

Southern Response Earthquake Services Limited

Minutes of the Meeting of the Health & Safety Committee

Held at 9.05 a.m. on 14 February 2014 at 6 Show Place, Christchurch

Present

Jenn Bestwick (Committee Chairman), Susan Thodey and David Whyte

In attendance

Kent France (General Counsel), Tony Feaver (CFO) and Graeme Nicholas (Audit, Risk & Compliance Manager)

Peter Rose (CEO) – from 9.20 a.m.

██████████ (HR Manager) – until 11.00 a.m.

██████████ (Operations Manager) and ██████████ (H&S Manager) – Arrow International – until 11.00 a.m.

██████████ (National Health & Safety Manager) – Arrow International – until 9.45 a.m.

Members of the A&R Committee: Bevan Killick from 10.30 a.m. and Anne Urlwin - from 10.45 a.m.

Minutes recorded by Anna Gruczynska

Apologies

None.

Welcome

The Chair welcomed all members of the Committee and other attendees.

Quorum

The Chairman, Jenn Bestwick, declared a quorum was present.

Arrow HS&E Strategy

Mr Uttley spoke to a presentation outlining Arrow's Health & Safety strategy, overarching both its residential and the commercial projects, and focused on:

- H&S goals and objectives
- the new Australian legislative model and "zero harm" benchmark
- information and best practice exchange across the industry
- improvements to H&S reporting
- risk management and identification and mitigation of risks which are unique to the Arrow/SRES situation, such as aggressive behavior from customers
- environmental incidents and breaches, and effective reporting of near misses
- overcoming the culture of non-reporting of near misses to avoid penalties

Mr ██████████ answered questions from members of the Committee in relation to aspects of the presentation.

Change in attendance: Peter Rose joined the meeting at 9.20 a.m.

The Committee **noted** that the Arrow SH&E Strategy Plan would be shared with the Arrow Board later that day, and once approved, shared with Southern Response.

The Committee requested that Mr Uttley and the General Counsel jointly review Arrow's SH&E Strategy Plan, and report to the Committee in due course.

Change in attendance: ██████████ left the meeting at 9.45 a.m.

Health & Safety Vision Workshop Discussion

The Committee Chair referred attendees to the Canterbury Rebuild Safety Charter as a guiding document, and sought their views on whether it adequately covers the SRES/Arrow situation.

After discussion, it was agreed that aspects such as environmental risks (land contamination etc), customer-linked risks, stress suffered by staff and contractors, and the external pressures to speed up the rebuild were not sufficiently recognised in the Charter.

The Committee requested that the General Counsel with the assistance of Audit, Risk and Compliance Manager and Legal Risk Manager develop an expanded H&S mandate for the Committee's consideration.

The Committee referred back to its earlier discussion around reporting of near misses, and the culture of non-reporting in what is considered a punitive environment, and **noted** a planned educational campaign by Worksafe New Zealand to drive a change in this behaviour.

The Committee requested that a culture of learning be incorporate in the company H&S Vision to similarly drive changes in behaviour.

Minutes

The minutes of the Committee meeting held on 8 November 2013 were **confirmed** as a true and correct record of that meeting.

Moved: David Whyte, **Seconded:** Susan Thodey, **Carried:** unanimously.

Matters arising from Minutes

Action items closed were covered in the reporting to the Committee.

The Committee noted the update on matters which remained open.

Report on Southern Response's H&S initiatives

The HR Manager spoke to the report focusing on the outcomes of the ACC pre-audit completed in 2013, and outlined the programme of work developed to achieve secondary level accreditation.

The Committee **noted** that tertiary accreditation was not attainable in the short term, and **endorsed** management's efforts to pursue secondary level of accreditation as soon as possible, with the highest accreditation level attainable to be pursued in the longer term.

Workplace stress

The HR Manager spoke to the report. The Committee **noted** high risk of stress associated with the nature of Southern Response's business, and **noted** risk identification and mitigation processes in place.

The Committee **noted** the monitoring and follow up procedures for identified organisational indicators of stress.

The Committee **noted** that an increase in the use of EAP Services has been recorded in recent months, but that detailed statistics would not be available until EAP's annual report is published in late April.

The Committee **noted** that workplace stress was an area of exposure, with preventative measures required in order to mitigate the risk of the company losing valuable staff to stress:

- improving management and leadership skills to assist with dealing with staff stress;
- promoting pride and collegueship;

- equipping and empowering staff to be able to avoid stress by being part of continual best practice.

Change in attendance: Bevan Killick joined the meeting at 10.30 a.m.

Health & Safety Performance

The Audit, Risk and Compliance Manager spoke to the report.

The Committee **noted** that work was underway with Arrow's Operations Manager to improve reporting for lead and lag H&S indicators, and that new style reporting was expected to be available for the Committee's April meeting to enable a more detailed discussion. Also expected for the April meeting were the quarterly industry statistics.

The Committee **noted** the "red" status for serious harm incidents and H&S audit scores, but that safety audit trends were improving and consistency was being achieved.

Serious Harm Incident Update

Mr [REDACTED] provided a verbal update in relation to the incident which occurred on a SRES/Arrow site in January 2014. The Committee noted that MBIE investigation has now been closed, with SRES/Arrow not found to have been at fault.

The Committee requested that, once received, the formal notification from MBIE of the closing of their investigation be circulated to the Committee for noting.

Update on the Canterbury Rebuild Safety Charter activity

The Committee **noted** the Self Assessment questionnaire developed by the CRSC Steering Group, to which responses are due by 24 February 2014.

The Committee requested that the General Counsel, with the assistance of Audit, Risk and Compliance Manager, and Arrow's Operations Manager finalise the SRES/Arrow responses to the questionnaire, and report back to the Committee on the outcome in due course.

Change in attendance: Anne Urlwin joined the meeting at 10.45 a.m.

Internal Audit H&S Review Report

The Chair welcomed members of the Audit & Risk Committee, Anne Urlwin and Bevan Killick, to the meeting and the joint discussion of the Internal Audit H&S Review Report.

The Audit, Risk and Compliance Manager spoke to the report. The Committee **noted** that the report was completed in November 2013, and that the review was focused on Southern Response's office environment only. The Committee **noted** the key findings of the review.

The Committee discussed achieving an alignment between the H&S and A&R Committees in agreeing the scope of future audits.

The Committee **noted** the improvements introduced in Iviis which now includes triggers to ensure H&S tasks are performed on time.

Change in attendance: [REDACTED] and [REDACTED] left the meeting at 11.00 a.m

The Committee **noted** the Internal Audit H&S Review Report.

General Business

The Committee **noted** an update on the security review by Thompson & Clark, and that further details would be circulated by email.

Next Meeting

The next meeting will be held on Friday, 11th April 2014.

Closure of the Meeting

The meeting closed at 11.10 a.m.

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Approved: 11 April 2014

Agenda item : 24(a) **Purpose :** For Noting

TO : Board of Directors

FROM : CEO

DATE : 11 February 2014

TOPIC : Chief Executive Update – Customer Relations

1. Disputes management system changes in train – including protest management progress

The protest activities and learnings have been closely considered in the ongoing re-evaluation of Southern Response's customer relations and communications, strategies and also contributed to the initiatives already in train to review Southern Response's disputes system. The statistical evidence suggests that Southern Response's level of disputes is broadly similar to the remainder of the industry. Nonetheless, the company had begun planning for a review of its disputes system before the protests arose. Initiatives in train include:

- greater proactive engagement with all customers, geared depending upon their claim progress and status;
- an opportunity to re-engage with some customers after what had been, for quite a few, a long-term breakdown in the relationship;
- an opportunity to take a fresh look at the real issues of difference rather than the emotional issues that arose subsequently and may be the basis of the current disengagement with some;
- an opportunity for Southern Response to do some self-evaluation of its own attitudes and actions towards customers where the relationship had broken down. In this time of massive recovery, although it is a natural response and logical reaction to work with willing customers to get them into our build queues rather than those who are not cooperating or whose claims appear time-consuming and difficult; this is clearly not acceptable and a measured response is essential;
- an opportunity to develop new or modified policies so we move earlier and possibly more flexibly towards satisfying and if appropriate, modifying customers' expectations;
- modification to the disputes management policy to reflect a position to move towards accepting customers' costings of individual items provided there is fair, reasonable and respectable evidence. There may be a qualitative easing of claims settlement policy (a level of flexibility provided to be able to negotiate variations to assessed value with sufficient credible and supportable evidence);
- a review of our structural approach to claims that are not proceeding smoothly - something that was already in train before the protests. We have been tending to allow cases to run their course, resulting in some becoming stuck. We are now looking at a task-force approach, where we will introduce a solutions team of multi-disciplinary specialists to take a fresh look at cases that are stuck in the system. The team is likely to consist of a solutions manager, a specialist and an officer (this role including data management). When meeting as a committee, it will be supplemented by and include an executive officer, project manager, quantity surveyor and various engineers, as required.

- an external review of the disputes managements system. The review will examine:
 - Policies in place regarding management of disputing customers' issues – adequacy and appropriateness
 - Operational response – whether it is adhering to policies
 - Customer communication adequacy
 - Internal resource capacity and capability
 - Use of external resources: legal, engineering etc. – cost and appropriateness
 - Any company cultural barriers towards dispute resolution.

An updated schedule of “Getting back on track” actions is provided under **Agenda Item 24(b)**, and the proposed resourcing changes under **Agenda Item 24(d)**. The latter are also the subject of the 14th February 2014 SRR Committee meeting.

2. ISO Relationship

Following the Board's meeting with Karen Stevens (CEO of Insurance & Savings Ombudsman Scheme) in November, and the December customer protests, Southern Response sought further engagement with the ISO to expand the Scheme's mandate for dealing with complaints made by Southern Response's customers to include:

- voluntarily removing the \$200,000 cap on access to the Insurance & Savings Ombudsman's scheme to allow unfettered access by aggrieved customers on a 6-months trial basis;
- customer access to the Insurance & Savings Ombudsman's scheme for customers who believe that they have incurred loss due to unacceptable delay (in the context of a natural disaster) or poor decisions of Southern Response.

ISO involvement is at no cost (legal or commission) to the customer, even if their claim is ultimately found to be without merit (i.e. no risk of a costs award against the customer).

Karen Stevens visited the office on Thursday 30 January, where details were finalised on the unlimited jurisdiction, mediation role and adjudication function for compensation for financial losses arising Southern Response's actions or inactions. We wrote to ISO on 5 February setting out those arrangements. (see letter and attachments at **Appendix 1**)

3. The grievances

See also section 6 of the CEO Monthly Update on current status of disputes. Southern Response has been working through the 100+ grievances (a few more trickled in) since the last protest on 16 December. As at the end of January, the status of the claims was:

- 11 Resolved
- 25 Considerable progress made
- 35 Progressing satisfactorily
- 14 New approach proposed – awaiting response
- 20 In dispute
- 5 to be contacted – late submissions.

Initiatives and activities since the last Board update were:

- Initiatives with RAS, including customer free access to technical services to support their claims and greater promotion of RAS (see letter to Ken Pope of RAS confirming the content of the conversation we had had the day earlier) at **Appendix 2**.
- Thompson and Clark investigations to provide strategic security advice for the company

- Enhanced Dispute Management Policy, including a description of the changes intended to bring about the “qualitative easing” of claims management. Issue 35 of Southern Express was dedicated to describing the spirit of qualitative easing – “the Vibe”
- The release of more detailed costing information (the “back-sheet”) to those customers requesting it. To the need of January – since the decision in mid December to do so - to date 112 back sheets requested, 31 of which are by one player, KSL.

The recent developments have been communicated to the public via my *Perspective* article one objective of which was to take the energy from the protesters’ subject matter. The “notice” in the Press and Star confirming the initiatives that were in train (see **Appendix 3**).

We expect the outcome of the initiatives described above will be reflected in the 2014/15 Company Business Plan and Statement of Intent.

3.1. Customer Strategy

- Work has been started to update all customers’ email addresses from the hard files into EMS to allow for proactive customer contacts.
- First workshops commenced late January for managers and staff to map the customer ‘touch points’ and develop where we need to interact with customers and begin shaping what we say, how we say it and when we say it.

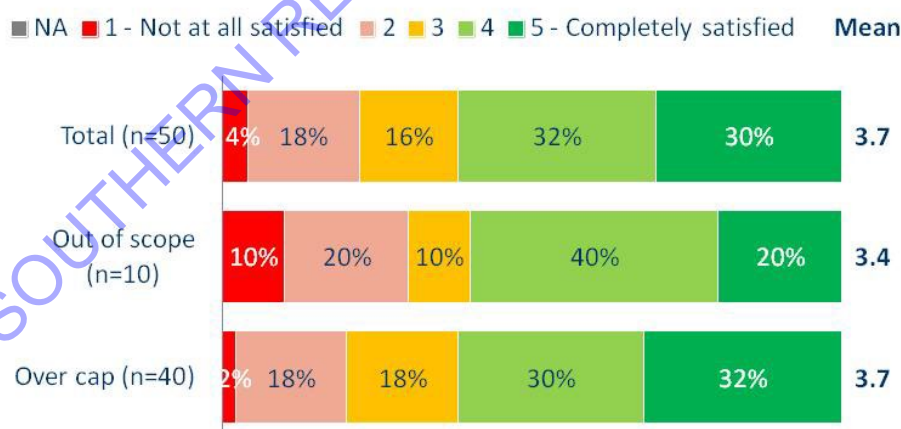
4. OAG Review of EQC Home Repair Programme

The detailed review of the report was carried out to identify any learnings for Southern Response and my initial observations will be presented at the Board meeting, and was subsequently assessed by the Audit & Risk Manager and the Chairman of the Audit Committee. The Paper was not addressed during the December 2013 meeting and is resubmitted here.

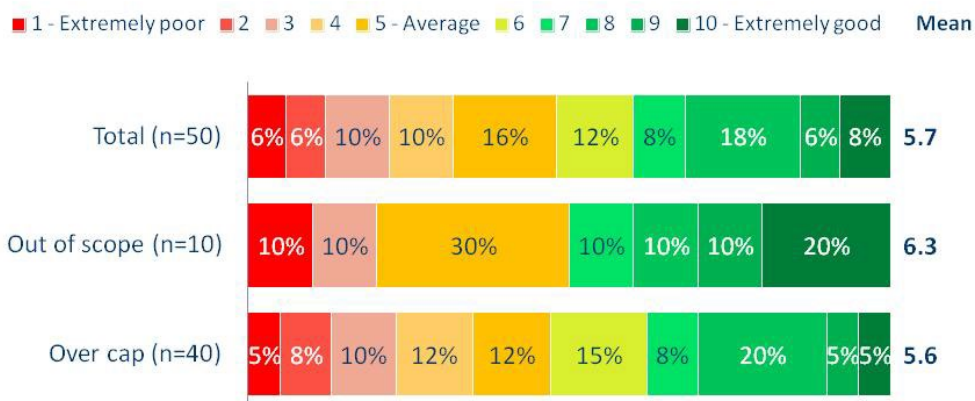
It is presented under **Agenda Item 24(c)**. The learnings, and hence further actions are highlighted in bold.

5. Southern Response and Arrow satisfaction survey (undertaken by IPSOS)

This latest survey results was received on Tuesday 14 January and is being analysed. Arrow’s results were:



Southern Response's results were:



In particular, the negative results for Overcap are being examined as to source reason.

Appendix 1: Letter to the ISO dated 5 February 2014

Appendix 2: Correspondence with RAS

Appendix 3: Media advertising – “We’ve listened”

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SOUTHERN RESPONSE EARTHQUAKE SERVICES LTD

Southern Response Earthquake Services Limited

Minutes of the Meeting of the Board of Directors

Held at 1.15 p.m. on 17 February 2014, and 8.50 a.m. on 18 February 2014 at Southern Response, 6 Show Place, Addington, Christchurch

Present

Ross Butler – Chairman of the meeting, Anne Urlwin – Deputy Chairman (except 2.50 – 3.00 p.m.), Jenn Bestwick – Director, Bevan Killick – Director, Susan Thodey – Director, and David Whyte – Director.

In attendance

Peter Rose – CEO (except 1.30 – 1.50 p.m.), Tony Feaver – CFO, Kent France – General Counsel and Casey Hurren – EQ Strategies Manager (except 3.35 – 3.55 p.m.)

██████████ and ██████████ – Finity Consulting (1.15 – 3.25 p.m. only)

██████████ and ██████████ – Arrow International (2.25 – 3.25 p.m. only)

Minutes recorded by Anna Gruczynska.

Welcome

The Chairman welcomed all members of the Board and other attendees, and confirmed the agenda for the meeting. Jenn Bestwick recited a karakia.

Claims Liability Valuation at 31 December 2013

The Chairman welcomed Messrs ██████████ and ██████████ of Finity Consulting who spoke to the presentation of the December 2013 Valuation results, highlighting:

- headline numbers;
- trends in new claims reported;
- observed shift away from Arrow-managed rebuilds and repairs to cash settlements;
- the cost of TC3 foundations remaining uncertain, but emerging costs higher than the provisional rates previously used as the basis for estimates).

Change in attendance: Peter Rose left the meeting at 1.30 p.m.

The Board **noted** the overall increase of \$13 million as a result of an increase in PMO costs, claims management costs, and reinsurance movements, partly offset by a reduction in anticipated overcap claims following data cleansing.

The Board **noted** that the current DRA allowances were considered adequate to cover the net cost of TC3 enhanced foundations assuming that SRES recovers the costs for around 200 TC3 properties from EQC.

The Board discussed the land remediation trials recently undertaken jointly with EQC and **noted** that the remediation methods may potentially eliminate the need for enhanced foundations in some instances.

Change in attendance: Peter Rose re-joined the meeting at 1.50 p.m.

The Board **noted** that lower than anticipated escalation has been observed, with no increase in Arrow schedules during the December quarter, and a 5% annualised movement during the quarter recorded by Statistics NZ.

The Board **noted** that Treasury has revised its inflation forecast, with inflation peak now expected to occur later than previously thought and reach lower levels but will remain above the national level for some time, with a projection that the Christchurch experience will eventually drift towards the national experience as market pressures stabilise.

The Board **noted** that commencing with the December valuation, the payment patterns projected are directly linked to throughput projections from Proteus providing a more robust view of payment patterns than previously possible. This has resulted in a change in the shape of the payments curve over time, but with minimal effect on the mean term of payments, discounting and escalation.

The Board **noted** CEO's advice of two concerning trends which could potentially have an effect on future valuations:

- disputes over reparability of properties to "as new" standard
- EQC's reported increased focus on cash settlements which could lead to an increase in under/over disputes from customers

Change in attendance: [REDACTED] and [REDACTED] of Arrow International joined the meeting at 2.25 p.m.

Throughput Update

Messrs Clisby and Sheridan spoke to the presentation, highlighting:

- current targets;
- progress against targets;
- throughput initiatives.

The Board **noted** satisfactory results in Documentation, with monthly numbers to a sustainable level sufficient to feed the pipeline.

The Board **noted** the increase in building consent applications submitted during the December quarter, but that processing timeframes of 8-10 weeks instead of the expected 4-6 weeks are of concern and impact on construction starts. The Board **noted** the recently introduced "Top 30" initiative to agree consents for priority review conducted in a weekly meeting between Arrow International and Christchurch City Council.

The Board **noted** the active weekly engagement with the Council to resolve RFIs, and the continued work with build designers to improve the standard of consent applications.

The Board **noted** that construction starts were tracking at approximately 90% of consents submissions made in the previous quarter, with good outlook for the March quarter Group Home Builds in particular.

Change in attendance: Anne Urlwin left the meeting at 2.50 p.m.

The Board discussed the delays occurring at contract signing stage, particularly for repair customers, and **noted** the increased focus on this area, with an expected uplift during the March 2014 quarter.

The Board requested the next Throughput Update include a report back on the engagement with customers slow to progress through the contract signing stage, to monitor any objections to, and overcome any reluctance to commit to a repair.

Change in attendance: Anne Urlwin re-joined the meeting at 3.00 p.m.

The Board **noted** the introduction of “stagnation reports” as a tool used to identify claims exceeding expected duration by a margin in any particular stage of the pipeline and appropriately direct resources to address.

The Board **noted** a number of throughput initiatives in train and the early signs of increase in productivity and throughput as a result of their introduction.

The Board requested that a monthly updated “snapshot” of progress for Group Home Builds, Repairs and Non-group Home Builds be included as part of Dashboard reporting.

Change in attendance: Casey Hurren (SRES), [REDACTED] and [REDACTED] of Arrow International, and [REDACTED] and [REDACTED] of Finity left the meeting at 3.25 p.m.

The Board adjourned for a break, and re-convened the meeting at 3.35 p.m.

Quorum

The Chairman, Ross Butler, declared a quorum was present.

Apologies

None.

Interests Register

Jenn Bestwick requested that Learning Media Limited be noted in the register as being “in liquidation”.

Ratification of Decisions

Residential Insurance Claim Settlement: Kilmore Street

The Board **resolved** to **ratify** the approval of the acceptance of NZI’s Replacement Value Settlement Offer of [REDACTED] as full and final settlement of the Insurance Claim.

Quarterly Report

The Board **resolved** to **ratify** the submission to the Shareholding Ministers and COMU of the Quarterly Report for Q2 2013/2014 in accordance with the authority given to the Chair and Deputy Chair by the 18 December 2013 meeting to finalise and release the Report.

Moved: AnneUrlwin, **Seconded:** Jenn Bestwick, **Carried:** unanimously.

Rout Appeal

The Board **resolved** to **ratify** the approval of the management’s recommendation not to lodge an appeal against the judgment in Rout v Southern Response.

The Board **noted** General Counsel’s update on the issue of costs, and that management’s recommendation, including the draft submission and advice on legal and communications aspects, will be circulated for Board’s approval by circular resolution.

Moved: David Whyte, **Seconded:** Susan Thodey, **Carried:** unanimously.

Change in attendance: Casey Hurren re-joined the meeting at 3.55 p.m.

Governance Committee Update

The Board **noted** that the Committee had met on Friday, 14 February 2014 and considered the draft Revised Disputes Management Policy, suggesting amendments which have been incorporated in the Policy's version circulated with Board papers.

The Board **resolved** to **accept** the Committee's recommendation to **adopt** the revised Disputes Management Policy.

Moved: Susan Thodey, **Seconded:** Anne Urlwin, **Carried:** unanimously.

The Board **noted** the Committee had also discussed Official Information Act requests, and in particular the requirement to engage with government entities referenced in information requested prior to the release of the information.

The Board **noted** the Governance Committee Update.

Audit & Risk Committee Update

The Board **noted** that the Committee had met on Friday, 14 February 2014 and **noted** Committee Chair's update on matters discussed.

The Chair disclosed an interest against the Insurance Renewal matter, arising from his role within Marsh & McLennan Companies.

The Board **resolved** to **accept** the following recommendations from the Committee:

▪ *Internal Audit: Quarterly IA Report and Annual IA Plan:*

That the Board **notes** the KPMG Internal Audit report for the period November 2013-January 2014.

That the Board **notes**:

- That the Committee reviewed the Internal Audit Plan and approved the changes in work programme for the next six months.
- That the Committee noted the Risk Management Quarterly Report and appendices.
- That the Committee noted the actions taken on the recommendations from the KPMG Fraud Review.

▪ *External Audit Strategy*

That the Board **notes** that the Committee reviewed the Deloitte Audit Planning Report for the audit of the 30 June 2014 Financial Statements and that the Board **approves** the Report.

▪ *External Audit Engagement*

That the Board **notes** that the Committee reviewed:

- the Deloitte Fee Letter for the audit of the financial statements for the year ending 30 June 2014
- the amended fee amount in respect of OAG overheads
- the Deloitte Letter of Engagement for the audit of the financial statements for the year ending 30 June 2014;

and that the Board

- **approves** the Deloitte Fee Letter
- **approves** the Deloitte Letter of Engagement; and
- **authorises** the execution of the Fee Letter and the Letter of Engagement by the Chairman.

▪ *Insurance Renewal*

That the Board **notes** that the Committee reviewed the proposed terms of the company's annual insurance programme renewal and management's recommendations, including management's recommendations on the uninsured risks;

and that the Board **notes**

- that further information is being sought in respect of Libel and Slander/Defamation and Employment Disputes Liability cover and a recommendation would be presented separately at a later date.
- that further analysis is being undertaken of the insurance aspects of the legal risks identified by Bell Gully during the Arrow PMSA negotiations.
- that in the Committee's view it is appropriate to continue with Marsh as the insurance broker for the 2014 renewal, but that a "value for money" review of the service would be undertaken as part of the next review cycle, commencing in October 2014.
- that a letter of comfort would be sought from Marsh confirming the appropriateness of the extent and level of cover taking into account the company's activities (including building activities).

and that the Board **approves** the annual insurance renewal on terms outlined in the Marsh 2014 Insurance Renewal Report and in accordance with the following decisions by the Committee in respect of Marsh's recommendations:

- D&O Liability at recommended level, with the split between liability and defence costs amended to \$40m/\$10m;
- Crime Liability cover increased to \$2 million as recommended;
- Public Liability at current level, with defence costs separated out if possible;
- Statutory Liability and Employers Liability defence costs of \$2m as recommended;
- Professional Indemnity Insurance at recommended level, with the split between liability and defence costs of \$15m/\$10m;

and that the Board **executes** the Directors' Certificate certifying that the directors consider the cost of effecting that Directors & Officers Liability insurance is fair to the company.

▪ *Revised Gifts and Koha Policy and Revised Sensitive Expenditure Policy*

That the Board **notes** that the Committee reviewed the revised policies and suggested an amendment which has been incorporated in the revised policies ;

and

that the Board **adopts** the revised Gifts & Koha Policy and Sensitive Expenditure Policy.

▪ *Income Tax Return*

That the Board **notes** that the Committee reviewed the PWC report on Southern Response Income Tax Return for the year ended 30 June 2013 and **authorised** management to finalise and file the 2013 tax return broadly in line with the PWC report.

Moved: Anne Urlwin, **Seconded:** Susan Thodey, **Carried:** unanimously.

Health & Safety Committee Update

The Board **noted** that Directors had spent the morning of 17 February 2014 inspecting various Company building, repair, out of scope and demolition sites with a health and safety perspective, had observed health and safety procedures on these sites, and had met with health and safety officers of Southern Response, Arrow, builders and contractors.

The Board **noted** that the Committee had met on Friday, 14 February 2014 and **noted** that the Committee met with Paul Uttley, Arrow International's National Health & Safety Manager, and the representatives of staff H&S committee for Southern Response and project H&S Manager for Arrow.

The Board **noted** Committee Chair's update on matters discussed, including Health & Safety Strategy, H&S Vision and Charter, and their expanded scope taking into account Southern Response's unique situation, improvements to H&S reporting, and issues arising from workplace stress.

The Board **noted** the offer of a security review by Thompson & Clarke, and that a review can be arranged via the Board Secretary as required. The Board requested that the offer be also extended to Senior Management as appropriate.

The Board **resolved** to **note** the H&S Committee Update report.

Moved: Bevan Killick, **Seconded:** David Whyte, **Carried:** unanimously.

Staff Remuneration & Retention Committee Update

The Board **noted** that the Committee had met on Friday, 14 February 2014 and **noted** Committee Chair's update on matters discussed, including annual remuneration review, senior KPI targets, proposed overcap resourcing changes, award of a one-off bonus to L&D Manager and a disciplinary matter.

The Board **resolved** to **note** the SR&R Committee Update report.

Moved: David Whyte, **Seconded:** Jenn Bestwick, **Carried:** unanimously.

CEO Update

The CEO spoke to his report and updated the Board on the key issues reported.

The Board **noted** the update on the issues surrounding engineering qualifications, and a criminal prosecution against Frontier Engineers' principal.

The Board **noted** the update on the possibility of a declaratory judgement being sought on the matter of land compensation, and that any action taken by the insurance industry would likely not be by individual insurers but by the Insurance Council of New Zealand as a representative body.

The Board **noted** the possible effect on the repair work programme in the flood zones should the application for declaratory judgment proceed and the outcome be disadvantageous.

The Board **noted** the update on retaining walls, and Southern Response's participation in the industry group tasked with seeking solutions to the issue. The Board **noted** that although AMI Insurance policies in place at the time of the Canterbury earthquakes did not cover retaining walls, the investigative work required to resolve issues arising is necessary to the interest of the overall rebuild programme and to the interest of progressing the claims of Southern Response's claimants and other insureds in the shortest possible timeframe, and that therefore Southern Response has a strong financial interest in being part of the solution and bearing costs incurred in carrying out investigative work that are appropriate and justified.

The Board **noted** the update on the CEO's positive engagement with the Human Right Commissioner the previous week.

The Board noted ICNZ's update to the Christchurch Mayor, which was considered a useful summary of issues affecting Canterbury Recovery, some of which Christchurch City Council can be instrumental in resolving.

The Board **noted** the withdrawal of s. 6.15 of the CEO Update.

The Board **noted** the Chief Executive Update.

The meeting was adjourned at 5.10 p.m.

The meeting re-convened at 8.30 a.m. on 18 February 2014.

Present

Ross Butler – Chairman of the meeting, Anne Urlwin – Deputy Chairman, Jenn Bestwick – Director (until 9.30 a.m. only), Bevan Killick – Director, Susan Thodey – Director, and David Whyte – Director.

In attendance

From 8.50 a.m.: Peter Rose – CEO, Tony Feaver – CFO, Kent France – General Counsel and Casey Hurren – EQ Strategies Manager

Sir Maarten Wevers (Chair) and Ian Simpson (Chief Executive) of Earthquake Commission (8.50 -10.10 a.m. only)

Apologies

Jenn Bestwick – Director – from 9.30 a.m.

Board Only Time

The Board held Board only time at the commencement of the meeting.

EQC Relationship

Change in attendance: Sir Maarten Wevers (Chair) and Ian Simpson (Chief Executive) of Earthquake Commission joined the meeting at 8.50 a.m.

Following introductions from both parties, matters of common interest were discussed, including:

- desire for a partnership approach and synchronised communications on the issues of flood, land compensation and remediation, Port Hills etc;
- collaborative approach with insurers to resolve land claims and remediation options as manifested in the Fuller St project;
- drive to establish the legacy of improved culture around Health & Safety
- programme completion targets, and resourcing issues arising.

Change in attendance: Jenn Bestwick left the meeting at 9.30 a.m.

It was agreed that parties engage further at management and governance level to seek collaboration on the issues of:

- Health & Safety
- Official Information
- Resourcing (staff & contractor)
- Land issues
- Flood issues

The Board **noted** the improved collaboration between the organisations and improvements observed in jointly finding solutions as better understanding of underlying problems emerges.

Change in attendance: Sir Maarten Wevers and Ian Simpson left the meeting at 10.10 a.m.

The Board adjourned at 10.10 a.m. and was joined for morning tea by Sam Fisher (Acting Communications Manager) and Sonya Keates (Learning & Development Manager).

The meeting re-convened at 10.25 p.m.

Treasury Reporting

The Chair updated the Board on a recent meeting with the Treasury. The Board **noted** that the annual Letter of Expectations was anticipated to be issued in late March and requested that the CFO clarify the timing in light of the deadline for Southern Response's Strategic Issues letter.

The Board **noted** that a Treasury representative has been invited to attend the next quarterly Claims Liability Valuation presentation to the April Board meeting.

CFO Update

The CFO Update was taken as read. The Board noted advice of solvency issues arising with two contractors (not members of the Southern Response panel) , and that these are being actively managed by Arrow.

The Board **noted** the CFO Update.

Financial Forecasts for submission to Treasury

The CFO spoke to the report, circulated to the Board as a supplementary paper prior to the meeting.

The Board **noted** that the forecast reflected the increased timeframe and staffing, consistent with Finity's valuation and forecast at 31 December 2013, and which had previously been signalled to the Shareholding Ministers in the Quarterly Report.

The Board requested that consideration be given to the communications aspect of the inclusion of the year 2018 in the forecast.

The Board resolved to **note**:

- That the Treasury Forecast had been prepared specifically for Treasury's purposes and does not form part of the company's business planning process for the purposes of the SOI.
- The continuation of the going concern key assumption as detailed in the assumptions accompanying the forecast.

and to approve:

- The 31 December 2013 reforecast (SR version) for the years ended 30 June 2014 -30 June 2018
- The 31 December 2013 reforecast (Treasury version) for the years ended 30 June 2014 -30 June 2018 for submission to Treasury on or about 5 March 2014 for the March Baseline Update.

Moved: Anne Urlwin, **Seconded:** Bevan Killick, **Carried:** unanimously.

Customer Relations

The CEO spoke to the report and its attachments covering the key aspects in relation to customer engagement.

The Board **noted** that the 110 protest forms submitted in December were under active management, with a number fully resolved.

The Board **noted** the proposed change in approach to cash settlements on repairs, allowing customers to revisit settlement negotiations if more earthquake-related damage is found in the course of the repair.

The Board **noted** initiatives in place to enhance the capabilities of the TRR Team.

The Board **noted** the enhanced roles of RAS and the ISO, and that internal guidelines were being developed in respect of the reimbursement of costs incurred due to unreasonable decisions or delays by Southern Response.

The Board **noted** the emerging trends in litigation, challenging the definition of "as new" under the policy, and the land/foundation issues.

The Board discussed the evolving Customer Strategy, and requested that consideration be given jointly by Operations & Strategy teams, and with the involvement of Customer Support, to customer base segmentation with a view to developing tailored solutions for customer groups based on their specific needs, in particular addressing the needs of the elderly.

The Board requested that management develop recommendations regarding baseline targets and appropriate metrics for reporting on customer engagement, and that once developed, reporting on customer engagement be provided to each Board meeting.

The Board **noted** the update in relation to the “who does what” initiative being progressed jointly with Arrow to improve efficiencies and eliminate duplication in an effort to streamline the customer engagement experience.

The Board discussed the CEO’s report on the findings of OAG’s Review of EQC, and agreed that the Chair and Deputy Chair advance this item in a workshop to be held on 7th March 2014.

The Board discussed the reported findings of the recent SRES/Arrow customer satisfaction survey and requested a report back on the survey’s methodology, and recommendation of any appropriate change in approach taking into account the recommendations in the SSC review of EQC’s customer satisfaction survey.

Approval of Minutes

The minutes from the Board meetings of 18 December 2013 and 14 January 2014 had been circulated with the papers.

It was **resolved** that the minutes of the meetings of 18 December 2013 and 14 January 2014 be **accepted** as a true and correct record of the meeting.

Moved: Anne Urlwin, **Seconded:** David Whyte, **Carried:** unanimously.

Matters arising from the Minutes

The Board **noted** that Actions 1-14 had been completed. The Board **noted** the update on the remaining actions.

The Board **noted** that no further engagement with CIAS was proposed at present, and that regular updates on the relationship with RAS would be provided via the CE Update.

Dashboard

The CFO spoke to the Dashboard report.

The Board **noted** the good progress in issuing decision packs, and that the run rate gap of unsigned contracts signed was reducing.

The Board noted that in future reporting the progress pipeline would be broken down into “snapshots” of progress for Group Home Builds, Non-group Home Builds and Repairs as in Arrow’s Throughput Update to the Board.

The Board **noted** the Dashboard.

Schedule of Key Challenges

The Chief Executive spoke to the Schedule. The Board **noted** that Flood and Contaminated Land would be added to the Schedule.

The Board **noted** the Schedule of Key Challenges.

Arrow Operational Review Report

The Chief Executive spoke to the Report. The Board **noted** that the key outcomes of the Review were the implementation of Project Office and Operations Hub – joined up management of overcap operations, and that both projects were in progress.

The Board noted that while the Review had been valuable, it was the management's view that it did not sufficiently recognise the separate responsibilities and accountabilities of Southern Response and Arrow and the necessary separation between the two organisations to allow for the principal/agent structure and the ongoing "value for money" review of the contract between them.

The Board **noted** the Arrow Operational Review Report.

Support Services Update

The Chief Executive spoke to the Report. The Board **noted** concerns in relation to increased absenteeism, particularly in Auckland, and that root causes were being investigated.

Correspondence relevant to the Board

The Board **noted** the correspondence circulated with Board papers.

The Board **noted** the update on customer issues which have been raised with Board members.

The Board **noted** the updated Schedule of OIA requests.

Major Contracts

The Board **noted** the Schedule of Major Contracts.

Schedule of Ongoing Obligations

The Board **noted** no new entries in the Schedule of Ongoing Obligations.

General Business

The General Counsel provided a further update in relation to the costs in the Rout case. The Board **noted** that written recommendation would be circulated for Board's resolution by electronic vote.

The Board **noted** that negotiations were underway to increase Southern Response's engineering resource, and should an agreement exceeding management's delegated authorities be required, the proposal would be circulated for Board's resolution by electronic vote.

Next Meetings

The Board **noted** the following meetings were scheduled:

- Chief Executive Review meeting on 28 February 2014.
- Chair, Deputy Chair & CEO meeting with the Shareholding Minister on 7 March 2014.

The next meeting of the Board was confirmed on 21 March 2014, 10 a.m. – 3.00 p.m., to be attended by Dr Rob Gordon.

Closure of the Meeting

The Meeting closed at 12.10 p.m.

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Approved: 21 March 2014

Southern Response Earthquake Services Limited

Minutes of the Meeting of the Board of Directors

Held at 10.35 a.m. on 21 March 2014 at Southern Response, 6 Show Place, Addington, Christchurch

Present

Ross Butler – Chairman of the meeting, Anne Urlwin – Deputy Chairman, Bevan Killick – Director, Susan Thodey – Director, and David Whyte – Director.

Apologies

Jenn Bestwick – Director.

Quorum

The Chairman, Ross Butler, declared a quorum was present.

In attendance

Peter Rose – CEO, Tony Feaver – CFO, Kent France – General Counsel and Casey Hurren – EQ Strategies Manager

Dr Rob Gordon (12.15 – 1.00 p.m. only)

Minutes recorded by Anna Gruczynska.

Welcome

The Chairman welcomed all members of the Board and other attendees, and confirmed the agenda for the meeting. The Chairman confirmed advice received from the Treasury of David Whyte's retirement as Director of Southern Response at the end of the current term, following the June Board meeting. The Chairman expressed the Board's thanks to David for his contribution to the work of the Board since its inception. The CEO expressed disappointment and thanks on behalf of management.

The Chairman advised that no decisions have been communicated by the Treasury with regard to the other Directors whose current terms expires on 30th June 2014.

Board only time

The Chairman confirmed that the Board met earlier that morning for Board Only time and received a report from the Chief Executive Review Committee which met on 28 February. The Board **noted** that the Committee has completed the current cycle of Chief Executive review, and agreed that the timing of the next review be brought into line with the reviews of all staff, i.e. it will be carried out at the conclusion of the financial year.

Interests Register

Bevan Killick advised the Board of his election to the Canterbury Branch Committee of the Institute of Directors.

Susan Thodey advised the Board of her husband's appointment as Chair Elect of the Board of Westpac Bank. Southern Response currently has funds invested with Westpac.

Update on Stakeholder Engagement

The Board **noted** that the meeting with the Shareholding Minister scheduled for 7 March 2014 had been cancelled and a new date has not yet been set.

The Chairman updated the Board on the meeting with Poto Williams, Labour MP for Christchurch East, attended by himself, Deputy Chair and CEO.

The CEO updated the Board on progress in relation to the Red Cross "Find the 900" campaign and the difficulties encountered by Red Cross in recruiting volunteers to visit households to identify those in need of emergency repairs before the onset of winter.

Approval of Minutes

The minutes from the Board meeting of 17 & 18 February 2014 had been circulated with the papers.

It was **resolved** that the minutes of the meeting of 17 & 18 February 2014 be **accepted** as a true and correct record of the meeting.

Moved: Anne Urlwin, **Seconded:** Susan Thodey, **Carried:** unanimously.

Matters arising from the Minutes

The Board **noted** that Actions 1-3 had been completed and progress reports provided in the Board pack as appropriate, but that work was nevertheless continuing to finesse the approach to measuring and reporting customer engagement.

The Board **noted** that an invitation was issued to Board members and senior management to participate in a residential security review, and that the review had been carried out for those who availed themselves of the opportunity.

The Board **noted** that advice was received from the Treasury that the Letter of Expectations has been signed by one Shareholding Minister, and would be forwarded to Southern Response as soon as the second signature is obtained. Item 5(b) will be removed from the list as agreed this was no longer required.

The Board discussed the update on Action #6 in relation to communications and agreed that the wording to be included in the Communications Plan in relation to the company's anticipated lifespan be agreed by Deputy Chair and CEO ensuring consistency with the company's Statement of Intent and other guiding documents.

The Board **noted** the update on the remaining actions in progress.

Ratification of Decisions

Show Place Accommodation

The Board **resolved** to **ratify** the approval by electronic vote of management's recommendation to reconfigure the existing premises at 6 Show Place to cater for the additional staff required to be recruited within Arrow and Southern Response.

Moved: Bevan Killick, **Seconded:** David Whyte, **Carried:** unanimously.

TC3 "One Stop Shop Foundation" Contractor Procurement

The EQ Strategies Manager spoke to the paper and confirmed that the selection process was carried out in accordance with the Southern Response Procurement Policy.

The Board **noted** that:

- Each recommended Specialist Foundation Contractor has undergone the financial review process and has met Southern Response due diligence requirements.
- Relationship Agreements have been drafted by Wynn Williams describing the expectations of the One-stop Shop Foundation Contractors from Southern Response and vice-versa.
- Although there is no commitment to volumes to the One-Stop Shop Foundation Contractors, the Relationship Agreement still has the form of other volume agreements that requires transparency and a commitment to an 'open-book' relationship.
- Six of the Volume Group Home Builders have agreed to using this resource as needed and will apply a reduced margin when submitting pricing if using this resource. The remaining two panel members have confirmed that they have the competency and capacity to deliver the required foundations without access to Southern Response's "one-stop shop" resource.

The Board **resolved** to **approve** Southern Response entering into the Programme Agreements and **authorise** two Directors to sign the Relationship Agreements with the following companies:

- Scott Construction Limited (Future Proof Floors),
- Henry Construction Limited (Rock Solid Foundations),
- Maiden Construction Limited,
- Lightning Construction & Joinery Limited

Moved: Anne Urlwin, **Seconded:** Susan Thodey, **Carried:** unanimously.

In discussing the Volume Group Home Builder panel generally, the Board **noted** that several approaches have recently been made by construction firms seeking to work with Southern Response as members of the rebuild and repair panels, as a consequence of the reducing flow of work from EQC and other insurers. The Board **noted** that each such approach would be followed up by management with a view to securing the contractors' capacity through Southern Response's panel selection process.

Audit & Risk Committee Update

The Board **noted** that the Committee had considered and approved by circular resolution the revised Register of Delegated Authorities under the Delegated Authorities Policy, reflecting the recent changes to the organisational structure of Southern Response.

The Board **resolved** to **accept** the Audit & Risk Committee's recommendation to **adopt** the revised Delegated Authorities Policy, noting that a full review of the policy would be conducted in April in accordance with the agreed policy review cycle.

Moved: Anne Urlwin, **Seconded:** Susan Thodey, **Carried:** unanimously.

Dashboard

The CFO spoke to the Dashboard report.

The Board **noted** the changes introduced to the presentation of delivery pipeline in response to the Board request.

The Board **noted** the slow down in the rate of new disputes and litigation.

The Board **noted** the good rate of reporting of H&S near misses by SRES staff, and that a similar level of awareness and reporting by contractors and subcontractors is desirable and being developed by targeting

culture of under-reporting prevalent in the construction industry. The issue of underreporting will be raised with Arrow management.

The Board **noted** that claims handling costs were currently under budget, but expected to increase as a result of resourcing changes under way. The Board reconfirmed its financial commitment to resourcing, and **noted** difficulties being experienced sourcing quality staff.

The Board **noted** the Dashboard.

Schedule of Key Challenges

The Chief Executive spoke to the Schedule. The Board **noted** the format in which Key Challenges were presented was useful to both the Board and Management, and requested the Chief Executive's Update in future provide a commentary on an exceptions basis. The Board also requested that a column be added to the schedule to show any movement in the combined score between periods.

The Board **noted** the Schedule of Key Challenges.

Financial Year Business Plan 2014/15

The Board **noted** the draft Business Plan circulated with the Board pack, having undergone an initial review by the Chair and Deputy Chair.

The Board discussed area-specific plans which have been developed for the three Overcap teams, and **noted** that such plans would be desirable for each area of the business, and that they should be included as an appendix to the overall Business Plan.

The Board **noted** that the Business Plan is treated by management as a live document, with six monthly reviews occurring to check on progress of the key actions, and adjustments made as necessary to ensure their currency.

The Board **noted** progress in developing the Business Plan, requested that Directors provide their specific feedback to the Chief Executive within a fortnight (by 4th April 2014) and that the feedback be incorporated in the final draft of the Plan which will be presented to the Board's April meeting for approval for submission, in draft form, along with the draft SOI, to Treasury by the due date of 1 May.

The Board requested that the progress and near completion of business planning be noted in the Quarterly Report to the Shareholding Ministers.

CEO Update

The CEO spoke to his report.

The Board **noted** the update on progress on activities arising from the December customer protests.

The General Counsel provided an update on the planned class action. The Board **noted** that the claim in relation to the class action has not yet been filed with the Court by the claimants' lawyer, Grant Cameron, but that indications were of an argument centred around the delays in the settlement of claims, and interpretation of policy wording "as quickly as circumstances allow".

The Board **noted** the threats reportedly made by the class action organisers against Board members, and the management's liaison with the Police on the matter.

The Board expressed concern about the possible impact of the class action on claim settlements arising from the lengthy timeframes for court action, the necessary diversion of resources to defend the action, and its effect on the safety and wellbeing of Southern Response's staff.

The Board discussed the legal resourcing required to deal with the likely litigation and requested that the General Counsel explore further the means to protect the interests of the company, its claimants and staff, including engagement with the Law Society regarding inflammatory statements made by members of legal profession in the course of the legal action.

Change in attendance: Ross Butler left the meeting at 11.55 a.m.

The Board discussed the building consenting statistics and **noted** a pleasing uplift in the number of consent applications accepted by the Christchurch City Council for Southern Response/Arrow repairs and rebuilds compared to other insurers, but that it was appropriate to refrain from publicising the industry comparisons at the present time.

The Board **noted** that CERA Wellbeing Survey has recently been issued, and requested that a copy be circulated to Directors.

The Board **noted** the recent correspondence from ICNZ to CERA in relation to private insurers, and unsatisfactory references made to Southern Response, which may be addressed by the Chairman with ICNZ's Chair directly.

The Board adjourned for lunch at 12.05 p.m. and was joined by Dr Rob Gordon.

The Board reconvened at 12.20 p.m.

Stress in post-disaster recovery - presentation

Dr Rob Gordon presented to the Board his findings arising from the research and analysis of post-disaster behaviours, with a focus on learnings useful in addressing the issues arising from the Canterbury Earthquakes.

Dr Gordon answered Directors' questions in relation to aspects of the presentation.

Change in attendance: Dr Rob Gordon left the meeting at 1.05 p.m. and the Board adjourned for a short break.

The Board reconvened at 1.10 p.m.

Customer Strategy

Change in attendance: Ross Butler re-joined the meeting at 1.10 p.m.

Sam Fisher (Communications Manager) and Darrell Hansen (Christchurch Operations Manager) joined the meeting.

The Board discussed progress in developing metrics for reporting on customer engagement and satisfaction, recognising the need for a sophisticated approach in responding to different needs of different segments of the customer base, and acknowledging the resourcing needs to service the increased levels of customer engagement for which the need has been identified.

The Board **noted** that the insights offered by Dr Rob Gordon were considered very valuable and would be utilised in further development of the customer strategy, with Board comments sought on the proposed approach.

The Board **noted** that the need for ongoing psychological support for the staff has been recognised and included in the Business Plan.

The Board discussed the need to balance the needs of "business as usual" customers with those who require special attention, without an undue diversion of resources.

Customer Satisfaction Surveying

The Board discussed aspects of the EQ Strategies Manager's report and provided comments in relation to the business objective of the survey, ideal sample size and other related matters.

The Board **noted** progress to date, **noted** the feedback provided by Directors and that it would be taken into account in further work to be carried out.

The Board requested that research be undertaken into the customer surveying by other equivalent organisations (e.g. those with a limited lifespan) as part of the ongoing work to develop customer surveying approach for Southern Response.

The Board **noted** the progress update in relation to the customer portal being developed by iViis and discussed issues in relation to the security of data. The Board requested that management verify whether the iViis customer portal meets ICT system and data security requirements.

Change in attendance: Sam Fisher and Darrell Hansen left the meeting at 2.15 p.m.

CEO Update cont.

The Board **noted** the delays in achieving settlement with CERA in respect of Option 1 Red Zone properties, and that the delays adversely impact on claim settlement figures as the claims remain open despite having been settled with the property owners. The Board confirmed it was comfortable with the proposed approach of settling the claims with payment made into an escrow account until such time as finally resolved with CERA. The Board **noted** that this approach would be communicated to CERA and the Shareholding Minister, including the likely financial impact of the settlement.

The Board **noted** the changes introduced to enhance the vulnerability management system.

The Board **noted** the update in relation to Southern Response's recent change of policy in respect of claiming excesses on OOS claims where EQC excess has already been applied, following a ruling by the ISO on the matter. The Board **noted** the position in respect of retrospective claims is yet to be finalised, and that it was the ISO's view that once confirmed, Southern Response's position ought to be publicised. The Board **noted** the administrative effort required to process excess refunds for claims already settled would be considerable, and that introduction of an automated process was being investigated by management.

The Board **noted** an update from the General Counsel in respect of the independent review of Southern Response's dispute resolution system. The Board **noted** that John Marshall QC had agreed to perform the review with the assistance of Graham Warner, former Manager Dispute Resolution at Australia's Insurance Ombudsman Service, with experience dealing with insurance issues arising from the Victorian bush fires and Queensland floods.

The Board **noted** the letter tabled by the CEO from Minister for Canterbury Earthquake Recovery to ICNZ encouraging its members to follow Southern Response's lead in lifting the \$200,000 cap on ISO's jurisdiction and promoting greater use of RAS.

The Board **noted** the Chief Executive's advice of an article expected to be published by The Press the following day questioning the validity of repair methodologies employed in the repair of earthquake-damaged homes, and the anticipated increase in enquiries from customers challenging Southern Response's approach as a result.

The Board **noted** the update in relation to the costs in the Rout case, where a half-day hearing requested by Mr Shand has been agreed to by the Court.

The Board **noted** the Chief Executive Update.

Review of OAG Report into EQC

The Board **noted** the file note on outcomes of the Workshop held on 7th March 2014 by the Chair, Deputy Chair and management to review the findings of the OAG Report. The Board **noted** that information on quality processes applying to Arrow's rebuilds/repairs was being prepared for the Board, along with metrics for ongoing Board monitoring, and noted the other relevant points from the OAG's review not discussed in the Workshop, including quality processes and monitoring metrics for GHB builds/repairs and OOS which were yet to be documented for the Board with associated monitoring metrics. The Board requested that the review of the OAG Report be noted in the Quarterly Report to the Shareholding Ministers.

Support Services Update

The Support Services Update was taken as read.

The Board **noted** CFO's verbal update in relation to discussions with IAG regarding the use of AMIGO beyond 31 December 2014.

The Board **noted** the Support Services Update.

Health & Safety Performance Report

The General Counsel spoke to the report.

The Board **noted** the work undertaken to date to enhance H&S reporting, and provided feedback on the format and scope of the Arrow H&S report for January 2014 provided as an example. The Board requested that H&S trends over a period of time be built into the reports, as well as current month reporting. The Board **noted** that once the report's format is finalised, Southern Response's data will be fed into it together with Arrow's data to produce a consolidated monthly report.

The Board **noted** the Health & Safety Performance Report.

CFO Update

The CFO Update was taken as read.

The Board **noted** that external auditors were currently working on site performing preliminary work for the annual audit.

The Board **noted** the update on insurances in response to questions arising from the February meeting of the Audit & Risk Committee.

The Board **noted** the update on drafting of the company's Statement of Intent and Statement of Service Performance, both of which will be circulated during the w/e 28 March 2014, and **noted** that financial forecasts for inclusion in the Business Plan and Statement of Intent will be finalised in April based on the outcome of the claims liabilities valuation at 31 March 2014.

The Board **noted** the CFO Update.

Correspondence relevant to the Board

The Board **noted** the correspondence circulated with Board papers.

The Board **noted** Chief Executive's advice of a receipt by the Commerce Commission of a complaint in relation to Southern Response's "More flexible options" brochure, and that a draft response has been prepared following the CE's meeting with Commerce Commission, which will be circulated to Directors for feedback prior to issue.

The Board **noted** the update on customer issues which have been raised with Board members.

The Board **noted** the updated Schedule of OIA requests.

Major Contracts

The Board **noted** the Schedule of Major Contracts.

Schedule of Ongoing Obligations

The Board **noted** no new entries in the Schedule of Ongoing Obligations.

General Business

David Whyte advised the Board of discussions held by the SR&R Committee in relation to an adjustment of Overcap KPIs for the second half of 2013/14 financial year, and that a formal decision of the Committee on the matter will be confirmed by electronic vote and advised to the Board.

Next Meetings

The next meeting of the Board was confirmed on 14 April 2014, commencing at 7.30 a.m. It will include Finity's presentation of the 31 March 2014 valuation results, Arrow's Throughput Update and a meeting with members of Arrow International's Board.

Closure of the Meeting

The Meeting closed at 3.00 p.m.

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Approved: 14 April 2014

Southern Response Earthquake Services Limited

Minutes of the Meeting of the Board of Directors

Held at 9.00 a.m. on 17 October 2014 at Southern Response, 6 Show Place, Addington, Christchurch

Present

Ross Butler – Chairman of the meeting, Anne Urlwin – Deputy Chairman, Jenn Bestwick – Director, Bevan Killick – Director, Sarah Sinclair – Director and Susan Thodey – Director.

Apologies

None.

In attendance

Peter Rose – CEO, Tony Feaver – CFO, Casey Hurren – EQ Strategy Manager

Kent France – General Counsel (except 10.40-10.55)

David Stanley – The Treasury (9.00 – 10.40 a.m. and 1.40 – 2.45 p.m. only)

██████████ – Finity Consulting (9.00 – 10.40 a.m. and 1.40 – 2.45 p.m. only)

██████████ – Arrow International (9.00 – 10.40 a.m. only)

██████████ and ██████████ – Arrow International (1.40 – 2.45 p.m. only)

Roger Johnston, Strategic Delivery Manager (1.40 – 2.45 p.m. only)

Linda Falwasser, Communications Manager (3.05 – 3.20 p.m. only)

Minutes recorded by Anna Gruczynska.

Welcome

The Chairman welcomed all members of the Board and other attendees, and confirmed the agenda for the meeting.

The Chairman confirmed that the Board met for Board-only time earlier that day and discussed matters in relation to the Disputes Workshop follow-up, the Court of Appeal decision in Avonside, a H&S serious harm incident notified and staff wellbeing,

Quorum

The Chairman, Ross Butler, declared a quorum was present.

Treasury Update

Mr Stanley spoke to the Board on an informal basis, outlining the recent restructuring within the Treasury aimed at enhancing the monitoring of entities within the Crown portfolio, and at promoting a high level of two-way engagement between the entities and the Treasury. He spoke positively of the existing engagement with Southern Response.

Claims Liability Valuation at 30 September 2014

Mr [REDACTED] spoke to the presentation detailing the results of the latest valuation of Southern Response's outstanding earthquake claims liability. The Board **noted** an increase in central estimate level from the 30 June 2014 valuation of \$78 million attributable mainly to an increase in the average claim size for Over Cap Repairs and, to a lesser degree, the slower assumed payment pattern and anticipated additional Project Management costs.

The Board **noted** the observed slow-down in the rate of new overcap claims being notified by EQC, and the potential financial impact of Protocol 1 claims, unable to be quantified at present. The Board **noted** that no payments have been made to EQC to date for Protocol 1 claims, but that there was a possibility of a significant payment request in the wash-up at the end of EQC's programme.

The Board discussed the implications of both EQC and SRES exhausting their reinsurance cover, and that this might create an opportunity to streamline the approach to "near cap" claims with an earlier handover to SRES.

David Stanley will seek to facilitate a meeting between SRES, EQC and their respective Treasury relationship managers to discuss matters in relation to Protocol 1 accruals and streamlining claim ownership allocation.

The Board discussed the increase in repair claims costs and the initial hypotheses emerging as to the underlying reasons, which required further investigation and analysis.

The Board **noted** a number of remaining unknowns which may affect future valuations, particularly the issue of repairs in flood prone areas being determined via Declaratory Judgment commencing in October, and the ultimate level of recoveries in respect of land compensation.

Change in attendance: David Stanley, [REDACTED] Kent France and [REDACTED] left the meeting at 10.40 a.m.

The Board adjourned for a break at 10.40 a.m., and re-convened at 10.50 a.m.

Capital Committee Update

The Board **noted** that the Committee met the previous day and reconvened briefly earlier that morning, following Finity's presentation to the Board.

The Board **resolved** to **accept** the Capital Committee's recommendation that it **adopt** the draft claims liability valuation as at 30 September 2014 for incorporation into the:

- 30 September 2014 Management Accounts
- Financial Forecast for the years ended 30 June 2015 – 30 June 2018 for the purposes of forecasting the cashflows and valuation of the Crown Receivable.

Moved: Bevan Killick, **Seconded:** Susan Thodey, **Carried:** unanimously.

The Board **resolved** to **accept** the Capital Committee's recommendation to **approve** the Finity Consulting fees for the 2014/2015 year and **authorise** management to conclude the agreement with Finity.

Moved: Bevan Killick, **Seconded:** Susan Thodey, **Carried:** unanimously.

The Board **noted** that the Committee received reports on reinsurance, reinsurer updates, utilisation of the Contract Works Insurance, and the Aon Benfield quarterly report.

The Capital Committee report was **noted**.

Change in attendance: Kent France re-joined the meeting at 10.55 a.m.

Audit & Risk Committee Update

The Board **noted** that the Committee met the previous day. The Committee Chair updated the Board on matters considered by the Committee.

The Board **resolved** to **accept** the Audit & Risk Management Committee's recommendations:

- to **note** the receipt of the KPMG Internal Audit activity report for October 2014 and management comments;
- to **approve** that the following review recommendations from the Privacy follow-up review are not implemented:
 - ensure data is only accessible to those who need to have access to it;
 - monitor file access to identify any instances of inappropriate browsing;
 - locking away files no longer in regular use.

and to **accept** the resultant risks, noting that the ongoing monitoring of those risks will continue.

- to **note** the review by the Committee of the reports on Two factor iViis authentication system and Email and Aconex security, **note** the risk mitigations implemented, and to **accept** the residual risks, noting that the effectiveness of mitigations will be monitored.
- to **note** that the revised Sensitive Expenditure Policy, revised Use of Company Credit Cards Policy, and revised Directors Fees and Expenses Policy have been reviewed in accordance with the policy review schedule with minor amendments made, and to **adopt** the revised policies.
- to **note** that the Committee received an update on the Build Contract Allocation issue and resolved that the matter be closed, received the draft Deloitte IS Review Report and accepted management comments, and received the quarterly reports on Fraud Management Activities, Compliance and Risk.
- to **note** the update on work completed to date in relation to Value of Money review, and to **note** that the KPMG report would be completed and presented to the December Board meeting.
- to **note** that the Committee reviewed the revised Risk Management Framework and provided feedback to management in relation to the Risk Appetite statements and of H&S and Quality issues and to **note** that the Risk Management Framework would be presented to the Board for approval following its review by the Committee.

Moved: Anne Urlwin, **Seconded:** Susan Thodey, **Carried:** unanimously.

The Board **noted** the Committee proposal that no interim financial statements to 31 December 2014 be prepared, in line with the approach adopted by the Board in 2013. Subject to confirmation of the suitability of this approach by the Treasury, the Board requested the decision not to prepare interim Financial Statements be noted in the Quarterly Report to the Shareholding Ministers.

The Audit & Risk Committee report was **noted**.

Health & Safety Committee Update

The Board **noted** that the Committee has not met since the previous Board meeting, however that progress was made in the intervening period in finalising the Southern Response Health & Safety Vision, with input from members of the Board.

The Board reviewed and **resolved** to **adopt** the Southern Response's Health & Safety Vision Statement.

Moved: Jenn Bestwick, **Seconded:** Susan Thodey, **Carried:** unanimously.

The Board noted the update on two serious harm incidents reported and discussed issues in relation to the notification and categorisation of H&S incidents and escalation of internal investigations. The matter will be reviewed further at the November H&S Committee meeting.

The Board **noted** the progress in engaging with Transpower for mutual learnings.

The Health & Safety Committee report was **noted**.

Interests Register

Jenn Bestwick advised of her appointment to the PIF Panel of the State Services Commission.

Sarah Sinclair advised of her partner's employment with a company involved in the Canterbury Rebuild.

The details of both entries will be recorded in the Interests Register ahead of the next Board meeting.

Approval of Minutes

The minutes from the Board meeting of 22 September 2014 had been circulated with the papers.

It was **resolved** that the minutes of the meeting of 22 September 2014 be **accepted** as a true and correct record of the meeting.

Moved: Anne Urlwin, **Seconded:** Susan Thodey, **Carried:** unanimously.

Matters arising from the Minutes

The Board **noted** that Actions 1-3, 13 and 14 had been completed and progress reports were provided in the Board pack as appropriate.

In respect of Action 15, the Board noted a 2 hour Board evaluation workshop session has been confirmed for the afternoon of Monday, 15th December, following the Board meeting.

In respect of Action 9, the Board discussed the developments with regard to the Declaratory Judgment and submissions made by the parties, which were available for review in the Diligent Resource Centre.

The Board **noted** the update on the remaining actions in progress.

Ratification of Resolutions

The Board **resolved** to **ratify** the decisions confirmed by electronic vote since its meeting of 22 September 2014:

- In respect of the **ROVER acquisition**:

to **authorise** management to negotiate with the University of Canterbury for the purpose of defining the terms on which the Rover technology could be acquired and to conclude an agreement on terms management believes are appropriate.

Moved: Anne Urlwin, **Seconded:** Jenn Bestwick, **Carried:** unanimously.

Quarterly Report

The Board discussed the draft summary of the Quarterly Report to 30 September 2014 circulated with the Board pack, and provided feedback on the content of the Quarterly Report.

The Board **resolved** to **note** the draft Quarterly Report for Q1 2014/15 and **authorise** the Chairman, the Chair of the Audit and Risk Committee and the CEO to finalise the report for submission to the Shareholding Ministers and the Treasury by 31st October 2014.

Moved: Ross Butler, **Seconded:** Bevan Killick, **Carried:** unanimously.

Dashboard

The CFO spoke to the Dashboard report, drawing the Board's attention to the original document provided with the Board pack and the alternative layout presented separately for discussion.

The Board requested that the compiler of the Dashboard be invited to speak to the Dashboard at the next Board meeting.

The Board **noted** the improved build delivery run rates reported, and requested that in future reports “site establishment” progress be reported separately from “construction phase start”.

The Board **noted** the enhancements introduced to reporting on H&S and Quality performance.

The Board **noted** the Dashboard.

Schedule of Key Challenges

The Chief Executive spoke to the Schedule.

The Board discussed the impact rating for Build quality challenge and agreed this should be increased in *Impact* terms .

The Board discussed the Underground services and the overlapping responsibilities between various parties involved in this area.

The Board **noted** the Schedule of Key Challenges.

The Board adjourned for a break at 12.05 p.m., and reconvened at 12.15 p.m.

CEO Update

The CEO Update was taken as read. The CEO spoke to aspects of his report.

The Board **noted** the proposed conceptual approach to incentivising good culture within Arrow via the incentive system. The Board **noted** further work in this area will link into the Value for Money Review currently underway, and that the emphasis on appropriate escalation of emerging issues was being addressed by Arrow’s management and reiterated to all staff.

The Board discussed the developments in relation to WorkSafe’s approach to work carried out on potentially contaminated sites and agreed that if a pragmatic outcome is not able to be achieved through current negotiations, engagement with the Chair on the issue would be appropriate.

The Board **noted** the update in relation to the CCC District Plan Review, and the submissions made by Southern Response. A reference to the Review to be included in the presentation to the Annual Public Meeting as an example of an area where lack of certainty is affecting recovery progress.

[REDACTED]

The EQ Strategy Manager updated the Board on developments in relation to cross lease and multi-unit issues. The Board requested that issues in relation to land use under Resource Management Act be included in the briefing to the Minister, and those arising from joint responsibility with EQC for the resolution of the claim to be raised with EQC in the Treasury-facilitated forum.

The Board noted the CEO’s updates on Auckland Transition, the Breakthrough Pilot with CanCern and quality initiatives to be championed in conjunction with Health & Safety.

The Board adjourned for lunch at 1.05 p.m., and reconvened at 1.30 p.m.

CFO Update

The CFO Update was taken as read. The CFO spoke to aspects of the report.

The Board **noted** the CFO Update.

Financial Forecasts

The CFO spoke to the report. The Board **noted** that the Treasury Forecast had been prepared for Treasury for the purpose of preparation of the 2014 October Baseline Update and Half Year Economic and Fiscal Update, and does not form part of the company's business planning and reporting process in relation to the SOI, and **noted** that the forecast had been provided to the Treasury by the required date of 16 October, subject to any adjustments which may be required following the Board's consideration of Finity's claims liability valuation as at 30 September 2014.

The Board **resolved** to **approve** the 30 September 2014 reforecast (Treasury version) for the years ended 30 June 2015 – 30 June 2019 for submission to Treasury to update Crown forecasts.

Moved: Anne Urlwin, **Seconded:** Susan Thodey, **Carried:** unanimously.

Support Services Update

The CEO spoke to the report. The Board **noted** the update on initiatives in train to assist Auckland staff with career transition, and discussed possible assistance for those staff prepared to relocate to join the operations in Christchurch.

The Support Services Update was **noted**.

Change in attendance: [REDACTED] and [REDACTED] (Arrow International), David Stanley (The Treasury), [REDACTED] (Finity Consulting) and Roger Johnston (SR Strategic Delivery Manager) joined the meeting at 1.40 p.m.

Throughput Update Presentation

Messrs [REDACTED] and Johnston spoke to the presentation focusing on progress to date, initiatives to accelerate repairs, the revised operational forecast including multi-unit properties and the December quarter targets.

The Board **noted** that Repair construction starts remained below target, but were accelerating as evidenced by the significant increase month-on-month over the past quarter. The Board discussed possible incentives for customers whose rebuild/repair is ready to start but who seek to delay commencement for personal reasons.

The Board **noted** the impact of MUBs on the construction forecast and requested that the intention to seek exercise of CERA powers, for example, to effect progress be signalled in the Quarterly Report, with a separate note to be provided to the Treasury for the purpose of their briefing to the Minister.

The Board **noted** the repair throughput initiatives which have been implemented, and the early indications of stagnation reducing in response to those initiatives.

The Board **noted** the revised operational forecast which had been endorsed by the Executive Control Group, and the confirmation of the target of December 2016 for 90% of customers being back in their homes. The Board discussed the 10% anticipated "tail", and noted this has been analysed to be represented by Shared Property (68%), Repairs (17%), Group builds (12%) and Non-group builds (3%).

The Board thanked Arrow management and Roger Johnston for the presentation and their efforts in addressing the Board's questions raised in earlier meetings.

Change in attendance: [REDACTED] [REDACTED] [REDACTED] David Stanley, [REDACTED] and Roger Johnston left the meeting at 2.45 p.m.

The Board adjourned for a break at 2.45 p.m., and reconvened at 2.50 p.m.

Annual Public Meeting

The Board **noted** the Chairman's report and provided feedback on the proposed key messages to be delivered by the company's Annual Public Meeting on 31 October 2014.

The Board **noted** the CEO's advice of alleged threatening comments made by an AMI customer (policy cancelled by AMI) to a third party, and that these would be investigated with the necessary steps taken to prevent the customer's attendance at the Public meeting if justified.

Change in attendance: Linda Falwasser, Communications Manager joined the meeting at 3.05 p.m.

The Board discussed and **noted** the improvement in the level of customer engagement since Linda's appointment to the role, and the various communications initiatives currently in train.

Change in attendance: Linda Falwasser left the meeting at 3.20 p.m.

Correspondence relevant to the Board

The Board **noted** the correspondence from the State Services Commission in relation to the proposed application of the SSC Code of Conduct to Southern Response from 1 January 2015, and the Chairman's response.

The Board **noted** the update on customer issues which have been raised with Board members.

The Board **noted** the updated Schedule of OIA requests and that no new entries were made in the Schedule of Parliamentary Questions since the previous meeting.

Major Contracts

The Board **noted** the Schedule of Major Contracts.

Schedule of Ongoing Obligations

The Board **noted** no new entries in the Schedule of Ongoing Obligations.

Next Meetings

The Board noted Jenn Bestwick's apology for the Annual General Meeting and Annual Public Meeting due to a conflict with another Board engagement.

The Board noted that a 2 hour Board evaluation workshop with [REDACTED] [REDACTED] has been confirmed for the afternoon of 15 December. The Board's annual Christmas dinner has been confirmed on Sunday, 14 December.

2015 Board meeting dates

The Chairman requested that the date of the July Board meeting be amended to Monday, 20 July 2015. The date was confirmed. The Board noted Jenn Bestwick's apology for the meeting.

The 2015 schedule to be re-circulated and confirmation of Committee meeting requirements sought from the Committee chairs by the Secretary.

General Business

The Board discussed the follow-up to the Disputes Management workshop and requested that the CEO circulate a copy of the management responses to the Board for review with the intention of making them available on the company's website once confirmed.

Jenn Bestwick recited a karakia.

Closure of the Meeting

The Meeting closed at 4.30 p.m.

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Approved: 15 December 2014

PROACTIVELY RELEASED BY
SOUTHERN RESPONSE EARTHQUAKE SERVICES LTD

Southern Response Earthquake Services Limited

Minutes of the Meeting of the Board of Directors

Held at 8.15 a.m. on 15 December 2014 at Southern Response, 6 Show Place, Addington, Christchurch

Present

Ross Butler – Chairman of the meeting, Anne Urlwin – Deputy Chairman, Jenn Bestwick – Director (except 11.00 – 11.45 a.m.), Bevan Killick – Director (except 12.00 – 12.05 p.m.), Sarah Sinclair – Director and Susan Thodey – Director.

Apologies

None.

In attendance

Peter Rose – CEO (except 10.35 – 10.45 a.m.), Tony Feaver – CFO, Kent France – General Counsel, Casey Hurren – EQ Strategy Manager (9.05 – 11.10 a.m. only)

██████████ – KPMG (8.15 – 9.20 a.m. only)

Linda Falwasser, Communications Manager (9.35 – 10.15 a.m. only)

██████████ and ██████████ – Finity Consulting (by phone, 10.30 – 10.50 a.m. only)

Minutes recorded by Anna Gruczynska.

Value for Money Review of Arrow PMSA

██████████ spoke to the presentation outlining the conclusions of the Value for Money review carried out by KPMG. The Board **noted** the scope of the review was to examine the Economy, Efficiency and Effectiveness of Arrow Services under the PMSA, which comprised the assessment of quantitative and qualitative information obtained from Southern Response & Arrow data and from interviews with stakeholders.

The Board **noted** the focus of the review was the current performance under the contract (covering the June and September quarters, 2014), rather than historical value which was not assessed.

The Board **noted** that significant attempts have been made to obtain comparative data on PMO costs and outputs from similar organisations for analysis, however this was not possible due to the restrictions imposed by the competition legislation, as advised by the Commerce Commission and confirmed by the company's own legal advice. As a consequence, the review was not able to reach an overall conclusion quantitatively, however the qualitative information supported the conclusion that Arrow resources and service levels were as good as, if not better, than those of other PMOs.

The Board **noted** the detailed assessments for the key elements of the value chain: Assessments, Contract Development and Construction.

The Board **noted** the broadly positive trend for the drivers overall, however that a number of individual metrics showed a negative trend.

The Board **noted** the key outliers in terms of good and poor performance, and **discussed** the findings in respect of specific drivers, independence and objectivity of qualitative information and the challenges in relation to the availability of directly comparative data

Change in attendance: Casey Hurren joined the meeting at 9.05 a.m.

The Board **noted** the receipt of the Value for Money report, and **requested** its completion be recorded in the Quarterly Report to the Shareholding Ministers, and that management report to the Board on progress against the recommendations on a quarterly basis. The Board **noted** management's intention to undertake further work to review Arrow's cost base to identify potential savings.

The Board **noted** that under the current PMSA agreement, Southern Response was able to renew the contract on the current terms or take it to market, and that the company's decision had to be notified to Arrow no later than 28 February 2015. It was agreed that upon further consideration of the information provided, the Board would formalise its decision in respect of the PMSA renewal at its February meeting.

Change in attendance: ██████████ left the meeting at 9.20 a.m.

Welcome

The Chairman welcomed all members of the Board and other attendees, and confirmed that the Board met for Board-only time at 7.15 a.m. that morning.

The Chairman confirmed the agenda for the meeting, and the Board Review Workshop that afternoon.

Quorum

The Chairman, Ross Butler, declared a quorum was present.

Interests Register

Bevan Killick advised of his involvement as expert witness in a court case against a failed engineering company which may be involved in the Canterbury Rebuild.

Sarah Sinclair advised that her partner commenced employment with an engineering company involved in the Canterbury Rebuild.

The details of both entries will be provided to the Secretary and recorded in the Interests Register ahead of the next Board meeting.

No conflicts against any agenda items were identified.

Approval of Minutes

The minutes from the Board meeting of 17 October 2014 had been circulated with the papers.

It was **resolved** that the minutes of the meeting of 17 October 2014 be **accepted** as a true and correct record of the meeting.

Moved: Jenn Bestwick, **Seconded:** Bevan Killick, **Carried:** unanimously.

Matters arising from the Minutes

The Board **noted** that Actions 1-13 had been completed and progress reports were provided in the Board pack as appropriate.

In respect of Action 9, the Board **noted** that an industry-wide retaining wall database was in place and operating effectively, and that the size of the issue was not as large as initially thought, therefore

The Board **resolved** to:

- **approve** Southern Response entering into an agreement to vary the IAG Claims Management and Support Services Agreement (CMSSA)
- **authorise** two Directors to execute the amended CMSSA.

Moved: Jenn Bestwick, **Seconded:** Bevan Killick, **Carried:** unanimously.

Manukau Lease

The CFO spoke to his report outlining the proposed termination of the Manukau lease at next renewal.

The Board **noted** that the increased risks to Southern Response's exposure from a single location were mitigated by measures detailed in the report.

The Board **resolved** to:

- **accept** Management's recommendation on the non-renewal of the lease for the premises at 8 Osterley Way Manukau
- **approve** Management to give appropriate notice to the landlord.

Moved: Susan Thodey, **Seconded:** Bevan Killick, **Carried:** unanimously.

New bank account opening

The CFO advised the Board of the receipt of additional information from the ANZ Bank since the publication of the Board papers, which was yet to be reviewed by management but could impact on management's recommendation to the Board.

It was agreed that once the additional information has been considered, management's recommendation would be presented to the Board for an electronic resolution.

Change in attendance: Linda Falwasser joined the meeting at 9.35 a.m.

Customer Survey Results

Linda Falwasser spoke to a presentation of summarised results of the recent customer survey carried out by IPSOS. The Board **noted** the background to the survey, its objectives and methodology.

The Board **noted** the very low response rate from customers invited to participate, and IPSOS view that while the resultant sample was sound, it was restricted to those who felt inclined to participate at an either positive or negative extreme.

The Board **discussed** ways to increase the response rate in future surveys. It also **recommended** that the company explore the ability to cross-reference customer segmentation information with potential vulnerability, so that further targeted communication might be facilitated with such customers

The Board **noted** the initiatives in train and those proposed to respond to the survey results, including the formation of a dedicated management task group, and requested that an update on the progress of the initiatives be reported in the Chief Executive Update to the February Board meeting.

The Board **noted** the next survey was proposed to be held during the June quarter of 2015.

Heritage New Zealand issues

Linda Falwasser provided an update on the developments in the proceedings against Arrow and Mike Greer in relation to the disturbance of an archaeological site without authority, and on a further archaeological discovery made on site under an appropriate authority. The Board **noted** that items of significance were

discovered, and due process was being followed for consultation with the local Maori hapu for the handover of the artefacts to the Canterbury Museum.

Change in attendance: Linda Falwasser left the meeting at 10.15 a.m.

The Board adjourned for a morning tea break and re-convened at 10.30 a.m.

Change in attendance: [REDACTED] [REDACTED] [REDACTED] [REDACTED] and [REDACTED] of Finity joined the meeting by phone at 10.30 a.m.

Declaratory Judgment Implications

The Board **noted** that the outcome of the Declaratory Judgment had been announced during the previous week confirming that, in relation to EQC Act, damage to the land contributing to increased flood vulnerability is not building damage, a clarification welcomed by Southern Response.

Change in attendance: Peter Rose left the meeting at 10.35 a.m.

The Board **discussed** the likelihood of the judgment being appealed, and the possible grounds for appeal, and **noted** that 29th January 2015 was the final date for leave to appeal to be lodged.

Change in attendance: Peter Rose re-joined the meeting at 10.45 a.m.

The Board **noted** the anticipated financial implications should the Judgment be appealed successfully and requested that the information be shared with the Treasury.

The Board **noted** that the Judgment was in relation to EQC Act specifically, and not in relation to an insurance policy, which may still be challenged.

Change in attendance: [REDACTED] [REDACTED] [REDACTED] [REDACTED] and [REDACTED] left the meeting at 10.50 a.m.

Other Court matters

The General Counsel updated the Board on developments in relation to a case currently before the High Court, where an application for contempt of court has been made against a customer advocate following comments made by him on social media.

Health & Safety Committee Update

The Board **noted** that the Committee met on 24 November, and it attended a number of H&S Audit site visits, the notes and observations from which have been circulated to Board members.

The Board **noted** the ongoing challenges in reporting incident frequency rates as the data was not currently being captured in the required format.

The Board **noted** that the review of the H&S Risk Register has been deferred, and will be carried out after further management input.

The Board **noted** that the Committee had received the H&S Review Report prepared with significant technical input from SiteSafe.

The Board **noted** the key issue identified in the course of site visits related to the lack of clarity over who has the overall responsibility for the site and for overseeing sub-contractors' H&S.

The Board agreed to set aside 2 hours at the start of the February Board meeting to attend further H&S Audit site visits.

The Health & Safety Committee report was **noted**.

Change in attendance: Jenn Bestwick left the meeting at 11.00 a.m.

HR Committee Update

The Board **noted** that the Committee met on 11 December when it **received** the Employee KPI Validation Internal Audit Report, **noted** management's update on Auckland office closure and extended sick leave, and considered management's recommendation regarding the possible extension of staff medical insurance to include life and critical illness cover. The Board **noted** that after consideration the Committee **accepted** management's recommendation that the current level of cover remain unchanged, but that the company will facilitate staff access to qualified financial advisers to ensure they receive advice on insuring themselves adequately for their individual needs. The Board **noted** this approach was consistent with other public sector organisations.

The Board **noted** that the Committee had also reviewed a number of governance and management policies in accordance with the policy review schedule.

The Board **resolved** to **accept** the HR Committee's **recommendation** that the Board :

- **adopt** the revised Remuneration and Retention Policies.
- **note** the amended Ethical Behaviour Policy which has been implemented with CEO's approval and **approve** the status of the Ethical Behaviour Policy being changed to a governance policy, with the Governance Committee of the Board becoming responsible for the policy.
- **note** the implementation of the amended Recruitment and Selection Policy, Vehicle Use Policy and Working Out of the Office management policies.

Moved: Anne Urlwin, **Seconded:** Bevan Killick, **Carried:** unanimously.

The HR Committee report was **noted**.

Capital Committee Update

The Board **noted** that the Committee met briefly the previous day and considered the Contract Works Insurance renewal proposal.

The Board **noted** the Committee's view that the proposal represented a good outcome of the renewal negotiations with:

- a 28.57% percent premium rate saving from the current year;
- an increase in the estimated value of contracts and the event limit; and
- securing SwissRe participation on the programme.

The Board **resolved** to **accept** the Capital Committee's recommendation that it **approves** the Contract Works Insurance Proposal and **authorise** management to conclude placement of cover on broadly the terms and conditions contained in the proposal.

Moved: Bevan Killick, **Seconded:** Anne Urlwin, **Carried:** unanimously.

The Capital Committee report was **noted**.

Change in attendance: Casey Hurren left the meeting at 11.10 a.m.

Dashboard

The CFO spoke to the Dashboard report, drawing the Board's attention to the 2-month period covered in the report as a result of no Board meeting being held in November.

The Board **discussed** the PC Defects report and noted this was being addressed by management both as a potential data issue and as a performance issue which would be placed on the agenda of the monthly relationship meetings with the management of volume contractors.

The Board expressed concern over the unsatisfactory level of detail in H&S reporting, and agreed that the Board review the reporting format and requirements with reference to the IOD H&S guidelines during its February Board meeting.

The Board **noted** the Dashboard.

Schedule of Key Challenges

The Chief Executive spoke to the Schedule.

The Board **noted** the inclusion of a new item on the schedule in relation to under/overcap court issues and the challenges arising from the difference in approach between EQC and SRES to settling those claims, with implications for cases in litigation, shared property and others.

The Board **discussed** the ramifications of the recent finding of negligence and incompetence against an EQC Engineer, and the possible impact on Southern Response's portfolio.

The Board requested that management seek engagement with David Stanley of the Treasury early in the New Year to discuss matters in relation to under/overcap approach and cash settlements in respect of shared properties. Other items for discussion to include the Quarterly Report and Declaratory Judgment.

The Board **noted** the Schedule of Key Challenges.

CEO Update

The CEO Update was taken as read. The CEO spoke to aspects of his report.

Arrow Incentive System

The Board **noted** the completion of the Arrow Incentive System adjustments and the intention to undertake a review of the Arrow cost base early in 2015.

Volume Contractors

The Board **noted** the update on issues in relation to [REDACTED] and [REDACTED]. The General Counsel's report was tabled outlining the current issues with regard to timeliness, H&S and quality performance. [REDACTED]

Change in attendance: Jenn Bestwick re-joined the meeting at 11.45 a.m.

[REDACTED]

The Board **noted** the informal notification received on the morning of the Board meeting of an out of scope contractor, Pothole People, being placed in liquidation, and that little information was available until the staff are able to scope the issue and consider remedial action.

Change in attendance: Bevan Killick left the meeting at 12 noon.

Avonside judgment

The Board **noted** the update on the lodgement of the application in the Supreme Court for leave for appeal, and the likely timeframe. The Board **noted** the issues in respect of which the leave for appeal was being sought.

The Board **resolved** to **approve** Southern Response proceeding with the appeal of High Court's decision in Avonside if the leave for appeal is granted.

Moved: Anne Urlwin, **Seconded:** Susan Thodey, **Carried:** unanimously.

Change in attendance: Bevan Killick rejoined the meeting at 12.05 p.m.

The Board **noted** the the development of the Quality Management Framework, which was progressing at a slower rate than desired.

The Board **noted** the update on recent stakeholder engagement, including meetings with the Waimakariri Mayor, Matapopore Trustees and a presentation to John McCrone of The Press.

The Board **discussed** the re-assessment of the perceived EQC debt no longer thought to be collectable, and requested that a detailed paper be presented to the February meeting for Board's approval of debt write-off.

Throughput Update

The Board **noted** the Throughput Update circulated with the CE Report in lieu of the bi-monthly presentation in view of the shortness of time at this meeting.

The Board **noted** the offsite management session scheduled for 18 December with a focus on throughput initiatives, particularly in the Repairs workstream.

The CEO Update was **noted**.

CFO Update

The CFO Update was taken as read. The CFO spoke to aspects of the report.

The Board **noted** the CFO Update.

Support Services Update

The Support Services Update was taken as read. The CEO spoke to aspects of the report in relation to the closure of the Auckland office.

The Support Services Update was **noted**.

Correspondence relevant to the Board

The Board **noted** the correspondence from the State Services Commission confirming the application of the SSC Code of Conduct to Southern Response from 1 January 2015, and the Privacy Commissioner's advice of the closure of his investigation of a complaint made by a customer against Southern Response.

The Board **noted** the update on customer issues which have been raised with Board members.

The Board **noted** the updated Schedule of OIA requests and that no new entries were made in the Schedule of Parliamentary Questions since the previous meeting, however that a new Parliamentary Question was received in early December.

Major Contracts

The Board **noted** the Schedule of Major Contracts.

Schedule of Ongoing Obligations

The Board **noted** no new entries in the Schedule of Ongoing Obligations.

Next Meetings

The next full meeting of the Board will be held on 16 February 2015.

The Board **noted** that the Capital Committee would meet by teleconference on 19 January 2015 to deal with the December 2014 quarterly valuation, with the Committee's recommendations to be presented for Board's approval by an electronic resolution unless material changes emerge requiring a Board discussion.

Quarterly Report

The Board **noted** that with no Board meeting scheduled in January, the draft Quarterly Report would be circulated to the Board via email for feedback.

The Board **resolved** to **authorise** the Chairman, the Chair of the Audit and Risk Committee and the CEO to finalise the report for submission to the Shareholding Ministers and the Treasury by 31st January 2015.

Moved: Susan Thodey, **Seconded:** Sarah Sinclair, **Carried:** unanimously.

General Business

The Board **noted** the receipt of a Finance and Expenditure Select Committee questionnaire in relation to the company's operations, the response to which was due to be provided by 28 February 2015.

The Board **resolved** to **authorise** the Chairman, the Chair of the Audit and Risk Committee and the CEO to finalise the responses to the Select Committee Questionnaire for submission to Parliament by 28th February 2015.

Moved: Susan Thodey, **Seconded:** Sarah Sinclair, **Carried:** unanimously.

Closure of the Meeting

The Meeting closed at 12.30 p.m.

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Approved: 16 February 2015