

Local Water Done Well

Workshop - 7 November 2025

Agenda

- Karakia
- Introduction
- Purpose
- Key focus areas for today:
 - Overview of draft foundation documents (legal workstream)
 - Outline options on key issues:
 - Shareholding options Decision-making roles and responsibilities
 - Approach to decision-making with mana whenua partners
- EM requested topics and questions
- Next steps
- Questions & discussion

Purpose

- Today's focus is on Governance & Accountability
 - LWDW Legislation makes certain things mandatory
 - Others there is choice
- We focus today on where there is choice
 - Recommended options
 - How those are implemented in foundation documents
- This Workshop is NOT a decision-making forum
- Your feedback will guide the next steps so we can finalise the documents for signoff in December

Background & current status

- Council inductions & briefings on Local Water Done Well
- WS-CCO
 - Joint WSDP submitted
 - Project Oversight Group (POG) – established, for purpose of providing key direction
 - Decisions to be made on Foundation Documents
 - Transition principles and plan to be developed
 - Company to be incorporated
- Reminder, proposed timing is:
 - 1 July 2026 establishment
 - 1 July 2027 “Day 1”

Where are we in this phase of the process

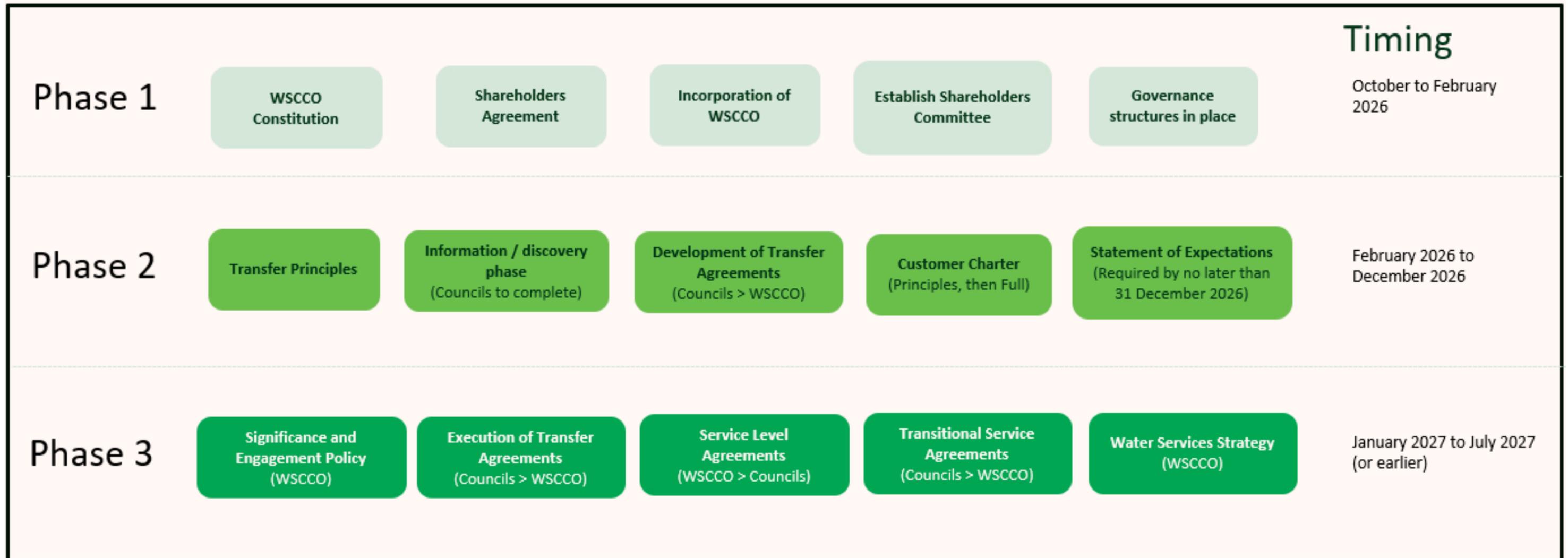
Council decision on WS-CCO	<input checked="" type="checkbox"/>
WSDP – agreed and lodged	<input checked="" type="checkbox"/>
Collaboration Agreement	<input checked="" type="checkbox"/>
Basis for Foundation Documents	<input checked="" type="checkbox"/>
Constitution and Shareholders Agreement	Dec – Feb
Shareholders Committee	Dec – Feb
Board and CE Appointed	March – June
Transfer Agreements (next phase)	

Legal workstreams required

Phase 1: Development of Foundation Documents & Incorporation

Phase 2: Transfer due diligence, Accountability

Phase 3: Policy / Strategy development, Execute transfers, and other Transitional / Support Arrangements



Overview of Foundation Documents



CONSTITUTION



SHAREHOLDERS
AGREEMENT



TRANSFER
AGREEMENT



TRANSITIONAL
AGREEMENTS



STATEMENT OF
EXPECTATIONS

Overview of Foundation Documents

- Draft documents now prepared, based on DIA templates
- A number of matters need Council direction to be resolved
- In order to guide, a table has been developed to identify the issues / clauses which require completion (example below, circulated to all)

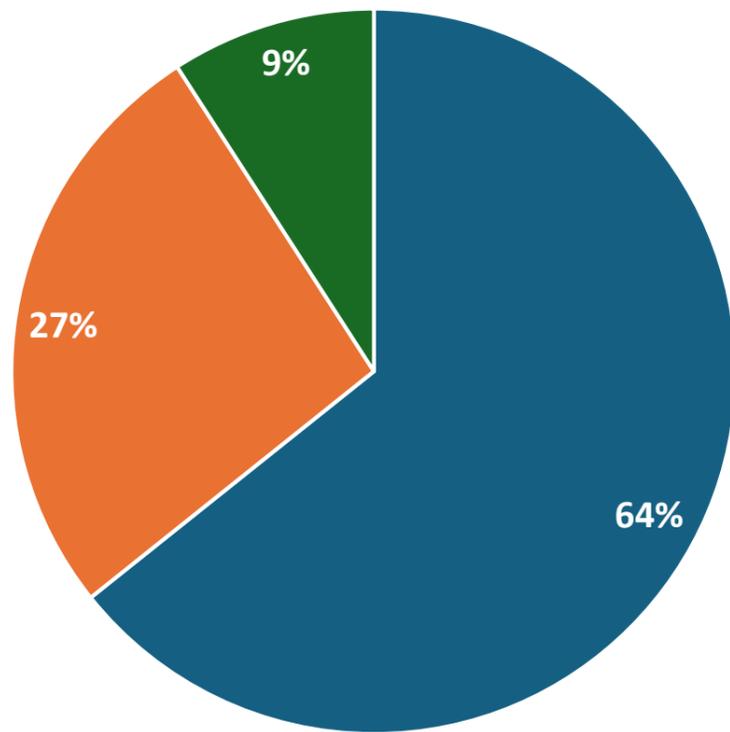
#	TOPIC / QUESTION	DECISION OPTIONS	RECOMMENDATION	CROSS-REF
Ownership and control				
4.	<i>Whether dividends permitted</i>	(a) No dividend permitted (b) Dividend permitted with board approval (c) Dividend permitted with unanimous shareholder approval	We recommend option (c) as it gives the Company some flexibility while ensuring that a decision against reinvesting all surplus funds into maintaining and improving infrastructure and services cannot be made too easily. We consider this approach to be consistent with the purpose, objectives and financial principles of the LG(WS)A.	Clause 8, Constitution

Shareholding

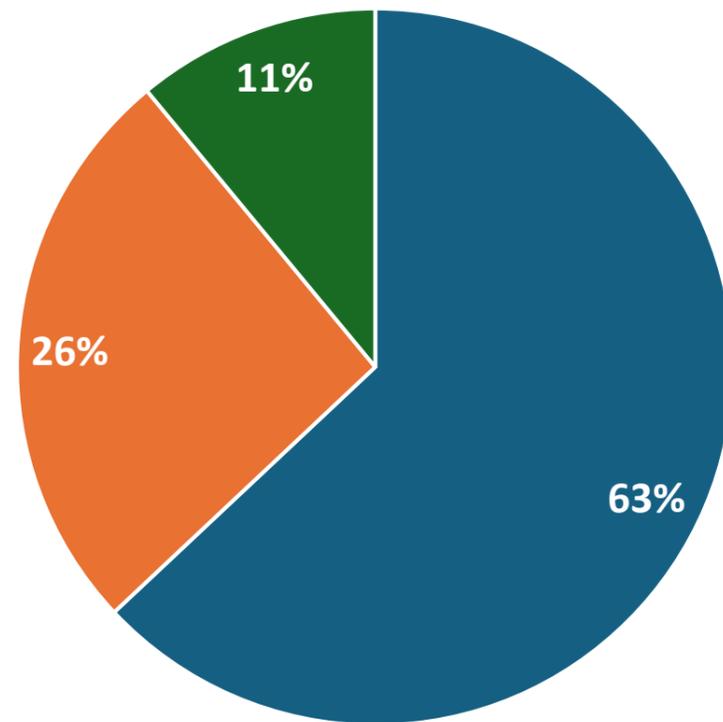
- Several options available
 - Different approaches / options being used across the country
- The recommended approach for the WS-CCO is an agreed allocation of shares of 65/25/10
 - Simple, efficient & supports collective governance & accountability; and
 - The following slide shows that there is little difference between the options for the WS-CCO

Little difference between shareholding options

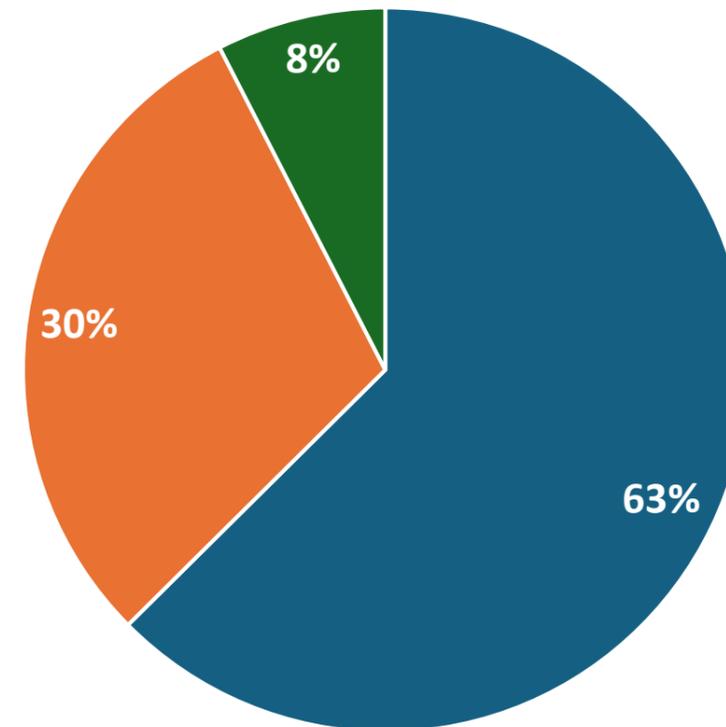
Connections



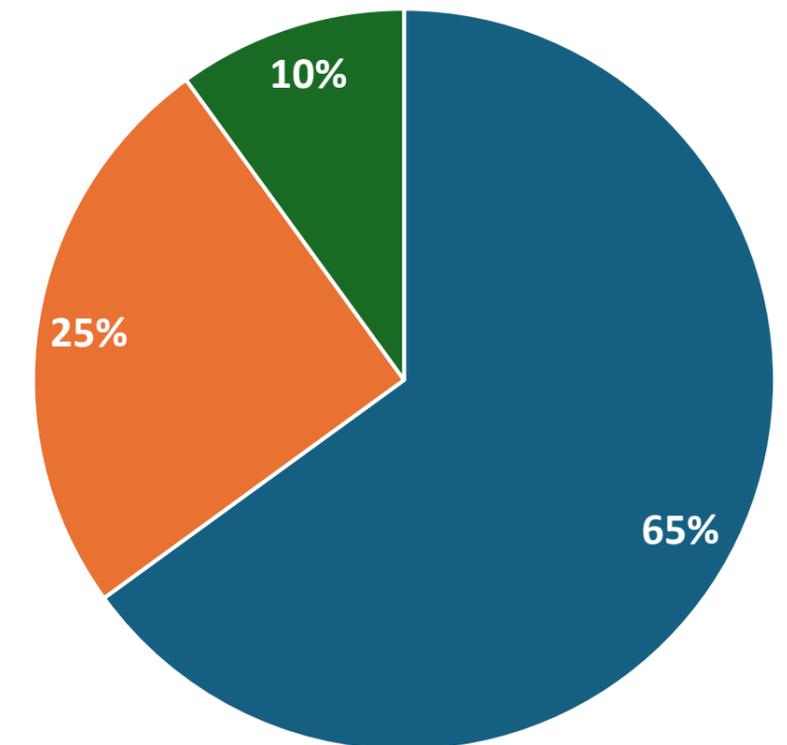
Population



Net Asset Value



Rounded



*Source of data is WSDP
– various estimation methods
applied*

Total population

Source of data is financial modelling

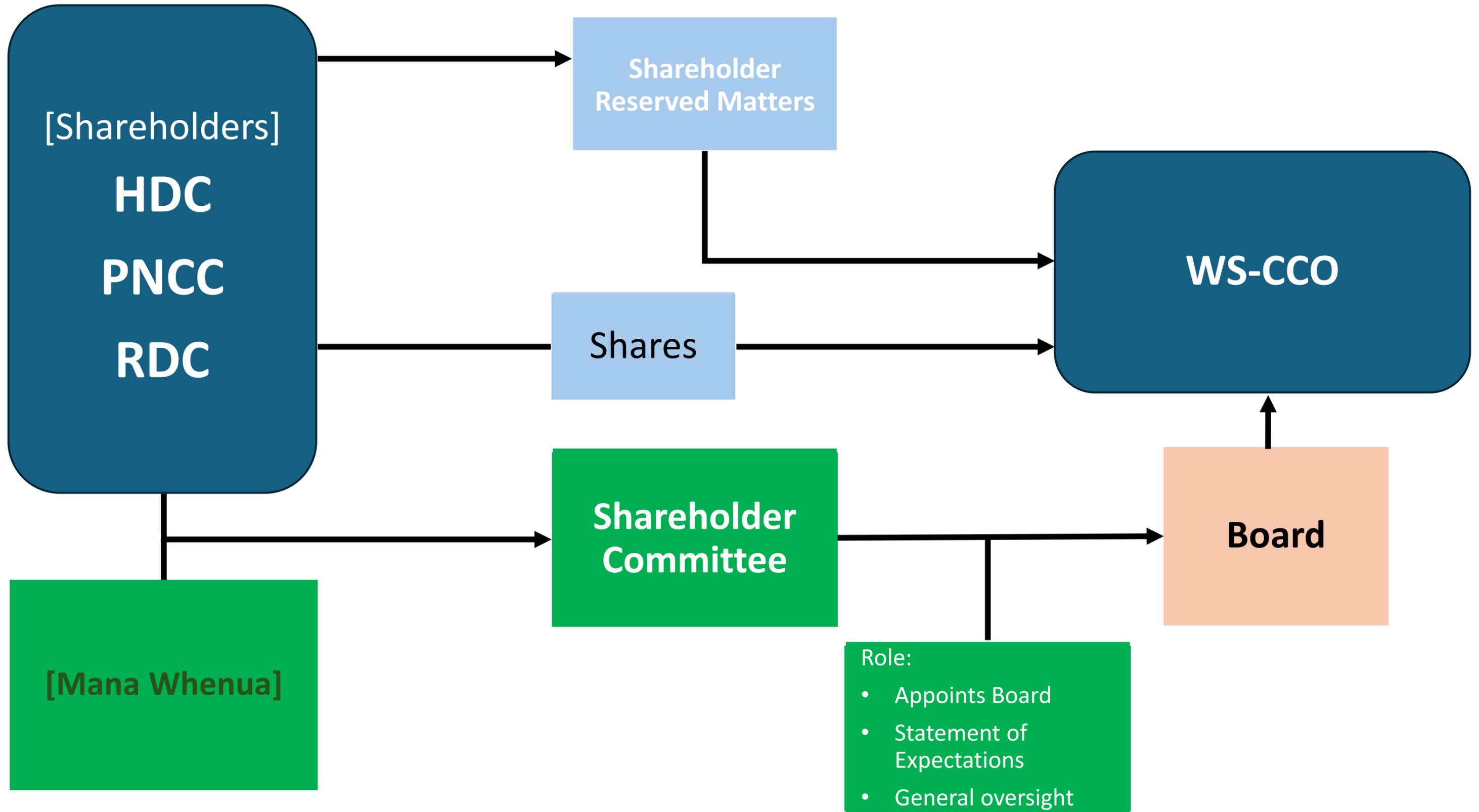
■ PNCC ■ HDC ■ RDC

Distributions

- Legislation allows for issue of distributions
- Recommendation is to allow for this, but only with unanimous shareholder approval
- Key reasons:
 - Recognises that the WS-CCO's focus should be on investing in infrastructure for now
 - Provides for possibility of dividend in the future if/when prudent (likely only when infrastructure investment not required)
 - Alternative is to prohibit outright, however unanimous is a higher threshold than changing the constitution to allow for it in the future

Decision making roles and responsibilities

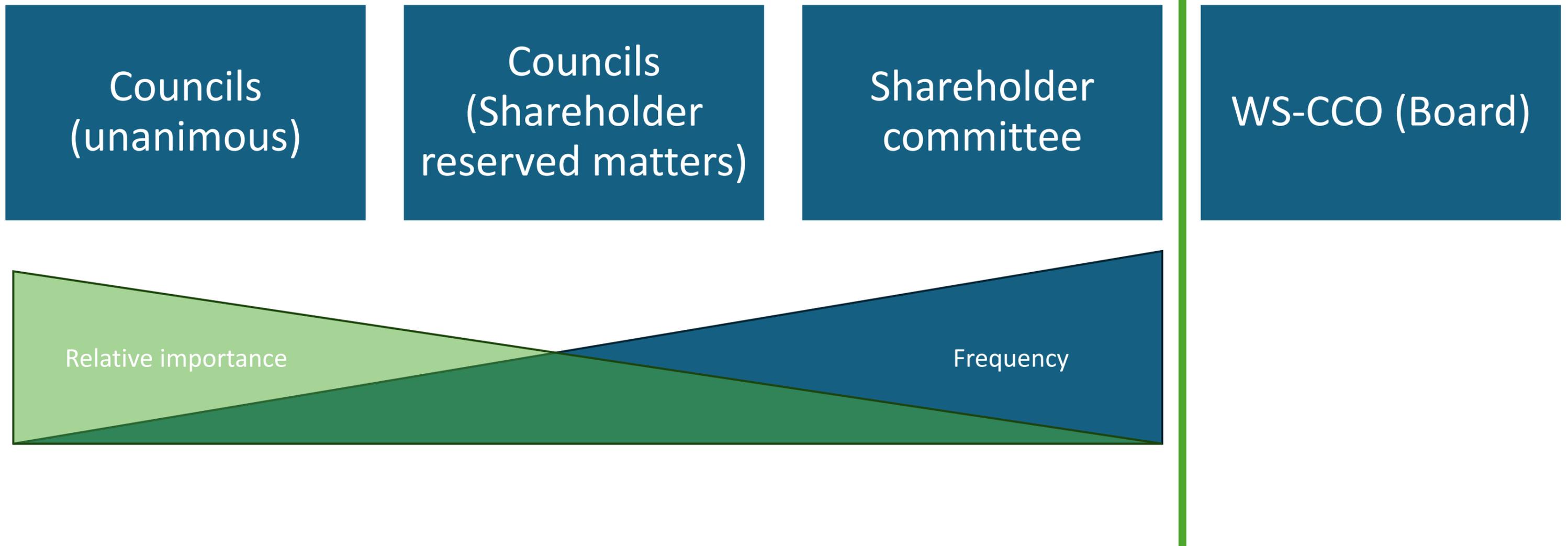
Proposed governance structure



Key Elements of the Governance Structure

- How to unlock the structure:
 - The parties:
 - Shareholding Councils
 - Mana Whenua
 - WS-CCO
 - The governance bodies:
 - Board
 - Shareholder Committee
 - Shareholders
 - The connections:
 - Shareholding Councils and Mana Whenua are proposed to be members of Shareholder Committee
 - Membership arrangements to be agreed
 - Councils are Shareholders (in exchange for their assets)
 - Shareholder Committee (via appointed representatives) to be delegated responsibility for certain decisions
 - Board of Company (appointed by the Shareholder Committee) accountable to the Company, Shareholder Committee and Shareholder

Shareholder Decision Making



Board of Directors

Matter	Options	Recommendation
Number	Any number but needs to be workable	3 – 7 as this provides flexibility Key requirements are: <ul style="list-style-type: none"> • not employees or elected members • mix of requisite skills
Appointment	<ol style="list-style-type: none"> 1. 1 appoint by each shareholder 2. Joint – by Shareholder Committee 	Shareholder Committee, documented in Constitution and SHA
Term	<ol style="list-style-type: none"> 1. Specified maximum term 2. No specified term 	Specified max of 3 years, 3 terms
Skills matrix	<ol style="list-style-type: none"> 1. Shareholder decision 2. Joint – by Shareholder Committee 	Option 2.

Shareholder committee

- An efficient way of engaging with Board, rather than each Council directly
- Recommended to be a “joint committee”
- Key points:
 - Engages well-understood procedures and processes under LGA
 - The Shareholder Committee will operate under an agreed Terms of Reference - to be set out in Shareholders’ Agreement
 - To provide for Mana Whenua participation
 - Councils will appoint three representatives only one of which must be an elected member
 - Each Council can then appoint a Mana Whenua nominated representatives

Shareholder committee

- Most governance functions delegated by each Council to the Shareholder Committee
- Delegated role/function:
 - Approval of initial plan and budget (taking over from POG after Board appointed)
 - Preparation and approval of Statement of Expectations (late 2026)
 - Adoption of and changes to Director Skills Matrix
 - Director appointment policy
 - Comments to Company on draft Water Services Strategy
 - Review of draft Transfer Agreements (but not execution, as that is matter for Councils)
 - Review of draft Transitional or Service Level Agreements (but not execution)
 - Set performance measures and monitor WS-CCO
 - Review half-yearly and annual reports of WS-CCO

Shareholder Committee

Matter	Options	Recommendation
Mana Whenua representation	<ol style="list-style-type: none"> 1. No representation 2. Nomination by MW, confirmed by Shareholder representatives on Committee 3. MW representatives appointed by Shareholder councils 	<p>Option 3.</p> <p>Likely acceptable to MW partners, and in keeping with their existing arrangements with Councils</p>
Chairperson	<ol style="list-style-type: none"> 1. Independent Chair – appointed by Shareholder Committee members 2. Chair appointed from Shareholder Committee members 	<p>Option 1. Will assist with good governance, but non-voting if Shareholder Committee comprises nine members</p>
Decision-making	<ol style="list-style-type: none"> 1. By consensus 2. Majority of Shareholder Committee members 3. Majority of Shareholder Committee, and 2/3 councils 	<p>Option 2. Document in SHA</p>

Shareholders – Role and Decisions

- Certain decisions are reserved for Shareholders (under the Companies Act) and cannot be contracted out of. For example:
 - Changes to the constitution
 - “Major transactions” (as defined in the Companies Act)
- Additional decisions reserved for Shareholders in the Constitution – generally key structural matters affecting the WS-CCO.
 - Some of these require approval by 75% of votes cast
 - Most critical decisions will require unanimous agreement from Shareholder Councils (examples on next slide)
- Other decisions (which will mainly be procedural) will require a majority of votes

Shareholders – Role and Decisions

- Examples of decisions requiring approval by 75% of the votes cast are:
 - Any issue of shares to existing Shareholder Council
 - Any changes to the rights attaching to shares
 - Making a material change to the nature of the Company's business
- Examples of decisions requiring unanimous approval are:
 - Admission of a new shareholder (whether via transfer or issue of shares)
 - Liquidation
 - Amalgamation

EM requested topics and questions

At the workshop, we will discuss any issues and answer specific questions that have been forwarded to the team. Please send your questions and issues to chris.dyhrberg@pncc.govt.nz by midday on Wednesday 5 November

Next steps

- Feedback from today will inform final drafting of the proposed Foundation Documents
- December Council signoff of Constitution and Shareholders Agreement, with officer reporting to support
- Until that point, continue to use the POG as the mechanism to test thinking with Councils and to continue progress

Upcoming Activity in 2026

- Into 2026 you should expect:
 - WSDP approval (by Dec 2025)
 - Director selection and appointment process
 - Incorporation – plus associated comms when Board is appointed
 - Work begins on transfer process, due diligence
 - Asset transfer principles to be developed – will consult with Councils
 - Transfer Agreements will come back to Councils for final execution

Questions & Close