sent to Ngāti Oneone on 26 October to provide an update on progress, and the Board Secretary will provide trustees with a copy of the letter.

Dr Williams also provided advance commentary on the Health and Safety (H+S) Actions regarding the recent COVID outbreak and whether an action was needed to record preventative measures taken. It was agreed that no update to the register was needed, with preventative measures taken noted in the H+S Update (item 3.4.a).

3.3 Strategy and Decision Making

3.3.a SOI

The Communications and Media Manager (CMM) talked to a presentation on the Statement of Intent (SOI) plans for 2024-2025.

The CEO addressed changes in the narrative of the SOI document, specifically the alteration of the placement of investment and community kaupapa, which aims to shift public perception of the Trust's operations.

There was discussion on performance measures and their adequacy in providing insight. It was noted that reporting would add depth to these measures, providing valuable outcomes and impact information.

A discussion on the realism of a 7% return on investment goal was led by the Chief Financial Officer (CFO). The historical returns of the portfolio indicate this would be achievable and balances risk and returns of the overall investment portfolio.

The need for the document to clearly articulate the Trust's identity, both in terms of who we are and who we are not, was discussed, with a consensus on making this clearer in the final document.

Trustees:

- I. received and noted the paper,
- II. agreed in principle to the layout of the 2024/25 Statement of Intent, and
- III. agreed in principle to the key measures for the 2024/25 Statement of Intent.

Unanimous Approval

A copy of the presentation, and working draft will be provided to trustees, with feedback to be collated on the working draft by the end of 2023.

Action Point

3.3.b Direct Investments

3.3.b.1 Prime Assets

The GMED talked to a presentation on Prime Asset Security Release.

The presentation focused on the Kiwi Lumber journey and detailed the evolution of the Prime sawmill site, initially acquired in 2015, through various stages of development and partnership, highlighting the relationship with Kiwi Lumber that began in 2019. This collaboration has seen substantial investment in upgrading the mill, including a significant \$15.1M project in 2020 and a subsequent \$9M Edger Project in 2022. The partnership with Kiwi Lumber has been resilient, enduring through challenges such as COVID-19 and Cyclone Gabrielle, and has brought notable benefits such as employment opportunities, regional economic contributions, and reduced greenhouse gas emissions.

The presentation also addressed financial aspects, including the overrun of approximately \$5.5M borne by Kiwi Lumber, bringing the total project cost to around \$20.7M. This led to a request from Kiwi Lumber to swap assets and release security. This would result in Kiwi Lumber owning the planer and CTL optimiser and Prime owning the bin sorter rather than part of the assets being owned by both parties. The security would also be released on the planer and optimiser.

The risks associated with this proposal were discussed, including the potential impact on mill performance and the possibility of Kiwi seeking reimbursement for cost overruns. However, the risk mitigation strategies, such as retaining operational necessity of the mill and provisions in the agreement to safeguard against asset removal, were highlighted.

Additionally, the presentation mentioned Kiwi Lumber's commitment to further investment, reinforcing the ongoing partnership's strength and potential for future growth.

Dr Warren Williams had submitted a query about impacts on Prime directors in relation to PCBU Health and Safety (H+S) responsibilities with the asset transfer, and had expressed concern over the potential cessation of Kiwi Lumber operations. The Trust had received legal advice on this, and further to this, a discussion to ensure clarity on this will occur at the meeting scheduled 6 December between Kiwi Lumber and Trust Management.

Trustees:

- I. noted the report as received,
- II. noted that management's conflicts have been considered and there are none,
- III. approved as directors in Prime SPV the sale of the planer and optimiser for the cost value of those assets,
- IV. approved as directors in Prime SPV the purchase of a portion of the bin sorter for an amount equal to the cost value of the optimiser and planer,
- V. approved as trustees in Trust Tairāwhiti the release from its registered General Security Agreement of the optimiser and planer.

Unanimous Approval

There was discussion on the need for a wānanga with a forestry focus. This is to be scheduled in early 2024.

3.3.b Enabling Others

3.3.c.1 Enabling Others up to \$100,000

The report was taken as read.

Trustees queried the funding provided to Ngāti Porou for the 'Pā Wars' event, which has recently been cancelled. The GMH will investigate this further.

Trustees:

- I. noted the reports as received; and
- II. approved the CE recommendations totalling \$219,800 approving:
 - a) distribution of income to Eastland Network Charitable Trust of \$152,800 for the following:
 - i. \$10,000 Brain Injury Association Gisborne
 - ii. \$15,000 Kaitipua Charitable Trust
 - iii. \$10,000 The Stroke Foundation of NZ
 - iv. \$10,000 The Salvation Army NZ
 - v. \$35,000 House of Science
 - vi. \$72,800 Eastwoodhill Trust
 - b) as trustees in Eastland Network Charitable Trust, funding of \$152,800 as follows:
 - i. \$10,000 Brain Injury Association Gisborne
 - ii. \$15,000 Kaitipua Charitable Trust
 - iii. \$10,000 The Stroke Foundation of NZ
 - iv. \$10,000 The Salvation Army NZ
 - v. \$35,000 House of Science
 - vi. \$72,800 Eastwoodhill Trust Board
 - c) distribution of income from Trust Tairāwhiti of \$67,000 as follows:
 - i. \$10,000 Te Runanganui O Ngāti Porou
 - ii. \$57,000 Gizzy Rotary Club.

Unanimous Approval

3.3.c.2 Enabling Others over \$100,000

The GMH talked to the limited availability of community funds, and it was noted that the Trust is now the most significant provider of community funds in Tairāwhiti.

With regard to the Gisborne Speedway application, it was clarified that only partial funding had been allocated due to the environmental impact of speedways.

There was discussion on the lack of succession plan for the Te Runanga O Tūrangānui A Kiwa Manutuke Hāpori Hub, and hence why conditions had been applied. The GMH reinforced that this a credible and capable group to be executing projects of this nature.

Trustees approved:

- I. up to \$164,000 for the Ngata Memorial College conditional on the outcomes of other funding applications if successful, the amount available from Trust Tairāwhiti will reduce.
- II. up to \$267,000 to Gisborne Speedway. This amount will reduce if applications to other funders are successful. Decision letters from funders including NZ Community Trust, Lottery Community Facilities, Eastern and Central Community Trust need to be provided.
- III. approved a distribution of income up to the Eastland Network Charitable Trust of up to \$246,850 to Te Runanga O Tūrangānui A Kiwa,
- IV. as trustees in Eastland Network Charitable Trust, approved funding of up to \$246,850 to Te Runanga O Tūrangānui A Kiwa subject to:
 - a. the Lottery Community Facilities application being successful to relocate the facility
 - b. the amount of \$246,850 to reduce if the application to Eastern and Central Community Trust is successful.
 - c. verification of land transfer and ownership to be undertaken, and documentation forwarded to Trust Tairāwhiti to verify.

Unanimous Approval

3.3.c.3 Regional facilities update

The GMH provided a comprehensive update on the status of community facilities. The presentation highlighted a \$15M commitment to community facilities, including ten projects, with Poverty Bay Rugby as a recent addition. Of these projects, three are fully completed, five are partially funded, and one has received GDC land use sign-off. Financially, \$4,857,826 has been committed, leaving \$9,471,163 still to be allocated.

The presentation also detailed individual project statuses, including completed projects like the Skate Park and the Eastland Triathlon & Multisport facility, along with others in various stages of planning and execution.

There was discussion on the background of how the ten projects were originally selected. It was clarified that following strategy work performed in 2018 a business case was written and is to be provided to recently joined trustees for background information.

The GMH also noted that additional funding is likely to be required from the Trust to advance some of these projects.

3.4 Risk Management

3.4.a Health and Safety

The paper was taken as read. The GMSS talked to the COVID outbreak in the office. Usual protocols for testing and isolation according to current government guidelines were observed in all instances. The recent office improvements to privacy and lighting were also noted.

A meeting between Trust management and Kiwi Lumber is occurring on 6 December to discuss PCBU obligations and legal advice received. Trustees will receive an update following this as per action 4: Following meeting with Kiwilumber to discuss health and safety visits, and legal advice received, inform trustees of any implications.

3.4.b Risk register

Nil.

3.5 Operational updates

3.5.a CEO Closed Report

The report was taken as read.

There was discussion on the business leaders workshop held on 21 November. A business leaders' summit is planned for 23 February, and there was discussion around the political positioning happening with various groups/individuals in anticipation. The Trust's absence from the brief to incoming ministers document was noted, and more input is needed. The CEO raised how we are engaging with groups such as TEAP, explaining that we are currently managing the different streams of work in the regional leadership forums as it may risk creating confusion ahead of the business summit.

There was discussion on the Whare Ora funding request and the GMED noted that further work is needed before the proposal is presented for a decision.

An update was given on the Wellbeing Survey; the current target is 800 responses, and it was noted that it had been a difficult year to be conducting the survey with the Cyclone event.

3.5.b People and Culture Chairperson Update

The People and Culture (P+C) Chairperson's brief was taken as read.

There was discussion on Dr Williams' comment on whether it would be beneficial to have the subcommittee actions included in the Board pack along with the Board action register. Trustees determined that this was not needed.

3.5.c Audit and Risk Chairperson Update

The A+R Chairperson updated that Eastland Group (EGL) continue to indicate that \$40M will not be released to the Trust, due to seeking a debt free status for the Port. This will be addressed by the A+R committee.

3.6 Eastland Group update

Secretarial note: Mr Greg Anderson of Northington Partners joined the meeting at 11:00 for the agenda item.

Mr Anderson talked to a presentation on the strategic restructuring of the Trust and EGL, following Project Macavity. The presentation highlighted the challenges in current operations and ownership

and proposed a governance model for EGL. Key aspects included enhancing tax efficiency, managing subsidiary structures, and aligning with the Trust Group's long-term goals. The emphasis was on effective change management, operational efficiency, and a streamlined governance structure to optimally leverage future opportunities.

Challenges with the current structure were discussed, with a focus on restructuring to align EGL's commercial objectives with the Trust's priorities, including the establishment of an investment committee.

The need for additional human and financial resources was highlighted, along with the importance of legal and tax planning in the restructuring process.

The process of recruiting directors with specific skill sets was discussed, and the importance of communication, relationship management, and maintaining organisational continuity was noted. It was agreed that Populous People would be engaged for the Director recruitment process.

Trustees agreed on the following messaging to EGL:

- Trustees agree the Eastland Group head office will be different going forward and will not require the current resources and cost structure,
- Trustees believe a liquidation would provide the most tax efficient way of releasing \$40 million to the Trust as part of the Macavity settlement,
- Trustees need to further understand the benefits a corporate structure between the Trust versus the tax efficiencies gained from a liquidation and direct ownership,
- It makes sense for Eastland Generation to stand alone and not be reliant on the Trust Group for management services.
- Regardless of the ownership model adopted, a transition plan will be required to ensure finance systems are appropriately developed, financial statements and audit are delivered, and relevant staff are retained.

A letter is to be drafted with this messaging to be sent to EGL Chair, and a meeting is to be held between Trust Tairāwhiti A+R members, and EGL P+C members.

Action Point

Secretarial note: Mr Wi Pere Mita left the meeting at 12:32.

3.7 Appendices

Nil

3.8 Readmittance of the public

The Chair talked to the upcoming 2024 Downstream Conference. Since this was discussed at the November Board meeting, there had been email communication on which trustees should attend, and it was suggested that a Trust Management representative is sent instead. Trust CEO to consider which Management staff should attend the conference.

The readmittance of the public was moved by Mr John Clarke, and seconded by Ms Rehette Stoltz. The CEO gave a closing karakia.

There being no further business, the meeting concluded at 14.32.

These minutes were confirmed by trustees on 13 February 2023.

CHAIR
DAVID BATTIN

DRAFT