

Friday, 19 June 2026

He hui e whakahaeretia nei e Te Kaunihera ā-Rohe o Heretaunga
Administered by Hastings District Council
Transitional Governance Group Meeting

Kaupapataka

Agenda

Te Rā Hui:
Meeting date: **Friday, 19 June 2026**

Te Wā:
Time: **2:00 PM**

Te Wāhi:
Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

Te Hoapā:
Contact: **Democracy and Governance Services
P: 06 871 5000 | E: democracy@hdc.govt.nz**

Te Āpiha Matua:
Responsible
Officer: **Chief Infrastructure Officer - Craig Thew**

Transitional Governance Group (Hawke's Bay Water Services Council Controlled Organisation Project)

Terms of Reference for the Transitional Governance Group

Adopted by resolution of:

- Hastings District Council, 9 September 2025
- Napier City Council, 9 September 2025
- Central Hawke's Bay District Council, 9 September 2025

1 Name and status

- 1.1 The Transitional Governance Group (**TGG**) is a joint committee under clause 30(1)(b) of Schedule 7 of the Local Government Act 2002 (LGA 2002).

2 Purpose

- 2.1 The TGG is established under the *Regional Water Services Council Controlled Organisation Heads of Agreement (Heads of Agreement)* for the purpose of providing transitional governance and oversight of the project to establish the joint operating model for water services delivery for the Central Hawke's Bay District, Hastings District and Napier City Councils (**Councils**) (**Project**).
- 2.2 The joint operating model has been agreed between the Councils to be a jointly owned Water Services Council Controlled Organisation.
- 2.3 The Project will establish the Hawke's Bay Water Services Council Controlled Organisation (**WSCCO**), which will ultimately assume responsibility and asset ownership for the delivery of water services from the Councils.
- 2.4 These Terms of Reference are prepared pursuant to Clauses 30 and 30A of Schedule 7 of the LGA 2002 to guide the operations of the TGG. The TGG will not be discharged at the point of the next election, in accordance with Clause 30(7), Schedule 7 of the LGA 2002.

3 Objectives

- 3.1 The TGG shall:
- a) Oversee the direction of the Project and provide governance leadership during the initial establishment and transition of water services to the WSCCO;
 - b) Make certain decisions that are required to facilitate the initial establishment and transition to the WSCCO;
 - c) Provide direction to the Project Steering Group (**PSG**) and the Establishment Board (once appointed);
 - d) Ensure that the joint Water Services Delivery Plan (**WSDP**) and WSCCO establishment process reflects the Councils' objectives and statutory requirements.

4 Responsibilities

- 4.1 The TGG will be responsible for providing governance and oversight of the Project in accordance with Schedule 2 of the Heads of Agreement. This includes:
- a) Overseeing the development of the Project Plan and monitoring progress against key milestones as set out in the Heads of Agreement and WSDP.

- b) Addressing any issues escalated to it by the PSG.
- c) Monitoring progress and risks based on reporting from the PSG and Project Team.
- d) Approving material changes to the direction of the Project or Project Plan.
- e) Appointing the Establishment Board for the WSCCO and advising on the appointment of the Establishment Chief Executive.
- f) Substantive decisions relating to the adoption of the WSDP and the final joint operating model foundational documents remain the responsibility of each Council separately.

5. Delegated authority

- 5.1 The Councils delegate to the TGG all powers, duties and functions needed to carry out its responsibilities in clause 4.1.
- 5.2 Where the TGG does not have delegated authority, it may make a recommendation to the Councils.

6. Membership

- 6.1 Per Schedule 1 of the Heads of Agreement, the TGG will comprise seven members. This includes:
 - a) The Mayor of each Council and one other member from each Council (either elected or an appointee); and
 - b) An Independent Chair appointed at the first meeting of the TGG by unanimous agreement of the other members of the TGG.
- 6.2 Each of the Councils may discharge their appointed member to the TGG and appoint another member in their stead. This does not apply to the Mayor of each of the Councils, who is to remain a member of the TGG as a standing appointment.
- 6.3 The Independent Chair may be removed or replaced by unanimous agreement of the other members of the TGG.

7. Chairperson and Deputy Chairperson

- 7.1 At the first meeting of the TGG the members shall:
 - a) Appoint an independent Chair in accordance with clause 6.1(b); and
 - b) Elect a Deputy Chair from the membership of the TGG.
- 7.2 The remuneration of the Independent Chair is to be determined by the TGG at the first meeting of the TGG.

8. Decision-Making and voting

- 8.1 In accordance with clause 32(4) Schedule 7 of LGA 2002, each member (other than the Independent Chair) has full authority to vote and make decisions at meetings of the TGG within the scope of the delegated authority provided by the Council that appointed them, without further recourse to that Council.
- 8.2 The TGG will use best endeavours to make decisions by consensus. Where consensus cannot be reached, the relevant motion will not be put and the matter will be referred to the Councils for their consideration. The matter may be referred back to the TGG for decision following the Councils' consideration.
- 8.3 Where voting is required, each member (other than the Independent Chair) has one vote.
- 8.4 The quorum will consist of a majority of members (excluding the Independent Chair).
- 8.5 At least one member from each of the Councils will be required at any meeting to form a quorum.

9. Meetings

- 9.1 The TGG will meet at least monthly, or at such other times and frequency as it determines.
- 9.2 Meetings will be scheduled and supported by the Project Convenor and the Hawke's Bay Regional Recovery Agency (RRA).
- 9.3 Agendas will be circulated at least three days in advance of a meeting, and minutes will be recorded and confirmed.

10. Reporting and Communication

- 10.1 The TGG receives information and advice from the PSG, which is to be informed by the Project Team.
- 10.2 The TGG will report at regular frequencies progress and key decisions back to the Councils.
- 10.3 Media releases and public announcements related to the Project must be coordinated through the TGG, with the TGG to have final approval over any communications.

11. Term

- 11.1 The TGG will operate from the Commencement Date of the Heads of Agreement until the earlier of:
 - a) The establishment of the WSCCO and appointment of the Shareholders Representative Forum; or
 - b) Termination of the Heads of Agreement.
- 11.2 It is expected that on termination, the TGG will be superseded by the Shareholders Representative Forum.

12. Review and variation

- 12.1 These Terms of Reference will be reviewed by the Councils as required, and on the recommendation of the TGG, to ensure alignment with the Project implementation plan and requirements.
- 12.2 Any amendments to the Terms of Reference must be agreed by all Councils before taking effect.
- 12.3 These Terms of Reference are consistent with the requirements for joint committees as outlined in the LGA 2002.

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Transitional Governance Group Meeting

Kaupapataka

Agenda

Mematanga: **Chair:** Cr Keith Price (NCC)
Membership: **Deputy Chair:** Cr Michael Fowler (HDC)

Members:

Hastings District Council
Mayor Wendy Schollum (HDC)

Napier City Council
Mayor Richard McGrath (NCC)

Central Hawke's Bay District Council
Mayor Will Foley (CHBDC)
Cr Brent Muggeridge (CHBDC)

Tokamatua: 4 members (being a majority of the members appointed – excluding the Independent Chair)
Quorum: (At least one member from each of the Councils will be required)

Apiha Matua
Officer Responsible: Chief Infrastructure Officer – Craig Thew

Te Rōpū Manapori me te Kāwanatanga
Democracy & Governance Services: Lynne Cox (Extn (5632))

*Te Rārangi Take***Order of Business**

Apologies & Leave of Absence – Ngā Whakapāhatanga me te Wehenga ā-Hui

- 1.0** At the close of the agenda no apologies had been received.
At the close of the agenda no requests for leave of absence had been received.
-

2.0 Conflict of Interest– Mahi Kai Huanga

Members need to be vigilant to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have.

Confirmation of Minutes - Te Whakamana i Ngā Minitī

- 3.0** Minutes of the Transitional Governance Group held Thursday 30 April 2026.
(Previously circulated)
-

- 4.0 Adoption of the Incorporation date for Water Hawke's Bay Limited** 9
-

- 5.0 Appointment process for Independent Chair of Shareholders Representative Forum** 11
-

- 6.0 Minor Items – Ngā Take Iti**
-

Friday, 19 June 2026

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Transitional Governance Group

Te Rārangi Take

Report to Transitional Governance Group

Nā:
From: **Craig Thew, Chief Infrastructure Officer**

Te Take: **Adoption of the Incorporation date for Water Hawke's Bay**
Subject: **Limited**

1.0 Background – Te Horopaki

- 1.1 The councils of Hastings District Council, Napier City Council and Central Hawke's Bay District Council have agreed to establish a water services council-controlled organisation, with the agreed name of Water Hawke's Bay Limited, to deliver water services on behalf of the shareholder councils.
- 1.2 By resolutions passed by each council in April 2026 (April Resolutions), the councils respectively resolved:
 - to adopt the Water Hawke's Bay Constitution
 - to adopt the Water Hawke's Bay Shareholders' Agreement
 - to delegate to the Mayor and Chief Executive authority to sign the Constitution and Shareholders' Agreement
 - to request their respective Chief Executives to work together to mutually agree an incorporation date for Water Hawke's Bay Limited; and
 - to delegate to the Transitional Governance Group (TGG) the authority to approve the incorporation date agreed by the Chief Executives.

2.0 Discussion – Te Matapakitanga

- 2.1 Since the passing of the April Resolutions:
 - 2.1.1 The Chief Executives and Mayors of Hastings District Council, Napier City Council and Central Hawke's Bay District Council have signed the Constitution and Shareholders' Agreement.

- 2.1.2 Given the progress of the Transition Agreement the Chief Executives have now agreed that Water Hawke's Bay Limited should be incorporated on Friday 26 June 2026. This remains within the adopted Water Services Delivery Plan (WSDP) that noted incorporation by the 30 June 2026.
- 2.2 The Transition Agreement sets out how the shareholders and Company will operate during the transition period, with the oversight by the councils' Chief Executives, supported by senior officials in the Operational Transition Group (OTG) and the Shareholders Representatives Forum (SRF) as required.
- 2.3 The TGG is asked to formally approve the proposed incorporation date of 26 June 2026, as agreed by the Chief Executives.
- 2.4 It is important to note that incorporation date does not transfer the assets, staff, or responsibilities from each of the shareholding councils. The target date set in the Water Services Delivery plan (WSDP) for asset transfer is 30 June 2027. The transfer agreements will need to be individually agreed to by each shareholding Council and the company.
- 2.5 Moving forward the SRF will also have specific tasks to work across the shareholding councils such as the collate and finalisation of the Statement of Expectation (SoE). And within the SRF it will need to point an independent chair (separate paper on this meeting's agenda) and appoint future Board members as necessary.

3.0 Recommendations - *Ngā Tūtohunga*

- A) That the Transitional Governance Group receive the report titled Adoption of the Incorporation date for Water Hawke's Bay Limited dated 19 June 2026.
- B) Pursuant to the authority delegated to the Transitional Governance Group by the shareholder councils in the April Resolutions, the incorporation date of Water Hawke's Bay Limited on 26 June 2026 is approved.
- C) The Chief Executive of each shareholder council is authorised to execute the shareholder consent form and any other documents necessary or desirable to give effect to the incorporation of Water Hawke's Bay Limited and the issue of shares to the shareholder councils.
- D) The Committee notes that the Incorporation date enables the Establishment Board to progress the required transition activities in readiness for the transfer of assets and operational responsibilities for the 3 waters activities by 30 June 2027. Until the transfer date each Council remains operationally responsible for their 3 waters activities.
- E) The Committee notes that following incorporation the Transition Governance Group will be replaced by the Shareholders Representatives Forum (SRF)

Attachments:

There are no attachments for this report.

Friday, 19 June 2026

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Transitional Governance Group

Te Rārangi Take

Report to Transitional Governance Group

Nā:
From: **Craig Thew, Chief Infrastructure Officer**

Te Take: **Appointment process for Independent Chair of Shareholders**
Subject: **Representative Forum**

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The councils of Hastings District Council, Napier City Council and Central Hawke's Bay District Council have agreed to establish a water services council-controlled organisation, with the agreed name of Water Hawke's Bay Limited, to deliver water services on behalf of the shareholder councils.
- 1.2 The adopted Shareholders' Agreement sets the requirements for the Shareholders Representative Forum (SRF), with SRF replacing the Transitional Governance Group (TGG). The Shareholders Agreement requires a non-voting independent chairperson.
- 1.3 This report seeks the endorsement of a proposed process to identify and appoint an Independent Chairperson. In summary, the key steps are:
 - Establishing an interview panel, with one representative proposed from each shareholder council's proposed SRF members, supported by one of the Council Chief Executives.
 - Approving the membership of the interview panel.
 - Endorsing the proposed Position Description for the Independent Chairperson role.
 - Confirming that the final appointment decision remains with the SRF, with the interview panel reporting back to the SRF with advice and any recommendation.

2.0 Recommendations - Ngā Tūtohunga

- A) That the Transitional Governance Group receive the report titled Appointment process for Independent Chair of Shareholders Representative Forum dated 19 June 2026.
- B) That the Transitional Governance Group approve the appointment of _____, _____, and _____ as members of the interview panel to undertake shortlisting and interviews for the Independent Chairperson role on behalf of the shareholding councils.
- C) That the Transitional Governance Group endorse the proposed Position Description for the Independent Chairperson.
- D) That the Transitional Governance Group endorse the inclusion of one of the Shareholding Council Chief Executives as a member of the interview panel.
- E) That the Transitional Governance Group note that the final appointment decision rests with the Shareholders Representative Forum, following consideration of any recommendation from the interview panel, and must be made in accordance with the requirements of the Shareholders' Agreement.

3.0 Background – Te Horopaki

- 3.1 The proposed incorporation of the water company will trigger the creation of the Shareholders Representative Forum (SRF) and the end of the current Transition Governance Group.
- 3.2 The adopted Shareholders' Agreement sets the proposed approach, scope and delegations provided by the councils to the SRF. In particular, Section 6 and Schedule 4 address the relevant requirements for the SRF.
- 3.3 The adopted Shareholders' Agreement also requires a non-voting Independent Chairperson. Schedule 4 sets out the intended process for appointing the Independent Chairperson, as follows:

Independent Chairperson

The Independent Chairperson of the SRF shall be appointed by the Shareholders' Representative Forum once all SRF Members have been appointed. The Chairperson will be an additional SRF Member, who must be independent of the shareholding Councils. The Chairperson shall have no right to vote on any matters. For the purposes of this Schedule, "appointing" means the formal selection and confirmation of a candidate through a structured and transparent recruitment process, which shall include:

- (a) *assessment of candidates against an agreed criteria for independence, skills, and experience;*
 - (b) *an interview and evaluation process conducted by the SRF; and*
 - (c) *approval of the successful candidate by a 75% majority vote of SRF Members.*
- 3.4 At the previous TGG meeting, the outgoing Independent Chair recommended that the committee consider commencing the process to identify an Independent Chairperson for the SRF, noting the lead time required for advertising, shortlisting and interviews before the SRF considers the matter and makes a final appointment.

4.0 Discussion – Te Matapakitanga

- 4.1 Attached to this report is a proposed Position Description for the Independent Chairperson role. The proposed Position Description has been initially reviewed by the Council Chief Executives and

assessed against industry guidance. This report seeks endorsement of the proposed Position Description, noting that the committee may also provide amendments as part of that endorsement.

- 4.2 To make efficient use of committee members' time, it is recommended that the shortlisting and interview process be undertaken by a sub-group of shareholder representatives. The recommended approach is for one representative from each shareholder council's proposed SRF members to be nominated and delegated to undertake the initial screening and provide recommendations to the SRF for its consideration.
- 4.3 It is also recommended that the interview panel be supported by one of the Council Chief Executives as part of the shortlisting, interview and recommendation process.
- 4.4 As recruiting and selecting a candidate for the role can take time, it is recommended that the advertising, shortlisting and interview process progress ahead of the commencement of the SRF joint committee. The final appointment decision would not occur until the SRF has considered a report and any recommendation from the interview panel, and the appointment has been supported by at least a 75% majority of SRF members.

5.0 Next steps – *Te Anga Whakamua*

- 5.1 Following the committee's decision and direction, the Position Description will be finalised and the role advertised.
- 5.2 Officers from Hastings District Council, as the administering council, will support the interview panel by compiling applications, coordinating shortlisting meetings and organising interview times for shortlisted candidates.
- 5.3 A report will be provided to the SRF to enable the joint committee to exercise its decision-making function in accordance with the Shareholders' Agreement.

Attachments:

- | | | |
|---|--|----------------|
| 1 | Proposed Position Description: Independent Chairperson for the Shareholders Representative Forum | CG-18-10-00033 |
| 2 | Adopted Shareholder Agreement | CG-18-10-00032 |



Position Description

Independent Chair – Shareholder Representative Forum

Water Hawke's Bay Limited (Council-Controlled Organisation)

The Councils of Central Hawke's Bay, Hastings District, and Napier City are establishing Water Hawke's Bay Limited, a Council-Controlled Organisation (CCO), to deliver safe, sustainable, and efficient water services for Hawke's Bay. The Shareholder Representative Forum (SRF) is the joint governance body representing the three Councils as shareholders.

Position Purpose

Provide independent leadership of the Shareholder Representative Forum, ensuring effective, transparent, and accountable shareholder governance of Water Hawke's Bay Limited.

The SRF Chair will play a key role in ensuring effective accountability of Water Hawke's Bay Limited to the SRF, the Councils and the communities they serve. This role supports the shareholder councils to act collectively in exercising their ownership responsibilities, consistent with legislative requirements, recognised governance practice, and acting in good faith and in the best interests of the shareholder councils collectively.

The SRF Chair will act in the best interests of the shareholder councils and the communities they represent and ensure that the applicable decisions and interests of the SRF and shareholder councils are clearly represented to the Directors of Water Hawke's Bay Limited. The SRF chair will promote an active kaitiakitanga / stewardship role on the part of Water Hawke's Bay Limited in respect of the assets, people and systems they are responsible for and the environments they interact with, and a strong focus on desired outcomes across high-quality water services, superior public health outcomes and timely and effective growth management.

Key Responsibilities

- Chair SRF meetings and ensure disciplined, inclusive governance processes
- Work to ensure effective accountability of Water Hawke's Bay Limited to the SRF, the Councils and the communities they serve
- Facilitate informed and constructive discussion to support collective decision-making
- Maintain independence and act in the collective interests of the shareholder councils
- Represent applicable decisions and the interests of the SRF and shareholder councils to the Board
- Lead the SRF's oversight of shareholder expectations, strategy, and governance performance
- Support appointment, review, and oversight of the company board, including board performance evaluation



- Maintain effective relationships between the SRF, shareholder councils, and company board
- Promote transparency, accountability, and public confidence in governance arrangements
- Support governance capability and continuous improvement across the SRF and board
- Uphold standards of conduct and support member performance expectations

Reporting Relationships

The Independent Chair is appointed by and accountable to the shareholder councils acting jointly. The role works closely with SRF members and engages with the company board and senior representatives of Water Hawke's Bay Limited as required.

The Chair must remain independent of individual council interests and support the collective governance intent of the shareholder councils.

Key Accountabilities

- Lead the SRF in fulfilling its role as the shareholder governance body
- Ensure high-quality agendas, meeting processes, and decision records
- Guide effective shareholder input into key statutory and strategic documents
- Foster a constructive, collaborative, and high-performing governance culture
- Maintain alignment with legislative requirements and governance frameworks
- Uphold clear separation between shareholder, board, and operational roles
- Promote collective responsibility and adherence to agreed governance standards
- Oversee the effectiveness of governance processes, including periodic evaluation

Person Specification

Skills and Experience

- Proven experience chairing boards, committees, or equivalent governance bodies
- Strong understanding of local government and CCO governance
- Experience in complex, multi-party governance environments
- Highly developed facilitation, communication, and relationship management skills
- Sound judgement and political acuity
- An ability to understand community interests/public interest and translate them into governance expectations

Personal Attributes

- Integrity and independence
- Professional credibility

Shareholders' Agreement relating to Water Hawke's Bay Limited

PARTIES

Central Hawkes Bay District Council

Hastings District Council

Napier City Council

Water Hawke's Bay Limited

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AGREEMENT dated

2026

PARTIES

Central Hawke's Bay District Council
Hastings District Council
Napier City Council
(Each a "Council" and together the "Councils")

Water Hawke's Bay Limited
("Company")

BACKGROUND

- A. Central Hawke's Bay District Council, Hastings District Council and Napier City Council are Shareholders in the Company and have entered into this agreement to record how the parties will manage their shareholdings in the Company and their respective relationships with each other.
- B. The Company is party to this agreement to record certain obligations to it by, and owed by it to, the Shareholders.
- C. The terms and conditions of this agreement are set out in Schedule 1 (Agreement Details) and Schedule 2 (Terms and Conditions).

SIGNATURES

CENTRAL HAWKE'S BAY DISTRICT COUNCIL

By:



Signature of Authorised Signatory

William John Foley

Name of Authorised Signatory
MAYOR



Signature of Authorised Signatory

ROSS BARRY MCLEOD

Name of Authorised Signatory
INTERIM CHIEF EXECUTIVE

HASTINGS DISTRICT COUNCIL

By:



Signature of Authorised Signatory

Wendy Leigh Schollam

Name of Authorised Signatory



Signature of Authorised Signatory

Nigel Andrew Buckle

Name of Authorised Signatory

NAPIER CITY COUNCIL

By:



Signature of Authorised Signatory

Louise Miller

Name of Authorised Signatory



Signature of Authorised Signatory

Richard McGrath

Name of Authorised Signatory

WATER HAWKE'S BAY LIMITED

By:

Signature of Authorised Signatory

Name of Authorised Signatory

Signature of Authorised Signatory

Name of Authorised Signatory

SCHEDULE 1

AGREEMENT DETAILS

<p>Initial share issue and shareholding <i>(Clause 2.2, Schedule 2)</i></p>	<p>Shares on issue in the Company as at incorporation: 100 fully paid ordinary shares at an issue price of \$1.00 per share.</p> <p>Shareholdings as at incorporation:</p> <table border="1" data-bbox="625 589 1145 734"> <thead> <tr> <th>Shareholder</th> <th>Number of Shares</th> </tr> </thead> <tbody> <tr> <td>Central Hawke's Bay District Council</td> <td>10 (10%)</td> </tr> <tr> <td>Hastings District Council</td> <td>45 (45%)</td> </tr> <tr> <td>Napier City Council</td> <td>45 (45%)</td> </tr> </tbody> </table>		Shareholder	Number of Shares	Central Hawke's Bay District Council	10 (10%)	Hastings District Council	45 (45%)	Napier City Council	45 (45%)
Shareholder	Number of Shares									
Central Hawke's Bay District Council	10 (10%)									
Hastings District Council	45 (45%)									
Napier City Council	45 (45%)									
<p>Other matters to be included in the Statement of Expectations <i>(Clause 8.2(b), Schedule 2)</i></p>	<p>As set out in Schedule 5.</p>									
<p>Interest rate payable on payment default <i>(Clause 14.3(a), Schedule 2)</i></p>	<p>Bill Rate plus 5% per annum.</p>									
<p>Place of arbitration <i>(Clause 15.5(c), Schedule 2)</i></p>	<p>Hawke's Bay.</p>									
<p>Address for notices <i>(clause 17.1, Schedule 2)</i></p>	<p>Central Hawke's Bay District Council</p> <p>28/32 Ruataniwha Street Waipawa 4210</p> <p>Email: [Insert details] Attention: [Insert details]</p>	<p>Hastings District Council</p> <p>207 Lyndon Road East Hastings 4122</p> <p>Email: [Insert details] Attention: [Insert details]</p> <p>Water Hawke's Bay Limited</p>								

Item 5 Appointment process for Independent Chair of Shareholders Representative Forum

	<p>215 Hastings Street Napier South Napier 4110</p> <p>Email: [Insert details]</p> <p>Attention: [Insert details]</p>	<p>[insert physical and postal address details of Company]</p> <p>Email: [Insert details]</p> <p>Attention: [Insert details]</p>
<p>Shareholders Representative Forum membership</p> <p><i>(Schedule 4)</i></p>	<p>Each Shareholder will have the right to appoint up to 3 members of the Shareholders' Representative Forum.</p> <p>Each Shareholder shall appoint its members to the Shareholders' Representative Forum by notice to each other Shareholder as soon as practicable following the adoption of this Agreement.</p> <p>The SRF Members will appoint the Chairperson of the SRF as set out in Schedule 4.</p>	

SCHEDULE 2

TERMS AND CONDITIONS

AGREEMENT

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions: In this agreement the following definitions apply:

"Board" means the board of Directors of the Company.

"Business" means the business and activities set out in clause 2.2 – 2.5 of the Constitution.

"Business Day" means any day other than a Saturday, Sunday or statutory public holiday in Hawke's Bay, New Zealand.

"Companies Act" means the Companies Act 1993.

"Confidential Information" means the provisions of this agreement and all other information of a confidential nature (which, where the confidentiality of the information is not expressly stated, shall be determined by the recipient, acting reasonably) obtained by one party from the other party under or in connection with this agreement, including, in relation to the Company, trade secrets, proprietary information and confidential information belonging to the Company that are not generally known to the public, including information concerning business plans, financial statements and other information provided pursuant to this agreement, operating practices and methods, expansion plans, strategic plans, marketing plans, contracts, customer lists or other business documents which the Company treats as confidential, and any other information in respect of which the Company is bound by an obligation of confidence owed to a third party.

"Constitution" means the constitution of the Company as filed with the New Zealand Companies Office on the incorporation of the Company, as amended from time to time.

"Director" means a director of the Company.

"Event of Default" in respect of a Shareholder means where a Shareholder breaches or fails to observe any of the obligations under this agreement and:

- (a) if that breach or failure is capable of remedy, does not remedy that breach or failure within 20 Business Days of notice from any other Shareholder specifying the breach or failure and requiring remedy;
- (b) if that breach or failure is not capable of remedy, that breach or failure is material in the context of the obligations of that Shareholder under this agreement.

"Financial Year" means:

- (a) the period from the Incorporation Date to 30 June immediately following the Incorporation Date;
- (b) each subsequent period commencing on 1 July and ending on the next 30 June during the Term; and

- (c) the period from 1 July immediately preceding the end of the Term, to the end of the Term.

"**Heads of Agreement**" means the Regional WSCCO Heads of Agreement between the Shareholders dated 4 September 2025.

"**Incorporation Date**" means the date on which the Company is incorporated as determined by the date recorded by the New Zealand Companies Office.

"**Independent Director**" means a person who, in the determination of the Shareholders Representative Forum, is free from any association that could materially interfere with the exercise of their independent judgement as a director of the Company, including that the person:

"**LGA**" means the Local Government Act 2002.

"**LGFA**" means the New Zealand Local Government Funding Agency Limited.

"**LG(WS) Act**" means the Local Government (Water Services) Act 2025.

"**Local Authority**" has the meaning given to it in the LGA.

"**Material**" means material in the context of the Business and assets of the Company as a whole.

"**Operational Date**" has the meaning given to it in the Constitution.

"**Ordinary Resolution**" means a resolution approved by:

- (a) a majority of at least 67% of the votes (with one vote per Share) of the Shareholders; and
- (b) at least two of the three Shareholders,

entitled to vote and voting on the question.

"**Reserved Matters**" means matters of the nature listed in Schedule 3.

"**Security Interest**" includes a mortgage, debenture, charge, lien, pledge, assignment or deposit by way of security, bill of sale, lease, hypothecation, hire purchase, credit sale, agreement for sale on deferred terms, option, right of pre-emption, caveat, claim, covenant, interest or power in or over an interest in an asset and any agreement or commitment to give or create any such security interest or preferential ranking to a creditor including set off.

"**Service Area**" has the meaning set out in the LG(WS) Act.

"**Shares**" means shares in the Company on issue from time to time.

"**Shareholder**" means a shareholder in the Company and includes any person who subsequently becomes a shareholder. Where Shares are held by persons jointly, those persons are considered one Shareholder for the purpose of this agreement.

"**Shareholders Representative Forum**" or "**SRF**" means the joint committee formed by the Shareholders pursuant to clause 6.1.

"**SRF Member**" means a member of the Shareholders Representative Forum.

"**Special Resolution**" means a resolution that is approved by a majority of 75% of the votes of those Shareholders entitled to vote and voting on the question.

"**Statement of Expectations**" has the meaning given to it in LG(WS) Act.

"**Terms of Reference**" means the terms of reference of the Shareholders Representative Forum in the form set out in Schedule 4 as amended from time to time by agreement of the Shareholders.

"**Transfer Agreement**" means the agreement to be entered into between each Shareholder and the Company in accordance with the requirements of the LG(WS) Act.

"**Water Services Annual Budget**" has the meaning set out in the LG(WS) Act.

"**Water Service Connection**" means a physical connection to the drinking water network within the Service Area (excluding connections that are not serviced, whether or not such connections are serviceable).

"**Water Services Strategy**" has the meaning set out in the LG(WS) Act.

"**Water Services**" has the meaning set out in the LG(WS) Act, which shall be the water services transferred to the Water Organisation in accordance with the Transfer Agreement between the Water Organisation and each Shareholder.

1.2 **Interpretation:** In this agreement, unless the context otherwise requires:

- (a) headings are for convenience only and do not affect interpretation;
- (b) the singular includes the plural and vice versa, and a gender includes other genders;
- (c) another grammatical form of a defined word or expression has a corresponding meaning;
- (d) words in this agreement have the same meaning as in the Companies Act unless inconsistent with the context;
- (e) a reference to a party, person or entity includes:
 - (i) an individual, firm, company, trust, partnership, joint venture, association, corporation, body corporate, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and
 - (ii) an employee, agent, successor, permitted assign, executor, administrator and other representative of such party, person, entity;
- (f) a reference to dollars or \$ is to New Zealand currency and excludes every tax and duty;
- (g) a reference to a clause or schedule is to a clause or schedule of this agreement;

- (h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re enactments or replacements of any of them;
 - (i) references to the word 'include' or 'including' are to be construed without limitation;
 - (j) references to any form of law is to New Zealand law, including as amended or re-enacted;
 - (k) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
 - (l) "written" and "in writing" include any means of reproducing words, figures or symbols in a tangible and visible form;
 - (m) any obligation falling due for performance on or by a day other than a Business Day shall be performed on or by the Business Day immediately following that day; and
 - (n) an obligation not to do something includes an obligation not to allow or cause that thing to be done.
- 1.3 **Subsidiaries of the Company:** If at any time the Company has a subsidiary (as defined in the Companies Act) or subsidiaries, clauses 3.1, 5.1 and 6.1 shall be read so as to relate to the group of companies consisting of the Company and its subsidiaries, rather than to the Company alone.
- 1.4 **Constitution:** In the event of any inconsistency between this agreement and the Constitution, this agreement will (as between the parties) prevail over the Constitution to the extent of the inconsistency (and consistent with the Companies Act) and the Shareholders Representative Forum will take such steps necessary to resolve the inconsistency.
2. **ESTABLISHMENT OF COMPANY**
- 2.1 **Incorporation:** The Shareholders shall immediately after signing this agreement take all steps necessary (including signing documents) to incorporate the Company as a New Zealand registered company, as follows:
- 2.2 **Initial Issue of Shares:** The Company shall immediately upon incorporation have the number of shares set out in Schedule 1 which, on issue, will be held by the Shareholders set out in Schedule 1.
- 2.3 **Subsequent Adjustments to Shareholdings:** Subject to clause 2.4, the Shareholders agree that their intention is that each Shareholders' shareholding following the Operational Date will be calculated as follows:
- (a) the number of Water Service Connections that can be attributed to that Shareholder, as a percentage of the total number of Water Service Connections in the Service Areas, multiplied by 70%; plus
 - (b) 33% (being an equal allocation to each of the Shareholders), multiplied by 30%.
- 2.4 **Minimum and Maximum Shareholdings:** If:

- (a) the application of the formula in clause 2.3 would at the relevant time result in any Shareholder holding 50% or more of the total Shares:
 - (i) that Shareholder's shareholding will be reduced to 49.9%; and
 - (ii) the remaining Shareholders percentages will be increased pro-rata as to their respective shareholdings to get to 100% in total shareholdings;
- (b) the application of the formula in clause 2.3 would at the relevant time result in any Shareholder having a shareholding of less than 10%:
 - (i) that Shareholder's shareholding will be increased to 10%; and
 - (ii) the remaining Shareholders shareholding percentages will be reduced pro-rata as to their respective shareholdings to get to 100% in aggregate of the percentage shareholdings of all of the Shareholders.

3. PURPOSE OF COMPANY

3.1 **Purpose:** It is the intention of the Shareholders that the Company is to carry on the Business, in accordance with the LG(WS) Act, the Constitution and this agreement.

3.2 **Treaty of Waitangi:** The Shareholders must comply with all applicable statutory and regulatory obligations relating to Māori and the Treaty of Waitangi, including those set out in the LGA and LG(WS) Act.

3.3 **Ringfencing:** The Company will ensure that it:

- (a) operates the Business in a way that ringfences the operational and financing costs (including debt repayments) of its operations in respect of each Council's region; and
- (b) sets its water charges in respect of each Council's region based on the funding required by the Company to deliver the Water Services in that region.

3.4 **Retention of Public Ownership:** The Shareholders agree that all water services infrastructure and related assets owned by the Company shall remain in public ownership. This does not preclude the Company from accessing or benefiting from private funding or financing arrangements, provided such arrangements do not result in any transfer of ownership of those assets. No Shareholder will take any steps to approve or otherwise give effect to any action which is inconsistent with this clause.

4. BOARD AND DIRECTORS

4.1 **Initial Directors:** The Directors of the Company as at incorporation are:

Wendie Harvey
Steven Leonard Joyce
John Loughlin
George Haig Reedy

4.2 **Board:**

- (a) The Shareholder Representative Forum will appoint each Director in accordance with the Board Skills Matrix, with the aim of ensuring that the Board as a whole has the skills required by the Board Skills Matrix.
- (b) The Company will have the number of Directors that comply with in the Constitution.
- (c) The Directors will be appointed and removed in accordance with the Constitution.
- (d) All Directors will be Independent Directors. A Director who ceases to be an Independent Director must be replaced as soon as practicable, in accordance with the Constitution, by another person who satisfies the requirements of an Independent Director.

4.3 **Performance evaluation:** The Board will undertake an annual self-assessment of its performance, in accordance with good governance principles and practices.

5. SHAREHOLDERS' OBLIGATIONS

5.1 Voting and Shareholder reserved matters:

- (a) Subject to clause 5.1(b) and any resolution that is required by the Companies Act or the Constitution to be passed as a Special Resolution, all resolutions of the Shareholders may be passed by Ordinary Resolution.
- (b) The Company will not enter into any transaction or matter which is a Reserved Matter unless the entry into of that transaction or matter is approved in accordance with the applicable decision-making thresholds for that Reserved Matter set out in Schedule 3.

5.2 **Duty to comply with Constitution:** Each Shareholder shall comply with the Company's Constitution.

5.3 **Compliance with laws:** The Shareholders will each ensure they comply with their, and the Company complies with its, obligations under the LGA, Local Government (Water Services Preliminary Arrangements) Act 2024, the LG(WS) Act and the Companies Act.

5.4 **Spirit of collaborative working:** The Shareholders must at all times act in a spirit of co-operation and collaborative working, endeavouring to act together to allow for the effective communication of the Shareholders' intentions or requirements to the Company.

5.5 **No surprises:** The Shareholders shall use best endeavours to act under the principle of "no surprises", both with the Company and with each other in relation to their respective interests.

6. SHAREHOLDERS REPRESENTATIVE FORUM

6.1 **Establishment and Terms of Reference:** Promptly after the date of this agreement, the Shareholders will jointly establish, maintain and operate a Shareholders Representative Forum in accordance with the Terms of Reference to provide overarching governance of the Company, including:

- (a) in relation to the appointment of Directors to the Board of the Company;
 - (b) to assist the Shareholders to fulfil their obligations under this agreement; and
 - (c) where the Company has any obligation to consult with the Shareholders under the LG(W/S) Act or other applicable law, to allow the Company to meet such obligation by consulting with the Shareholders Representative Forum.
- 6.2 **SRF Members:** Each Shareholder will appoint and may subsequently remove and replace its appointed SRF Members from time to time by that Shareholder providing written notice to the Shareholders Representative Forum and the other Shareholders.
- 6.3 **Delegations to a SRF Member:** Each Shareholder agrees to delegate to its appointed SRF Member those responsibilities and powers set out in the Appendix to the Terms of Reference.
- 6.4 **Authority of SRF Members:** Subject to the delegations under clause 6.3, the Shareholders agree that any matter for a Shareholder under this agreement may be exercised by a duly authorised SRF Member.
- 6.5 **Attendance of SRF Members at meetings:** Each Shareholder shall ensure that its appointed SRF Members attend each meeting of the Shareholders Representative Forum.
- 6.6 **SRF Meeting Arrangements:**
- (a) the SRF will meet at least quarterly, or at such other times and frequency as it determines;
 - (b) the location of meetings will rotate between each of the Councils;
 - (c) meetings will be rotated amongst the Councils and supported by Hastings District Council as set out in the Terms of Reference; and
 - (d) agendas will be circulated at least three days in advance of a meeting, and minutes will be recorded and confirmed.
- Agendas will be circulated at least three days in advance of a meeting, and minutes will be recorded and confirmed.
- 6.7 **Failure to attend:** If a Shareholder's appointed SRF Member is not present at 2 consecutive meetings of the Shareholders Representative Forum, then that Shareholder will be required, on notice by any other Shareholder, to replace that Shareholder's appointed SRF Member.
- 7. LOANS AND GUARANTEES BY SHAREHOLDERS**
- 7.1 **Loans and guarantees:** No Shareholder will be required to make any loans to the Company or guarantee the obligations of the Company, to any creditor or other party except with the express prior agreement of such Shareholder or as set out in clause 7.2 and 7.3 below.
- 7.2 **Establishment Funding:** The Shareholders acknowledge and agree that, in advance of the Company receiving revenue from the Business, Hastings District Council will provide working capital funding to the Company for the purpose of meeting the establishment and operating

costs of the Company. The terms on which such funding will be provided to the Company (which will include that this funding will be repaid by the Company upon the Company entering into its own funding arrangements) will be as agreed in writing between the Shareholders and the Company. Each of Central Hawkes Bay District Council and Napier City Council guarantees, and is liable to Hastings District Council for, the amount of such funding, in proportion to its shareholding percentage as at the incorporation of the Company.

- 7.3 **Debt Guarantee:** Each Shareholder will guarantee the LGFA debt of the company on a pro-rata basis based on the number of Water Service Connections attributable to that Shareholder. This pro-rata allocation will be reassessed annually as at 30 June in each year. The guarantee to LGFA will be joint and several. .

8. STATEMENT OF EXPECTATIONS

- 8.1 **Preparation:** The Shareholders will be responsible for ensuring that a jointly prepared Statement of Expectations is adopted in accordance with the LG(WS) Act, within the time periods required by the LG(WS) Act. Each Council will provide input into the proposed form of the Statement of Expectations, which will be reviewed and refined by the Shareholders Representative Forum to ensure a jointly agreed Statement of Expectations is adopted by the Shareholders. The Shareholders acknowledge that the first Statement of Expectations needs to be adopted by a date that is not later than 6 months from incorporation of the Company.
- 8.2 **Process:** Unless the Shareholders agree otherwise, or an alternative process is provided for in the LG(WS) Act (in which case that alternative process will be followed):
- (a) the SRF will meet within the timeframes required for the Company to adopt a Water Services Strategy under the LG(WS) Act, to discuss and agree to the process for preparing the next Statement of Expectations, which will include the input provided by each Shareholder for the Statement of Expectations and will be consistent with the Constitution and include consulting with the Company;
 - (b) the SRF Members will ensure that one or more Shareholders publish the process agreed in accordance with clause 8.2(a) on their website in accordance with the LG(WS) Act;
 - (c) the SRF Members will prepare a draft Statement of Expectations in accordance with the process agreed under clause 8.2(a) and the requirements of this agreement and the LG(WS) Act;
 - (d) in addition to the requirements specified in the LG(WS) Act, the draft Statement of Expectations shall also include the matters set out in Schedule 5;
 - (e) the Shareholders must approve and adopt (as a Reserved Matter) the draft Statement of Expectations prepared in accordance with this clause, at least six months prior to the date on which the Company is required to adopt a Water Services Strategy under the LG(WS) Act.

Promptly after the Statement of Expectations has been approved and adopted in accordance with clause 8.2(e), the Statement of Expectations will be provided to the Chairperson of the Board, the Chief Executive of the Company and the Shareholders Representative Forum.

- 8.3 **Amendments to the Statement of Expectations:** If the SRF considers that the Statement of Expectations, or any part of it, should be amended at any time, either on its own initiative or after request by any Shareholder, the SRF will follow the process set out in clause 8.2(b) to (e) above (with all necessary modifications). If any amendments to the Statement of Expectations are made out of cycle with the timing anticipated by the LG(W.S) Act, the Shareholders acknowledge that the amended Statement of Expectations may not inform the Water Services Strategy required to be adopted by the Company, and also acknowledge that the Company is not required to amend its Water Services Strategy as a result of the amendments made.
- 8.4 **Compliance:** As far as practicable, the Board will ensure that the business of the Company is conducted in a manner that gives effect to the Statement of Expectations.

9. ADDITIONAL SHARES AND ADJUSTMENTS TO SHAREHOLDINGS

- 9.1 **Share Issue:** Additional Shares in the Company may be issued:
- (a) with the written approval of all Shareholders;
 - (b) to an existing Shareholder in accordance with the process set out in clause 9.2; or
 - (c) to a third party in accordance with the process set out in clause 10.2.
- 9.2 **Periodic adjustment to Shareholdings:** The Shareholders agree that their intention is for each Shareholder's shareholding in the Company to be consistent with the provisions of clauses 2.3 and 2.4. To maintain this equivalency over time:
- (a) the Company will conduct a review of Water Service Connections across the Service Areas of the Shareholders every five years, with the first review to occur five years after the Operational Date. This review will ensure that the allocation of Shares continues to reflect the number of Water Service Connections and is adjusted to account for any material changes in a Shareholder's Service Area, including (but not limited to) changes arising from population growth, boundary adjustments, amalgamations, or other relevant factors. The requirement to carry out such a review may be waived by a Special Resolution of the Shareholders; and
 - (b) if there has been a material change in the number of Water Service Connections in the Service Areas of two or more Shareholders, including as a result of an amalgamation affecting an existing Shareholder or a change to the Service Area boundary, the Shareholders may, by a Special Resolution, agree to undertake a review of Water Service Connections and shareholdings at a time other than the scheduled five-yearly reviews under clause 9.2(a).
 - (c) at least 10 Business Days after notifying the Shareholders and the Shareholders Representative Forum under clause 9.2(b), but promptly thereafter, the Board and the Shareholders must take all steps necessary to

issue and/or acquire and cancel Shares in the Company in such number and in respect of such Shareholders as is required to ensure that, immediately following such issuance and/or cancellation, each Shareholder holds the proportion of Shares calculated under clause 9.2(b); and

- (d) all shares acquired or issued under this clause 9.2 as part of any periodic adjustment to shareholdings shall be acquired or issued for nil consideration.

9.3 **Disputes:** Any dispute as to the operation of, and calculations under, clause 9.2 will be resolved in accordance with clause 15, provided that if the Board receives a notice of dispute pursuant to clause 15 within 5 Business Days after notice has been given under clause 9.2(b), the Board will not proceed to take any action under clause 9.2(c) until the dispute has been resolved under clause 15, following which the Board may take such action or make such adjustments as it deems necessary to give effect to any change in shareholdings, including in respect of transactions that may have occurred prior to the resolution of the dispute but on a basis consistent with the determined outcome of the dispute.

10. SHAREHOLDER ENTRY AND EXIT

10.1 **No sale:** No Shareholder shall directly or indirectly sell, transfer, or dispose of the legal or beneficial ownership of, or the control of, any of its Shares otherwise than in compliance with this clause 10, the Constitution and LG(WS) Act.

10.2 **New Shareholders:** A Local Authority who is not an existing Shareholder may be admitted as an additional Shareholder in accordance with the process and requirements set out in Schedule 6.

10.3 **Shareholder Exit:** A Shareholder who wishes to exit from its shareholding in the Company may do so in accordance with the process and requirements set out in Schedule 7.

11. SECURITY INTERESTS, AMALGAMATION

11.1 **No Security Interest:** A Shareholder must not grant a Security Interest over any of its Shares.

11.2 **Amalgamation of Local Authorities:** In the event of an amalgamation or any other change in the governance structure of a Shareholder, the Shareholders will meet and discuss the effect of the amalgamation on the shareholding structure of the Company and will exercise their voting rights to ensure that the shareholding percentages for the Shares remain reasonable as agreed by all Shareholders.

12. TERM AND TERMINATION

12.1 **Term:** This agreement commences on the date signed by all parties and continues until the first date on which:

- (a) only one Shareholder owns all Shares;
- (b) none of the Shareholders hold Shares; or
- (c) the date on which the Company is liquidated or otherwise wound-up.

13. CONSEQUENCES OF TERMINATION

- 13.1 **Effect of termination:** Any termination of this agreement with respect to a Shareholder does not affect any accrued rights that Shareholder may have against the other parties to this agreement or which the other parties to this agreement may have against it.
- 13.2 **Survival:** Termination of this agreement will not affect the rights and obligations of the Shareholders set out in clauses 1, 13, 15, 16, 17 and 18 which are intended to survive the termination of this agreement.

14. DEFAULT

- 14.1 **Suspension:** If an Event of Default occurs in respect of a Shareholder (the "**Defaulting Shareholder**") the Non-Defaulting Shareholders may, while that Event of Default continues, by notice in writing to the Defaulting Shareholder require that the Defaulting Shareholder is suspended as follows:

- (a) all rights of the Defaulting Shareholder under this agreement (including the right to vote on a Reserved Matter) and all rights attaching to the Defaulting Shareholder's Shares ("**Default Shares**") (including voting) are suspended and the Default Shares are not to be counted for the purpose of determining a quorum for a Shareholders meeting; and
- (b) all Director appointment rights of the Defaulting Shareholder are suspended; and
- (c) all voting rights of the Defaulting Shareholder's SRF Members are suspended.,

provided that such suspension will be lifted by the Non-Defaulting Shareholders if the Event of Default has been remedied to the reasonable satisfaction of the Non-Defaulting Shareholders.

- 14.2 **Non-Defaulting Shareholder:** For the purposes of clause 14.1:

- (a) "Non-Defaulting Shareholders" means all Shareholders which are not the Defaulting Shareholder, other than any such Shareholder which is a Related Party of the Defaulting Shareholder; and
- (b) any notice which may be given by the Non-Defaulting Shareholders may be given by a Shareholder or Shareholders which holds or hold more than half of the Shares held by all Non-Defaulting Shareholders.

- 14.3 **Default interest:** If any party does not pay any amount payable under this agreement on the due date for payment ("**Due Date**") that party shall pay to the party to which the amount payable, interest (both before and after judgment) on that amount. That interest:

- (a) shall be paid at the rate set out in Schedule 1;
- (b) shall be paid by instalments at intervals of ten Business Days from the Due Date; and
- (c) shall be calculated on a daily basis from and including the Due Date until the unpaid amount is paid in full.

The right of a party to require payment of interest under this clause does not limit any other right or remedy of that party.

- 14.4 **Other remedies:** Clauses 14.1 and 14.3 are without prejudice to any other right, power or remedy under this agreement, at law, or otherwise, that any Shareholder has in respect of a default by any other Shareholder.

15. DISPUTE RESOLUTION

- 15.1 **Notice in writing:** If a party claims that a dispute has arisen, that party must give written notice to the other parties. The written notice must specify the nature of the dispute.

- 15.2 **Interested Shareholder:** At any time following receipt of the Dispute Notice, a Shareholder may, where they are not directly involved in the dispute, provide notice to the other Shareholders:

- (a) that they are interested in the subject matter of the dispute, in which case they (along with the Shareholders which are directly involved in the dispute) will be considered to be "**Interested Shareholders**"; and
- (b) where they have previously given notice under clause 15.2(a), that they are no longer interested in the dispute, in which case, that Shareholder will not or no longer be considered to be an Interested Shareholder.

- 15.3 **Negotiation:**

- (a) On receipt of a notice delivered in accordance with clause 15.1 and before any party may refer a dispute to mediation, the Chief Executive of each shareholder Council (**CE**) must, in good faith and acting reasonably, do their best to resolve the dispute quickly and efficiently through negotiation.
- (b) If any CE considers that the dispute is not being resolved in a timely manner, that CE may serve written notice on the other parties' CEs to escalate the dispute to the SRF or equivalent (where the Representatives are not a member of the SRF or equivalent) of the applicable Shareholders for resolution.
- (c) If the dispute has not been resolved within 20 Business Days (or within such other period as agreed by the parties) of the date of the notice referred to in clause 15.3, any party may submit the dispute to mediation.

- 15.4 **Mediation:**

- (a) If the parties do not resolve the dispute by negotiation, the parties must, in good faith and acting reasonably, do their best to resolve the dispute by participating in mediation with an independent mediator.
- (b) If the parties do not agree on a mediator, then the mediator will be appointed by the New Zealand Dispute Resolution Centre.
- (c) The parties must mediate the dispute in accordance with principles agreed between them or, if no agreement can be reached, the New Zealand Dispute Resolution Centre Mediation Rules.

- (d) Unless the parties agree otherwise, the mediator's fee and any other costs of the mediation itself (such as for venue hire or refreshments) will be shared equally between the parties, but the parties will each pay their own costs of preparing for and participating in the mediation (such as for travel and legal representation).

15.5 Arbitration

- (a) If the dispute has not been resolved within 40 Business Days (or within such other period as agreed by the parties) of the dispute being referred to mediation, any party (the "**Initiating Party**") may refer such dispute to binding arbitration by issuing a written notice ("**Arbitration Notice**") to the other Party or Parties (together with the Initiating Party, the "**Disputing Parties**") for final resolution in accordance with the provisions of this clause 15.5 and in accordance with the provisions of the Rules of Arbitration of the New Zealand Dispute Resolution Centre, as amended or modified from time to time ("**NZDRC Rules**").
- (b) The arbitral panel shall consist of one arbitrator. The arbitrator will be appointed by the agreement of the Disputing Parties or, failing agreement within 10 Business Days of the date of the Arbitration Notice, in accordance with the NZDRC Rules.
- (c) The seat of arbitration shall be as set out in Schedule 1 and the arbitration shall be conducted in the English language.
- (d) The award of the arbitration shall be in writing and must include reasons for the decision.
- (e) The award of the arbitration shall be final and binding on the parties. No party may appeal to the High Court under Clause 5 of the Second Schedule of the Arbitration Act 1996 on any question of law arising out of an award.
- (f) The award shall allocate or apportion the costs of the arbitration as the arbitrator deems fair.
- (g) Neither the existence of any dispute nor the fact that any arbitration is pending hereunder shall relieve any of the Parties of their respective obligations under this agreement.

15.6 Implementation of agreement: The parties must do whatever is reasonably necessary to put into effect any negotiated or mediated agreement, arbitral award or other resolution. This includes exercising voting rights and other powers as required.

15.7 Rights and obligations during a dispute: During a dispute, each party must continue to perform its obligations under this agreement.

15.8 Interlocutory relief and right to terminate: This clause does not restrict or limit the right of a party to obtain interlocutory relief, or to immediately terminate this agreement where this agreement provides such a right.

16. CONFIDENTIAL INFORMATION AND PUBLIC ANNOUNCEMENTS

16.1 Confidentiality: Each party must keep confidential the Confidential Information, and must not disclose or permit the disclosure of such Confidential Information to any other person. If

a party becomes aware of a breach of this obligation, that party will immediately notify the other parties.

16.2 **Further permitted use and disclosure:** This agreement does not prohibit the disclosure of Confidential Information by a party in the following circumstances:

- (a) the other parties have consented to the disclosure of the relevant Confidential Information;
- (b) the disclosure is specifically contemplated and permitted by this agreement;
- (c) the disclosure of Confidential Information is to an employee, subcontractor, agent or representative who needs it for the purposes of this agreement;
- (d) the disclosure is to a professional adviser in order for it to provide advice in relation to matters arising under or in connection with this agreement;
- (e) the disclosure is required by a court or governmental or administrative authority; or
- (f) the disclosure is required by applicable law or regulation, including under the Local Government Official Information and Meetings Act 1987.

16.3 **Public announcements and media releases:** Each Shareholder agrees that it will not make any public announcements or issue media releases in connection with, or on behalf of, the other Shareholders or the Company in relation to the Company or Water Services, except with the written consent of the other Shareholders. Nothing in this provision shall prohibit or restrict a Shareholder from making a public announcements or media releases in connection with the Shareholder's own involvement with, or policies in relation to, the Company.

17. NOTICES

17.1 **Giving notices:** Any notice or communication given to a party under this agreement is only given if it is in writing and sent in one of the following ways:

- (a) Delivered or posted to that party at its address and marked for the attention of the relevant department or officer (if any) set out in Schedule 1.
- (b) Emailed to that party at its email address and marked for the attention of the representative set out in Schedule 1.

17.2 **Change of details:** If a party gives the other party three Business Days' notice of a change of its postal address or email address, any notice or communication is only given by that other party if it is delivered, posted or emailed to the latest postal address or email address.

17.3 **Time notice is given:** Any notice or communication is to be treated as given at the following time:

- (a) If it is delivered, when it is left at the relevant address.
- (b) If it is sent by post, five Business Days after it is posted.

- (c) If it is sent by email, when it is received in readable form addressed in the manner specified above.

However, if any notice or communication is given, on a day that is not a Business Day or after 5pm on a Business Day, in the place of the party to whom it is sent it is to be treated as having been given at the beginning of the next Business Day.

18. GENERAL

- 18.1 **Heads of Agreement:** The Heads of Agreement will be deemed to have been terminated agreement of the Shareholders on the date of this agreement, provide that nothing in this agreement will operate to affect any post-termination obligations on the parties under the Heads of Agreement.
- 18.2 **No partnership, joint venture:** Nothing in this agreement shall create or evidence any partnership, joint venture, agency, trust or employer/employee relationship between any of the Shareholders, and a Shareholder may not make, or allow to be made, any representation that any such relationship exists between any of the Shareholders. A Shareholder shall not have authority to act for, or to incur any obligation on behalf of, any other Shareholder, except as expressly provided for in this agreement.
- 18.3 **No privity:** Other than as expressly provided for in this agreement, this agreement is not intended to confer a benefit on any person or class of persons who is not a party to it.
- 18.4 **Board action:** Wherever this agreement requires the Board to do anything, each Shareholder shall take all steps available to it to ensure that the Director or Directors appointed by that Shareholder takes all necessary steps to do that thing.
- 18.5 **Counterparts:** This agreement is deemed to be signed by a Shareholder if that Shareholder has signed or attached that Shareholder's signatures to any of the following formats of this agreement:
 - (a) an original; or
 - (b) a photocopy; or
 - (c) an electronic copy;and if every Shareholder has signed or attached that Shareholder's signatures to any such format and delivered it in any such format to the other Shareholders, the executed formats shall together constitute a binding agreement between the Shareholders.
- 18.6 **Entire agreement:** This agreement contains everything the parties have agreed in relation to the subject matter it deals with. No party can rely on an earlier written agreement or anything said or done by or on behalf of another party before this agreement was executed.
- 18.7 **Severance:** If any provision of this agreement is, or becomes unenforceable, illegal or invalid for any reason it shall be deemed to be severed from this agreement without affecting the validity of the remainder of this agreement and shall not affect the enforceability, legality, validity or application of any other provision of this agreement.

- 18.8 **Further assurance:** Each Shareholder shall make all applications, execute all documents and do or procure all other acts and things reasonably required to implement and to carry out its obligations under, and the intention of, this agreement.
- 18.9 **Variation:** No variation of this agreement will be of any force or effect unless it is in writing and signed by the parties to this agreement.
- 18.10 **Assignments and transfer:** A party must not assign or transfer any of its rights or obligations under this agreement without the prior written consent of each of the other parties.
- 18.11 **Costs:** Except as otherwise set out in this agreement, each party must pay its own costs and expenses, including legal costs and expenses, in relation to preparing, negotiating, executing and completing this agreement and any document related to this agreement.
- 18.12 **Waivers:**
- (a) A waiver of any right, power or remedy under this agreement must be in writing signed by the Council granting it. A waiver only affects the particular right, obligation or breach for which it is given. It is not an implied waiver of any other right, obligation or breach or an implied waiver of that right, obligation or breach on any other occasion.
 - (b) The fact that a party fails to do, or delays in doing, something the party is entitled to do under this agreement does not amount to a waiver.
- 18.13 **Governing law:** This agreement is governed by the laws of New Zealand.

SCHEDULE 3

Matters requiring Shareholder approval

Matter or transaction	Approval requirement
Special Resolution Matters	
Any amendment to, revocation of, or adoption of, the Constitution.	Special Resolution
"Major transactions" as that term is defined in the Companies Act.	Special Resolution
Any resolution to put the Company into liquidation.	Special Resolution
Any resolution to amalgamate the Company with one or more other companies.	Special Resolution
Statement of Expectations	
A decision to approve and adopt the draft Statement of Expectations.	Ordinary Resolution
Shareholdings/Shares	
Any issue of Shares, securities that are convertible into or exchangeable for Shares, or options to acquire Shares.	Ordinary Resolution
Any alteration of rights, privileges or conditions attaching to the Shares	Ordinary Resolution
Any transfer by the Company of Shares held by the Company or any purchase or other acquisition by the Company of its own Shares;	Ordinary Resolution
Any consolidation, division, or subdivision of Shares.	Ordinary Resolution
Any cancellation, buy-back or reduction of Shares, securities that are convertible into or exchangeable for Shares, or options to acquire Shares.	Ordinary Resolution
The giving of any financial assistance for the purpose of, or in connection with, the purchase of Shares.	Ordinary Resolution
Making a material change in the nature of the Company's business or engaging in business activities other than the Business.	Ordinary Resolution
Starting or settling any legal or arbitration proceedings, except in the ordinary course of business.	Ordinary Resolution

SCHEDULE 4

Form of Shareholders Representative Forum Terms of Reference

Shareholders Representative Forum

Purpose

The Shareholders Representative Forum ("**Shareholders Representative Forum**") is established to:

- Provide governance oversight of the Company which provides Water Services in the Service Area set out in Schedule 1; and
- Provide a forum for the representatives of the Company's shareholders ("**Shareholders**") to meet, discuss and co-ordinate on relevant issues and, through their representatives, exercise their powers in respect of the Company.

Status

The Shareholders Representative Forum is a representative forum of the Shareholders. For clarity, it will be a "joint committee" for the purposes of the LGA.

Administration

Hastings District Council shall act as the administering Council for the Shareholders Representative Forum, providing administrative support and coordination, including (but not limited to) assisting the hosting Council with scheduling meetings, preparing agendas and minutes, and maintaining records, until the Shareholders Representative Forum resolves otherwise.

Specific responsibilities

The Shareholders Representative Forum's responsibilities are:

- receiving and considering the half-yearly and annual reports of the Company;
- receiving and considering such other information from the Company as the Shareholders Representative Forum may request on behalf of the Shareholders and/or receive from time to time;
- receiving, considering and providing comments on the draft Water Services Strategy and the Water Services annual budget;
- receiving, considering and providing comments and recommendations to the Company on any amendment to the Water Services Strategy;
- undertaking performance and other monitoring of the Company;
- considering and providing recommendations to the Shareholders on proposals from the Company;
- providing co-ordinated feedback, and recommendations as needed, on any matters requested by the Company or any Shareholder;

- providing recommendations to the Shareholders regarding the relevant network infrastructure owned by each Shareholder and/or the Company;
- providing recommendations to the Shareholders regarding water conservation;
- preparing the three yearly Statement of Expectations, with SRF Members to seek direction from their appointing Shareholder as required, in accordance with the process and other requirements of the Shareholders' Agreement and the LG(W.S) Act;
- seeking and interviewing candidates for the Company's board as needed;
- monitoring the performance of the board of the Company and the Company itself and reporting to the Shareholders on the performance;
- providing recommendations to the Shareholders regarding changes to these terms of reference, the Shareholders' Agreement and the constitution of the Company; and
- develop and maintain a skills matrix for Directors of the Company.

Shareholders Representative Forum decision making responsibilities

Considering and making decisions on the following:

- approving director appointments and/or removals; and
- approving the remuneration of directors of the Company.

Shareholders' responsibilities

To the extent that each Shareholder delegates its relevant powers to the SRF Member it appoints, the Shareholders Representative Forum will provide a forum for the Shareholders to meet and exercise their powers in relation to the Company.

Membership

The membership of the Shareholders Representative Forum will total the number of persons set out in Schedule 1, with the initial members being as set out in Schedule 1.

At least one member of each Shareholder's appointed members to the SRF must be an elected member.

Quorum

No business may be transacted at an SRF meeting if a quorum is not present. A quorum for an SRF meeting is present if at least one representative from each Shareholder (or their proxy) is in attendance, whether in person or via an approved virtual platform. If a quorum is not present within 30 minutes after the scheduled start time for the meeting:

- (a) the meeting is adjourned to:
 - (i) the same day in the following week at the same time and place, or
 - (ii) to another date, time and place to be fixed by the Directors; and

- (b) at the adjourned meeting, those Shareholders present shall constitute a quorum, regardless of the number of Shareholders represented.

Independent Chairperson

The Independent Chairperson of the SRF shall be appointed by the Shareholders' Representative Forum once all SRF Members have been appointed. The Chairperson will be an additional SRF Member, who must be independent of the shareholding Councils. The Chairperson shall have no right to vote on any matters. For the purposes of this Schedule, "appointing" means the formal selection and confirmation of a candidate through a structured and transparent recruitment process, which shall include:

- (a) assessment of candidates against an agreed criteria for independence, skills, and experience;
- (b) an interview and evaluation process conducted by the SRF; and
- (c) approval of the successful candidate by a 75% majority vote of SRF Members.

Decision-making

The Shareholders Representative Forum will strive to make all decisions by consensus.

In the event that a consensus on a particular matter before the Shareholders Representative Forum is not able to be reached, each member of the Shareholders Representative Forum has a deliberative vote.

A vote of the Shareholders Representative Forum is passed if a majority of the votes cast are in favour of the matter. In the situation where there is an equality of votes cast on a matter, the matter subject to the vote is defeated and the status quo is preserved.

Policies

The Shareholders Representative Forum will develop and agree:

- a process to manage actual, potential and perceived conflicts of interest of SRF Members and Shareholders;
- a code of conduct for all SRF Members;
- confidentiality protocols and disclosure policies;
- standing orders relating to the operation of Shareholders Representative Forum meetings; and
- such other policies as the Shareholders Representative Forum determines.

Remuneration

Each Shareholder will be responsible for remunerating its members on the Shareholders Representative Forum for any costs associated with that person's membership of the Shareholders Representative Forum. To ensure consistency, where remuneration is to be paid to a member of the Shareholders Representative Forum, the amount of such remuneration must be agreed by the Shareholders Representative Forum.

Administration

Reports to be considered by the Shareholders Representative Forum may be submitted by any of the Shareholders or the Company.

Appendix to Schedule 4

Common delegations

SRF responsibilities

- Each Shareholder will delegate to its appointed SRF Members all:
 - responsibilities and powers necessary to participate in and carry out those responsibilities in accordance with the Shareholders' Agreement and the Terms of Reference; and
 - other matters referred by the Board for approval, excluding those matters described in Schedule 3.

Shareholders' responsibilities

- Each Shareholder will delegate to its appointed SRF Members and, in accordance with the Terms of Reference, all responsibilities and powers in relation to agreement on:
 - when Shareholder meetings, or resolutions in lieu of Shareholder meetings, are required (without prejudice to Shareholder and Board rights to call meetings under the Company's Constitution); and
 - the appointment, removal and remuneration of directors.

SCHEDULE 5

Statement of Expectations

These are the Shareholders initial strategic priorities or intentions for the Company:

Topic	Initial priorities or intentions
<p>Overview of key expectations</p>	<p>Initial expectations are as follows:</p> <ul style="list-style-type: none"> • Adopt a regional focus and approach to governance and general decision-making, which recognises and responds to the requirements of urban and rural communities. • Support existing strategic growth policies by aligning strategic planning and service delivery with shareholder Council Long-term plans, and all spatial and strategic growth related plans, including the Napier-Hastings Future Development Strategy, Central Hawke’s Bay Integrated Spatial Plan 2050, as far as practicable. • Align strategic planning and service delivery with any future regional deal entered into for the Hawke’s Bay region. • Adopt a 30-year timeframe when planning for future infrastructure and water service delivery requirements to provide for housing growth and urban development and comply with all required standards. • Support shareholder Council position on future reform proposals, including in relation to RMA reform. • Adopt policies and strategies that seek to fully recover the costs of growth. • Utilise all available funding tools that can reduce the cost of water services regionally.

Topic	Initial priorities or intentions
<p>Regional focus and approach</p>	<p>Adopt a regional focus and approach to all governance arrangements and decision-making, including where applicable procurement processes.</p> <p>This is expected to include:</p> <ul style="list-style-type: none"> • Ensuring that governance and senior leadership has a detailed understanding of the issues facing the wider region. • Emphasising engagement, and developing relationships, with communities and key stakeholders across the region. • Holding meetings across the region as required, with local issues to be canvassed with directly affected communities. • Developing principles to guide decision-making by the WSCCO, which place importance on achieving efficiencies, efficiency gains, community involvement and understanding local and sub-regional needs. • Developing strong working relationships with Māori, along with central government and other external partners.
<p>Strategic planning, including in relation to urban growth</p>	<p>Ensure that strategic planning and decision-making is aligned, as far as practicable, with the intentions of shareholding Councils, by specifically considering and engaging with existing Long-term plans, and all spatial and strategic growth related plans, including the Napier-Hastings Future Development Strategy and Central Hawke's Bay Integrated Spatial Plan 2050.</p> <p>Develop a capital and growth programme so that it is aligned with intended sequencing of land release across the region, while also providing for some unanticipated growth to respond to externalities.</p> <p>Any decision-making in relation to new infrastructure should provide a thorough assessment against Long-term Plan strategic priorities, and ensure an integrated and efficient approach to investment.</p>

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Topic	Initial priorities or intentions
<p>Service Delivery</p>	<p>Work to optimise service delivery across the region, by designing and delivering water services in a manner that is efficient, cost effective and responsive to local communities.</p> <p>Continue operating under the existing Napier City Council Napier City Services maintenance and delivery model for Napier's network, acknowledging that there is no fixed contractual term. A review will be scheduled to align with the contract renewal timeframes of other council providers in 2029.</p> <p>Accelerate efficiencies where possible in relation to capital and operational expenditure.</p> <p>When undertaking any procurement processes, encourage an open, competitive approach where practicable.</p>
<p>Affordability</p>	<p>When undertaking annual budgeting, financial and growth planning and when setting charges, WSCCO decision-making is to place emphasis on ensuring affordability for consumers (including vulnerable communities across the region).</p> <p>WSCCO, with support from shareholder Councils, is to progress engagement with the Commerce Commission to inform development of guidance that assists with defining and meeting affordability expectations.</p>
<p>Recognition of existing arrangements specific to each shareholder Council</p>	<p>The WSCCO will consider and recognise, as far as possible, any existing commercial or other arrangements entered into by shareholder Councils with third parties.</p> <p>This is particularly where existing arrangements facilitate or ensure ongoing delivery of core public services, or provide significant public economic benefit to shareholder Councils and their community.</p>

SCHEDULE 6

Shareholder Entry Principles

1. Process for admission as new Shareholder

A Territorial Authority (as defined in the LG(WS)Act who is not an existing Shareholder (**Proposed Shareholder**) may be admitted as an additional Shareholder (**Admission**) in accordance with the following process:

- (a) a Proposed Shareholder must submit a proposal to the Board setting out the Proposed Shareholders' credentials and the rationale for its proposed shareholding (a **Proposal**);
- (b) following receipt of a Proposal, the Board will assess the merits of the Proposal, consider the implications of it for the Company, its then current Water Services Strategy under the LG(WS) Act and make a recommendation to the Shareholders Representative Forum as to whether or not the Shareholders should approve the Admission and any suggested terms and conditions of Admission (a **Recommendation**);
- (c) following receipt of a Recommendation:
 - (i) the Shareholders Representative Forum will consider the Proposal and the Shareholders will determine if the Recommendation should proceed to be consulted on as a change proposal in accordance with the requirements of the LG(WS)Act;
 - (ii) the Shareholders must comply with any required consultation in respect of the change proposal under the LG(WS)Act;
 - (iii) following completion of the change proposal requirements under the LG(WS)Act, the Shareholders may, at their discretion, approve the Admission as a Reserved Matter. The Proposed Shareholder will not be admitted if the Shareholders consider that its Admission would be likely to:
 - (aa) materially worsen the Company's financial position or forecast financial position; or
 - (bb) result in the Company failing to meet its regulatory obligations to be financially sustainable; and
- (d) the parties must comply with all applicable legislative requirements.

2. Terms of admission of new Shareholder

Unless otherwise agreed by all Shareholders in writing, if the Shareholders approve the Admission of a new Shareholder under paragraph 1(c) of this schedule:

- (a) the Proposed Shareholder's shareholding in the Company as a proportion of total Shares will be calculated in accordance with clauses 2.2 and 2.4, as adjusted in accordance with the Recommendation;

- (b) on or shortly after Admission, the Proposed Shareholder will be required to transfer its relevant assets to the Company pursuant to a Transfer Agreement, with the terms of such transfer to be no more favourable to the Proposed Shareholder than the terms of transfer applying to the initial Shareholders under their respective Transfer Agreements and otherwise on terms that the Board is satisfied are fair and reasonable in the circumstances;
- (c) prior to (but conditional on) Admission, the parties will negotiate, agree and implement any changes to this agreement and the Constitution that may be necessary or desirable as a result of Admission, including to:
 - (i) maintain the intended balance of rights, powers and obligations of Shareholders and SRF Members; and
 - (ii) ensure appropriate iwi participation for the expanded Service Area, with each party to bear its own costs and expenses of negotiating, agreeing and implementing any changes, including legal costs and expenses;
- (d) prior to (and with effect on and from) Admission, the Proposed Shareholder must accede to this agreement (as amended in accordance with paragraph 2(c) of this schedule);
- (e) the Admission will be given effect by the issue of new Shares to the Proposed Shareholder, with the existing Shareholders to take all steps necessary to issue those Shares, with at least one year's lead time between the approval of Admission under paragraph 1(c), and the giving effect to of the Admission under this paragraph 2(e) (or such other period as the Parties may agree with the Proposed Shareholder); and
- (f) promptly after the approval of Admission under paragraph 1(c), the Board and Shareholders Representative Forum will develop and agree a transition plan which sets out the process and timeframes for giving effect to Admission, including the steps set out above.

3. Merging with other Water Organisations

The Shareholder Representative Forum may also consider merging the Company with other water organisations under the LG(W)S Act, provided that any such proposal will require the unanimous consent of the Shareholders.

SCHEDULE 7

Shareholder Exit Principles

1. Process for Exit

A Shareholder who wishes to exit from its shareholding in the Company (**Exit**) (**Exiting Shareholder**) may do so in accordance with the following process:

- (a) the Exiting Shareholder must submit at least **12 months'** prior written notice to the Board and the Shareholders Representative Forum stating its intention to Exit (**Exit Notice**);
- (b) following receipt of an Exit Notice:
 - (i) the Shareholders Representative Forum will consider the proposal set out in the Exit Notice and the Shareholders will determine if the Exit should proceed to be consulted on as a change proposal in accordance with the requirements of the LG(WS)Act;
 - (ii) the Shareholders must comply with any required consultation in respect of the change proposal under the LG(WS)Act; and
 - (iii) following completion of the change proposal requirements under the LG(WS)Act, the Board and the Shareholders Representative Forum will work collaboratively to develop a detailed exit plan (**Exit Plan**) setting out a proposed process and timeline for Exit, including to address the treatment of assets and joint assets, consideration, stranded assets and liabilities and transactions costs, and reflecting the Terms of Exit set out in paragraph 2 of this schedule;
- (c) a finalised Exit Plan will be presented to the Shareholders Representative Forum who will consider the Exit Plan and the Shareholders may, at their discretion, approve the Exit as a Reserved Matter. The Exit will not be approved if the Shareholders consider that the Exit would be likely to:
 - (i) materially worsen the Company's financial position or forecast financial position; or
 - (ii) result in the Company failing to meet its regulatory obligations to be financially sustainable; and
- (d) the parties must comply with all applicable legislative requirements, including in respect of consultation, in respect of considering, approving, and giving effect to any proposed Exit.

2. Terms of Exit

Unless otherwise agreed by all Shareholders in writing, if the Shareholders approve the Exit under paragraph 1(c) of this schedule:

- (a) the Exiting Shareholder will be entitled to transfer the relevant assets and debts out of the Company in respect of that Exiting Shareholder's Service Area for an agreed price based on the Exiting Shareholders Shareholding percentage (in each case, agreed as part of the Exit) at the time of transfer;

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- (b) prior to (but conditional on) Exit, the parties will negotiate, agree and implement any changes to this agreement and the Constitution that may be necessary or desirable as a result of the Exit, including to:
 - (i) maintain the intended balance of rights powers and liabilities of Shareholders and SRF Members; and
 - (ii) ensure appropriate iwi participation for the reduced Service Area, with each party to bear its own costs and expenses of negotiating, agreeing and implementing any changes, including legal costs and expenses; and
- (c) on and from the date the Exit takes effect, the Exiting Shareholder will be released from its obligations under this agreement (except in respect of any breaches up to the date of Exit); and
- (d) the Exit will be given effect by the transfer of the Exiting Shareholder's Shares to the remaining Shareholders or by the Company acquiring and cancelling the Exiting Shareholder's Shares, with the remaining Shareholders to take all steps necessary to give effect to this step, with at least two years lead time between the giving of an Exit Notice under paragraph 1(a) and the giving effect to of the Exit under this paragraph 2(d).