

15 December 2025

The Board of Directors
Dunedin City Holdings Ltd
PO Box 5045
Dunedin 9054

Dear Directors

LETTER OF EXPECTATION FOR THE YEAR ENDING 30 JUNE 2027

1. This Letter of Expectation (the Letter) sets out the Dunedin City Council's (DCC) expectations of the Dunedin City Holdings Ltd (DCHL) Board for the 2026/27 financial year.
2. The Letter is intended to create an opportunity for DCHL and DCC to further enhance their strategic alignment and inform the development of draft statements of intent for the Board and its subsidiary companies.

Focus for the 2026/27 financial year

3. In the 2026/27 financial year, we expect DCHL to continue with its purpose of achieving for Dunedin the best from its investments. We specifically expect DCHL to:
 - Continue to work with the DCC on what the future outlook is for DCHL (including subsidiaries) and provide a high level forecast of the financial returns and dividends to the DCC for the next 1-5 years to assist with informing a DCHL dividend policy.
 - Provide the DCC with strategic options (including the future composition and direction of the portfolio) that allows the DCC to consider the implications for the DCC as shareholder, with a particular focus on dividends/return on investment from DCHL. This should also include an assessment of historic performance to relevant benchmarks and what this means for expected future performance.
 - Review the Waipori Fund Statement of Investment Policies and Objectives (SIPO), and present options to Council for consideration, with different risk appetites along with expected returns, with a view to maximising return on investment.
 - Ensure each company continues to set, measure and report on progress made on the implementation of their waste reduction plans. As set out in the Waste Management and Minimisation Plan 2025, Council's waste minimisation goals are to reduce the amount of material entering the waste system by 10% per person by 2030, and reduce the amount of material that needs final disposal by 30% per person by 2030.
 - Continue to set performance measures and targets for inclusion in their Statements of

Intent that are relevant, measurable, clear, and outcome focused. In DCHL's Statement of Intent, continue to include performance objectives for the group as required by the Local Government Act 2002.

- Continue the internship programme.
- Direct Aurora Energy Ltd to support the development of the shared path through the Caversham Train Tunnel by undertaking the necessary works to upgrade or safely remove its existing cable within 12-16 months from the date of this letter. This is required to ensure public access to the tunnel is not compromised by hazards arising from the cable's condition or placement.
- Direct Dunedin Venues Management Ltd and the venues it controls or manages to strive to be single-use cup free wherever practicable.

Climate change

4. The DCC has set a target for Dunedin of achieving net zero greenhouse gas emissions by 2030, excluding biogenic methane; this target will be updated in early 2026. Its core, science-aligned, organisational emissions reduction target (excluding DCHL) is a 46.2% reduction in emissions by 2030, from the 2018/19 levels. To support achievement of these targets, the DCC has adopted a Zero Carbon Policy, the Zero Carbon Plan for Dunedin and a DCC Emissions Management and Reduction Plan.
5. The DCC requests that DCHL continue efforts to reduce emissions informed by DCC's Zero Carbon targets and Zero Carbon Policy 2022, including by progressing the two workstreams provided for in the DCHL Carbon Roadmap:
 - Reducing emissions from each company's own activities and reporting on these, and
 - Exploring and reporting on potential contributions to city-wide emissions reduction goals.
6. The DCC notes DCHL and subsidiaries' work to date and requests that DCHL continue to provide ongoing reporting on progress being made on the two Carbon Roadmap workstreams.

General expectations of DCHL

7. We require DCHL and subsidiary and associate companies to:
 - Manage operations in accordance with company constitutions, Statements of Intent and relevant legislation
 - Be cognisant of the political context in which they operate, and recognise that Council is accountable to the community for DCHL group companies' performance
 - Observe the practice of "no surprises"
 - Ensure best practice governance for all companies
 - Be transparent and accountable, including compliance with Local Government Official Information and Meetings Act 1987 (LGOIMA) and information disclosure policies

- Ensure health and safety is a top priority across the group, and that appropriate policies and structures are in place to support this
- Ensure appropriate risk management structures are in place
- Act within investment and divestment approval thresholds defined in Statements of Intent
- Obtain all debt funding from Dunedin City Treasury Ltd (DCTL)
- Use the group insurance broker and tax advisor appointed by Council
- Comply with group-wide considerations in DCC's Procedure for the Appointment and Remuneration of Directors of DCHL
- Take diversity and succession planning into account when appointing directors to DCHL and subsidiary companies
- Seek opportunities for companies to contribute to Council's Strategic Framework, including Te Taki Haruru - our Māori Strategic Framework.
- Ensure group wide policies are put in place where appropriate and that policies are aligned with those of Council and related guidelines established by the Office of the Auditor-General (OAG).

Dividends and interest

8. The DCC requests a dividend from the DCHL trading companies of \$9.0 million for the 2026/27 financial year. This dividend along with the \$5.9 million interest payment will make a total annual distribution of \$14.9 million.
9. The DCC requests that the dividend is paid in three equal instalments during the year, in October 2026, February 2027 and June 2027.
10. The DCC also requests that DCHL continue to fund up to \$2 million per annum to Dunedin Railways Limited, to fund the renewals of the Taieri Gorge Line rail corridor. Where the amount spent by Dunedin Railways Ltd is less than \$2 million, the balance should be returned to the DCC as a dividend, paid as part of the June instalment.

Group Investment Plan

11. Council wishes to acknowledge the work so far on the development of an Investment Framework. The Board is asked to continue to work with Council on options on how its investments, including the DCHL trading companies, the Waipori Fund and the Council's investment property portfolio are managed and reported on.
12. Local Government is in a period of significant reform, including the possible introduction of rates caps; consequently, the Council needs to identify alternate sources of revenue. The DCC is fortunate to have significant assets in DCHL and, as indicated above, the board is asked to continue to look at ways of generating increased dividends/return on investment to Council, reflecting where possible, commercial returns beyond the 2026/27 year.

Reports

13. The Council requests that the DCHL Group continues to standardise financial reporting from each company, including content and presentation of financial information in the Statements of Intent.
14. The Council requests DCHL to work in consultation with Audit NZ and Council staff in order to incrementally bring forward the timeline of the development of the DCHL and subsidiaries' Annual Reports each year (it is expected that this would be at least a week earlier in the first year). This will ensure that the 2027/28 DCC Annual Report can be adopted ahead of the next local government election.

Working with DCC

15. We ask that DCHL keep Council informed of the companies' financial performance and progress towards achieving the goals set in the Statements of Intent.
16. Council acknowledges the separation of governance and management, and will not direct DCHL or its subsidiaries on operational matters.
17. We require DCHL to provide:
 - Quarterly updates to the Finance and Performance Committee, or the relevant Committee of Council, including explanations for any variances between actual results and Statement of Intent forecasts
 - Half-yearly and Annual Reports in accordance with the Local Government Act 2002
 - An update to the quarterly meetings of the Council's Audit, Risk and Assurance Committee on DCHL/DCTL Audit and Risk Activity
 - Make available to Council, parent company results alongside the group consolidated results, as at 30 June each year
 - Regular informal individual company briefings to Councillors
 - Briefings for Councillors on matters of significance as required
 - An annual report on directors' conflict-of-interest declarations.
18. We also require DCHL to invite the Mayor, Deputy Mayor, Chair and Deputy Chair of the Finance and Performance Committee (or relevant Council Committee), DCC Chief Executive and Chief Financial Officer to regular board meetings, to review the achievement of financial targets and other performance measures identified in the Statements of Intent, and to exchange updates on relevant and topical matters.

Next steps

19. The Letter of Expectation forms the basis for the development of the DCHL Statement of Intent for the year ending 30 June 2026.
20. Draft Statements of Intent of DCHL Group companies are due to be delivered to Council on or before 1 March 2026. The Group's Statements of Intent should reflect the Letter of Expectation and comply with the requirements of the Local Government Act (see s64

and Schedule 8).

21. We look forward to working with you in the coming financial year. Please contact me if you have any queries relating to this letter or the Council's expectations of DCHL.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'SB' followed by a flourish and a period.

Sophie Barker
Mayor of Dunedin