



Statement of Corporate Intent

1. MISSION STATEMENT

City Forests Limited (the Company) is committed to providing sustainable commercial returns to its Shareholder through plantation forest ownership, harvesting and added value processing activities while maintaining the long-term productive capacity of its land holdings and maximising the environmental and community benefits of Company activities.

2. NATURE AND SCOPE OF ACTIVITIES

City Forests' forests are principally located in the Coastal Otago Region while the products produced from its activities are sold on local and international markets. The Company's scope of activities includes expansion of opportunities in forest ownership and activities across the value chain.

The functions of City Forests are:

- To own and manage a plantation forest resource. To support and or participate in added value wood processing in Otago and Southland.
- To optimise the economic return from the Company's activities for the long-term benefit of the Company's Shareholders.
- To manage the forest asset and other resources in such a way as to ensure their long-term economic, social and environmental sustainability.
- To ensure the safety, health and well-being of staff, contractors and visitors to the forest.

3. CORPORATE GOVERNANCE STATEMENT

City Forests is a Council Controlled Trading Organisation (CCTO). The Directors' role is defined in Section 58 of the Local Government Act 2002. This section states that all decisions relating to the operation of the CCTO shall be made pursuant to the authority of the directorate of the CCTO and its Statement of Intent. The Board is responsible for the preparation of the Statement of Intent which is provided to the Company's Shareholder, Dunedin City Holdings Limited and the Dunedin City Council. In addition to the obligations of the Local Government Act City Forests Limited is also covered by the Companies Act 1993 and governed by Directors as any company should be by law and best practice.

City Forests Limited has its own Board of Directors that meets on a regular basis to direct and control the Company's activities. Directors are appointed following approval by the Dunedin City Council, using procedures set out by Council as the ultimate Shareholder.

The Board accepts that it is responsible for the overall control systems operating within the Company but recognises that no cost effective internal control systems will permanently preclude all errors or

irregularities. The control systems operating within the Company reflect the specific risks associated with the business of the Company concerned.

The Shareholder reviews and approves the Statement of Intent and the three-year financial plan. Annual and 6 monthly reports on financial and operational performance are provided to the Shareholders. Monthly financial and operating performance is reported to Dunedin City Holdings Limited.

4. CORPORATE GOALS

The principal goal of City Forests is to operate as a successful long-term business with the prime objective of managing the company's assets on an economic, environmental and socially sustainable basis. The specific corporate goals of City Forests Limited are:

Economic Goals

- 4.1. To provide a long term after tax return to Shareholders on their investment in the Company of at least 7% and to maximise the long term sustainable financial return to Shareholders. Particular attention will be given to cash flow performance.
- 4.2. To develop diversified markets for the Company's products.
- 4.3. To maintain and enhance the Company's reputation as being one of the preferred forest products producers in both the domestic and the export markets.
- 4.4. To optimise the Net Present Value of the estate in perpetuity with the overall goal of managing the financial returns from the forest on a long-term sustainable basis.
- 4.5. To leverage the region's competitive advantage of producing high quality forest through the application of industry best practice forest management plans that optimise site productivity and return on Shareholder's investment.
- 4.6. To support and participate in Research and Development to enable the Company to achieve industry best practice forest management, value recovery and supply chain performance.
- 4.7. To support and or participate in the sustainable development of added value wood processing in Otago and Southland.

Environmental and Social Goals

- 4.8. To be a socially and environmentally responsible corporate citizen and maintain comprehensive environmental and health and safety systems for the Company's forests and operations.
- 4.9. To maintain an experienced, trained for task and reliable workforce.
- 4.10. To encourage the use where appropriate, of the Company's forests for recreational and educational purposes by both organised groups and individuals.
- 4.11. To operate a personnel policy that complies with and adopts the principle of being a good employer
- 4.12. To contribute to, or assist where possible, with the Dunedin City Council community outcomes (as listed in the Annual Plan)
- 4.13. To bring to the attention of the Shareholder any strategic or operational matters where there may be a conflict between the Dunedin City Council's community outcomes (as listed in the Annual Plan) and those of the Company and to seek the Shareholders view on these. The Company will be mindful that the ultimate Shareholder is the custodian of the community's interest and accepts that this may create a greater need for consultation with the ultimate Shareholder than what might be required in a normal commercial situation.