

The Treasury

Solid Energy Information Release

May 2013

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information, or who is the subject of the information
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



12 January 2011

Mr John Crawford
General Manager
Crown Ownership Monitoring Unit
PO Box 3724
WELLINGTON

Dear Mr Crawford

COMU's MONITORING APPROACH

Thank you for your letter of 29 September 2010.

You will be aware from our informal contact that our board is supportive of your initiative, but I have wanted a full management response to me on timetable issues, before responding formally.

Solid Energy supports the proposed change in monitoring approach which we believe is generally consistent with sound governance principles and our current approach to public accountability. We recognise that in some areas further detail or working experience will be required to confirm the best way to operate under this changed approach in practice, to ensure the company-shareholder-COMU interaction continues to be positive, useful and efficient and not onerous.

Below are specific comments and suggestions which we would be pleased to discuss further with you.

Greater formality around key interactions between the company and COMU

A number of key interactions should be with the board not the executive – particularly around expectations, strategy and formal reporting

Noted. This is currently achieved through quarterly meetings (and specific ad hoc meetings when required) between the Shareholding Minister and chair, which usually include COMU and the Chief Executive. We believe this is efficient and effective.

I would welcome occasional attendance as an observer at our board meeting by the minister or yourself, to get a feel of the board in action.

Engagement on strategic planning – more early involvement through “letter of expectations” in October and far less involvement (COMU simply advises the SHM whether the SCI complies with requirements and expectations) at the end of the process (late April/May)

We agree with this principle. The current approach has led to a planning process that is increasingly unworkable and results in significant problems internally. It begins far too early in the year, and runs too long, to be efficient. It then ends too early (to meet draft business plan submission deadlines). As a result our business plan often does not reflect most current information.

However further discussion will be needed to make this process as efficient and effective as possible. We believe the following would be most appropriate and consistent with best practice:

Shareholder letter of expectations: By 31 December (after review of 1st quarterly report)

Company response: By 1 March. While we can provide a response by the currently suggested dates of late January / early February this falls too early in the company's own strategic planning process to be meaningful. Being right after the Christmas break also effectively means the response must be prepared by the Board back during Q2.



Draft SCI:

By 15 June. The current expectation that a draft SCI, and therefore a draft business plan, is provided at the beginning of May means the company effectively loses two months in its own planning cycle. Best practice would result in the company completing our business plan and budgets very close to year end to ensure they contain the most current information. While the SCI stands separate from the business plan and budgets best practice sees these documents all prepared together.

We believe these proposed formal interaction dates would allow the company to significantly improve our own internal planning process, produce a much more relevant and current business plan, and meet the shareholder's and COMU's objectives for interaction on strategic planning.

Company performance – COMU will engage first with the chair before engaging with the executive
Noted.

"No surprises" policy in action
Noted.

Focus on Performance

Quarterly reporting to include forward looking view of key results including full year projections
Noted. Our current reporting includes an outlook section which we will expand.

Information on outcomes of past investment decisions
Noted. Our separate letter comments on this.

Benchmarking against peers
Noted. However as Solid Energy has no relevant peers (comparable businesses) in New Zealand we would be pleased to work with COMU to ensure benchmarking is meaningful and relevant.

Focus on portfolio performance
Noted.

Increased company and portfolio information made publicly available via COMU website

Annual portfolio report, company performance vs plan, performance vs peers, valuations and returns
Noted. We expect this will summarise and present information from Solid Energy that is already public through existing reporting and continuous disclosure (otherwise it would create an additional requirement to provide appropriate context and interpretation).

Prioritisation of monitoring efforts based on company size, complexity and difficulty of issues
Noted.

Updated Owners Expectation Manual
Noted.

We look forward to progressing these changes and discussing the points above.

Yours sincerely



John Palmer
CHAIRMAN