

## Council Policy 2.4

### Dividend Distribution Policy

#### Strategic Plan Objective

To achieve the EMRC Plan for the Future in accordance with the revised Strategic Plan 2017-2027 and the Sustainability Strategy 2022/2023-2026/2027.

#### Purpose

To provide the principles and procedures for distributing dividends to our member councils and eligible associate members.

To equitably share the financial success of the Eastern Metropolitan Regional Council to members for the benefit of the region, while ensuring the long-term sustainability and operational health of our services.

To fund dividends from all of the EMRC's operations and business undertakings which generate a surplus, unless restricted otherwise (e.g. from dedicated reserves, grants or conditional funding contributions in advance and so forth).

#### Legislation

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 1996* **Policy Statement**

The Eastern Metropolitan Regional Council (EMRC) is committed to a policy of fair and stable dividend distribution to our member councils and eligible associate members.

Our primary goal is to equitably share the EMRC's financial success with our members, recognising their contributions while preserving the organisation's operational health and future growth.

#### Financial Considerations

##### 1 Dividend Distribution Target

The EMRC's policy position is one of a stable dividend. The total annual dividend pool for distribution is a percentage of the annual member fees. The target range for this dividend pool is 10% to 15% of the total member fees, which are calculated based on the estimated tonnes of waste for the respective financial year.

The formula for the Total Annual Dividend Pool is:

*Total Annual Dividend Pool = (Estimated Tonnes for the Year × Member Fee per Tonne) × Dividend Target Percentage.*

The Dividend Target Percentage is a value between 0.10 and 0.15. a 10% target figure will be nominated to allow for unexpected volatility throughout the year, such as unexpected capital expenditure, research and development opportunities and one-off promotions or projects.

##### 2 Dividend Distribution Methodology

Dividends are distributed to current member councils based on their actual contribution of Class III waste for disposal during the financial year. This distribution model functions similarly to a patronage dividend or rebate, directly

rewarding members for their usage of the facility. The amount each member receives is directly proportional to the tonnes of Class III waste they provided, ensuring a fair and transparent allocation of profits.

The formula for an individual Member's Dividend is:

*Member's Dividend = Total Annual Dividend Pool × Total Actual Class III Tonnes from all Members - Member's Actual Class III Tonnes.*

### 3 Special Dividends

Special Dividends will be considered separately to rebate dividends and there is no target figure for special dividends. Decisions regarding the declaration of special dividends are directly linked to the overall performance of the organisation after considering the following criteria:

- **Profitability:** The company's net profit for the year.
- **Cash Flow:** The company's free cash flow.
- **Capital Needs:** The amount of money needed for planned investments in the next year.
- **Debt Levels:** The company's debt-to-equity ratio.
- **Other Service Offerings:** Cost escalations to members utilising other EMRC services.

Special Dividends will be distributed based on ownership equity share.

### 4 Distribution Schedule

Dividends will be distributed in two payments throughout the financial year:

- **Mid-Year Interim Dividend:** A modest interim dividend will be declared at the midpoint of the financial year. This payment will be a portion of the annual target, providing an early financial benefit to members. This is to be distributed following Councils' review of its half year results and to be paid in the following quarter.
- **End-of-Year Final Dividend(s):** The final dividend will be declared at the end of the financial year. This payment will adjust for the actual tonnes of waste provided and will bring the total annual dividend distribution to the target annual average. Special Dividends are also considered at End-of-year and will not be declared prior. Distribution of end-of-year and special dividends that have been declared will occur following the receipt of the audited full year financial report and to be paid in the following quarter or as soon as practicable.

### 5 Surplus Sharing with Associate Members

To foster long-term partnerships, this policy also provides opportunities for profit sharing with local governments that become associate members who commit significant, long-term tonnage to our facility. These partnerships are structured using a hybrid cooperative model, offering two distinct options:

#### Tier 1: Maximum Surplus Share Arrangement

Associate members who commit volumes over a period which align to construction of landfill cell tranches are able to participate in a maximum surplus arrangement for a set period.

- In this model, dividend profit is shared with the associate member until their distribution value reaches the **maximum set target** of 15% of their total annual fees.

- Once this 15% target is reached, all excess funds or profits flow to the owners of the EMRC, based on their equity stake. This ensures that the core body remains financially robust while still providing a significant benefit to our valued associate members.

The formulas for the Maximum Surplus Share and Excess Funds (Tier 1) are:

*Maximum Surplus Share = Associate Member's Actual Fees × 0.15*

*Excess Funds = Total Associate Member Dividend Pool – Total Surplus Share Distributed*

These Excess Funds are then distributed to owners based on their equity stake.

### **Tier 2: Ownership and Patronage Hybrid**

Associate members who chose to invest up front capital in the EMRC can transition toward Participating Member Councils and participate in a dividend structure where identified surplus for distribution is apportioned on a 10% ownership and 90% patronage basis for as long as they remain a member.

The formula for an Associate Member's Dividend (Tier 2) is:

*Associate Member's Dividend = (Total Associate Member Dividend Pool × 0.10 × Total Associate Member Equity Associate Member's Equity Stake) + (Total Associate Member Dividend Pool × 0.90 × Total Actual Class III Tonnes from all Associate Members Associate Member's Actual Class III Tonnes).*

Dividends may be utilised via a shareholder side deed to the Establishment Agreement of the EMRC to increase equity allocation through reinvestment – or a similar instrument to be determined.

### **Adopted/Reviewed**

August 2025

### **Next Review**

2026 or as required

### **Responsible Unit**

Office of the Chief Executive Officer