

STATEMENT OF CORPORATE INTENT
June 2020
Electra Group



ELECTRA GROUP

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1. Business mission

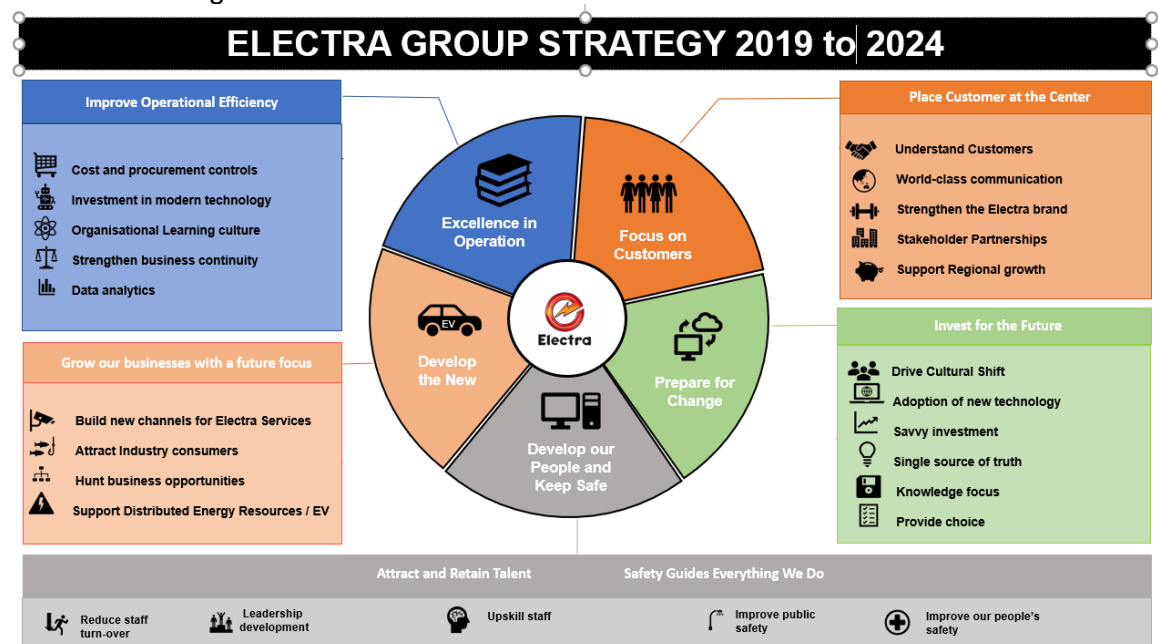
The mission of Electra Group (“Electra”) is to enhance the Horowhenua / Kapiti Coast community and its regional development through the provision of 21st Century infrastructure and new technologies.

2. Business Purpose

Empowering Your Future

3. Key Strategies

Electra’s Strategic Plan



The key business areas and business imperatives are:

A. Excellence in Operation

Improve operational efficiency by managing cost and procurement processes while implementing greater automation in the operation of the business. The business will continue to invest in information systems to maintain modern platforms and build greater data analysis competencies.

A further focus is to strengthen controls against cyber threats and data loss while maintaining business continuity systems.

B. Focus on Customers

Electra is committed to meeting the needs of today's and tomorrow's customers. This includes communicating timely and accurate information through the customer's choice of traditional and digital communication channels. Electra will work with others in the industries where we operate to share learnings and demonstrate the value of collaboration. Building strong community ties with customers and businesses will support regional growth.

C. Prepare for Change

Electra is operating in rapidly changing industries where technology advances are driving constant evolution of products and services. The business is innovating in security monitoring and electricity distribution sectors with new Industrial Internet of Things (IIoT) technologies. These new devices will enable greater measurement, monitoring and automation to reduce costs and improve performance.

Improved knowledge management systems and asset information will improve analysis and investment decisions. The electricity distribution business is developing new relationships, systems, and tariffs to provide customer choices to benefit from electric vehicles, distributed energy sources or shift load to reduce household cost.

D. Develop our People and Keep Safe

Electra is implementing initiatives to attract and retain the required talent to achieve our efficiency and strategic goals. Electra promotes a high level of safety throughout the Electra Group by taking all practical steps to provide our employees, contractors and the public with safe working conditions and practices.

Electra is committed to maintaining a safety management system for public safety around the sites and assets owned by Electra. We will therefore maintain our Telarc registration which demonstrates we conform to NZS 7901:2008 "Safety management systems for public safety".

E. Develop the New

Electra's strategy is to grow our existing businesses and continue to scan for complementary and infrastructure opportunities. Building a diversified portfolio of businesses will leverage our distinct capabilities in infrastructure management and critical services monitoring.

Our Smart Network strategy recognises the increased demand for connecting Distributed Energy Resources (e.g. solar photovoltaic) and electric vehicles to the electricity network. The business is working on making it easier for customers to understand how and realise the expected benefits through advice on connection and offering tariffs to the electricity market.

4. Company Values

The following values were developed in 2018 to reflect the behaviours and expectations that staff have of each other

Safety	Safety guides everything we do. We will stop work if it is unsafe
Respect	We all treat our customers and colleagues as they would want to be treated
Professional	Our people have the knowledge, skills, and ethics to perform their roles at a consistently high standard
Accountable	We account for and accept responsibility for our activities
Integrity	We always do the right thing in all circumstances, no matter what the consequences will be

These Values are promoted through wall displays, document templates and included in the company intranet. These are further reinforced through staff performance reviews and recruitment processes.

5. Trust relationship

The Trustees of the Electra Trust hold 100% of the shares in Electra on behalf of Trust beneficiaries (consumers), who are residents of Kapiti and Horowhenua and connected to Electra's electricity network for their power. In recognition of this relationship Electra will maintain effective liaison with the Trustees on all Electra's key strategies. The Board will meet with Trustees on a regular basis throughout the year to update Trustees on the performance of Electra and its subsidiaries.

Definitions

Trust Beneficiary (Consumer) - an electricity end user connected to Electra's electricity network who is liable for the payment of the electricity conveyed to that connection.

Customer - a customer is a person or business who buys goods or services from Electra

Owners - The Trustees of the Electra Trust who hold 100% of the shares in Electra on behalf of the beneficiaries.

6. Corporate Governance

The Board recognises the need for the highest standards of corporate governance practice and ethical conduct by all officers and employees of Electra Limited and its subsidiaries.

The Board further recognises that risk management is a governance responsibility. It will ensure that the Group has effective policies and processes for the identification, management and mitigation of all significant risks faced by the Group including risks to safeguard the Group's assets for its beneficiaries.

The Board undertakes to ensure that all issues within the Group are dealt with in a manner which reinforces and enhances the reputation of the Group and those involved.

The Board will ensure that the Group is governed within the broader framework of corporate responsibility and regulatory oversight.

7. Scope of activities

The core business of Electra is electricity line ownership and operation. Present activities include:

Network ownership

Ownership of energy distribution networks and related assets.

Electricity line operation

Management, maintenance and operation of electricity distribution networks and related services.

Investment

Investment in business activities and projects that are consistent with, or support the achievement of, Electra's business mission and strategy.

8. Key Network policies

Electra will endeavour to maximise value for consumers and owners through cost reflective prices, quality services and safe efficient operations. In addition to normal business operations, Electra will adopt the following key policies and strategies:

Energy line services pricing

Electra will offer all its network retailers the same price for similar electricity volumes and services. Future prices will continue to be competitive. They will reflect the costs associated with line services, including the cost of capital. Network prices will be reviewed each year.

Service and operational efficiency

Electra will continue to invest in upgrading the quality, effectiveness, and efficiency of network operations.

Electra will seek opportunities to partner with other line companies and organisations to assess technologies, minimise operating costs, benchmark performance and maximise information quality, to ensure value to consumers.

Market growth and quality of supply

Electra will continue to invest in network assets to meet market growth and to maintain the quality of supply in the Kapiti Horowhenua area, subject to normal investment criteria. It will continue to promote energy efficiency initiatives. The company will, where necessary, develop and use pricing options and other practical solutions that result in the best use of network capacity.

Environmental Responsibility

The company will minimise the impact on the environment as much as practicable and contribute to the sustainable management of New Zealand's resources.

9. Government Regulation

Electricity – Electra Network

Under the Commerce Amendment Act 2008 Part 4, trust owned companies which meet the criteria listed in the Act are exempt from the thresholds regime that imposes controls on electricity distribution companies' pricing and quality of supply. Electra will continue to meet the exemption criteria for the 2020/21 financial year. However, Electra is still subject to the Commerce Commission's Information Disclosure Requirements.

The Directors will advise the Trustees regarding significant regulatory changes and financial impacts on the company.

10. Group structure

Electra will continue to reassess, develop, and divest within its structure of subsidiary and associated companies where this improves effectiveness, provides gains in economies of scale, and maximises value for owners. Each business unit focuses on a clear role and market.

Electra Limited

The parent company owns and maintains the electrical distribution network assets in Kapiti and Horowhenua.

Electra Limited has the following subsidiaries:

Electra Finance Limited - (Shareholding 100%)

This subsidiary manages one residual loan from Oxford Finance Corporation Limited which was not amalgamated into Oxford Finance Limited for the sale on 1 April 2014.

Connect 8 Limited – (Shareholding 50%)

This subsidiary resulting from the sale of Sky Communications Limited to Connect 8 Limited in 2018, specialises in construction contracts across New Zealand in the water, electricity, and telecommunications sectors.

Electra Services Limited – (Shareholding 100%)

This subsidiary is a company located in Levin and provides a range of services throughout New Zealand from call centre operations, after hours call services through to security alarm sales and monitoring.

Electra Generation Limited – (Shareholding 100%)

This subsidiary is a company which is a niche energy generator.

Quail Ridge Country Club Limited – (Shareholding 49.9%)

This subsidiary is a company which operates a country club style retirement village within the retirement sector.

Kerikeri Falls Investments Limited – (Shareholding 49.9%)

This subsidiary operates solely for the purposes of providing construction services to Quail Ridge Country Club Limited.

Horowhenua Wind Energy Limited – (Shareholding 100%)

This company is a non-trading subsidiary and its future will be kept under consideration.

Subsidiary companies may invest in related activities where this increases productivity, adds financial value to the group or is of competitive advantage. The businesses may also seek additional shareholders, or the existing shareholder may sell the assets or shares in the business, pursuant to the investment policy as set out in section 16. Shareholding may be held directly or through joint venture arrangements.

Related Party Transactions

Electra proposes to enter into transactions with related parties. The main related party transactions will be the provision of call centre services provided by Electra Services to Electra Limited.

11. Capital structure

Authorised and issued capital of Electra Limited: 24.5 million ordinary shares recorded at \$18 million.

Total assets of the Group as at 31 March 2020 \$275 million.

12. Accounting policies

The Company's financial statements are prepared in accordance with the legal requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992. The accounting policies utilised by Electra will comply with these Acts and must meet requirements of New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS).

The detailed accounting policies applied in the preparation of the financial statements are consistent with the accounting policies disclosed in the Company's Annual Report which can be viewed at:

<https://www.electra.co.nz/our-company/disclosures/>

13. Financial surpluses, distribution policy and discounts

The 2020/21 financial year will see continued investment to achieve the strategy for Electra to become a Best in Class Electricity Network Business and to grow and develop our subsidiaries.

Under its present ownership structure, Electra will pay, by way of a dividend, an amount sufficient to cover the operating costs of the Electra Trust which owns the shares of Electra.

Electra's Pricing Methodology proposes that an annual Sales Discount will be credited to the current customer at each metered supply point (ICP) at the discount date of 31 January. The discount will be a fixed amount plus a percentage of the ICP's total fixed and variable Line and Transmission prices for the previous twelve months. The discount payment is subject to maintaining and protecting the company's assets and assumes no major event such as an earthquake that would have a significant impact on cash flows and the ability to pay the discount.

14. Operational targets

Four key value drivers have been identified linking Electra's strategy to the operational targets and measures that are critical to achieving this strategy. These drivers are Revenue, Profit, Assets and People and the key targets that track delivery of this value are set out below.

14.1 Asset targets

Network Service Performance Standards

Electra has target levels of service performance for its electricity line business, covering aspects such as responding to service requests within a specific timeframe. These targets assist in driving continuous improvement as targets are set and performance is measured against those targets.

Network Service Performance Standards are reviewed annually and will remain a key consumer service improvement tool over the next three years.

Current Network Service Performance Standards are detailed in Appendix 1.

	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast
Number of Non-performance to service standards	2,663	<384	<384	<384

Capital Ratio

Electra will aim to maintain consolidated shareholders' funds at not less than 50% of consolidated total assets. Consolidated Shareholders funds is the total group equity comprising; issued share capital and retained earnings.

Total Assets comprise current and non-current assets owned by the Electra Group of companies.

	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast
Consolidated Shareholders funds to Total Assets percentage	59%	>50%	>50%	>50%

Network Reliability

Electra will aim at an electricity network reliability (as defined by the Electricity Distribution Information Disclosure Determination 2012) of:

(a) Average duration of supply interruptions per connected consumer (SAIDI) – excluding Transpower planned and unplanned outages – not to exceed:

	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast
Minutes per year	95	83	83	83

(b) Average number of supply interruptions per connected consumer (SAIFI) – excluding Transpower planned and unplanned outages – not to exceed:

	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast
Times per year	1.85	1.66	1.66	1.66

The 2019 industry averages of these measures were:

SAIDI (duration of interruptions - minutes)	253.2
SAIFI (frequency of interruptions – times)	2.25

14.2 Revenue and Profit targets

The Group recognises the difficult trading environment as a result of the COVID 19 Pandemic and will maintain the focus on growth of its asset base, targeting a net loss, after sales discount, of \$0.8m million in the 2021 financial year, while maintaining a Group Return on Equity of not less than 3% (pre-discount and taxes).

	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast
Group Net Profit after Tax**	(\$2.7m)	(\$0.8m)	\$2.2m	\$4.9m
Subsidiaries and investment Net Profit after Tax	\$(4.9m)	(\$1.2m)	(\$0.2m)	\$2.4m
Sales Discount (excl. GST)*	\$8.0m	\$5.1m	\$5.0m	\$5.0m
Median Sales Discount (excl. GST) Per Customer Connection Point	\$127	\$85	\$78	\$77
Group Return on Equity (pre discount & tax)	2.47%	3.17%	5.01%	7.01%
Group Return on Equity (post tax and discount)	(1.68%)	(0.62%)	1.34%	2.84%
Number of customer connection points	45,366	45,650	>45,900	>46,150

*Subject to meeting criteria in clause 11 paragraph 3

** Group Net Profit after Tax after annual discount payment.

14.3 People targets

The Group has a goal of zero harm, and we will target zero Lost Time Injuries (LTIs).

	2020 Actual	2021 Forecast	2022 Forecast	2023 Forecast
LTI's	5	0	0	0

15. Information reporting

Electra will provide information that meets the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992. The following information will be provided to owners and Trust beneficiaries:

Half-year report

A half-year report on Electra's operations including unaudited half-year group financial statements will be delivered to the Trustees within two months of the half-year end and made available to Trust beneficiaries within a further one-month period.

Annual report

An annual report on the operations of Electra and its subsidiaries during the financial year, audited consolidated group financial statements, auditors report, and other relevant information will be delivered to the Trustees, as shareholders, within three months of the year end, and made available to Trust beneficiaries. A summary report will be distributed to Trust beneficiaries prior to Electra's annual meeting.

Major transactions

Electra's directors will consider any major transaction, as defined in Electra's constitution, and will consult with the Trustees, who will take such action as is required under the Trust Deed.

Statement of Corporate Intent

The Statement will be reviewed each year and will be delivered to Trustees in draft not later than one month after the commencement of each financial year. Directors will consider any comments on the draft statement and will deliver a final Statement to Trustees and Trust beneficiaries within three months of the end of the previous financial year.

Meetings between directors and trustees

Regular meetings between directors and trustees will take place to discuss company and industry issues. These meetings will take place at least four times a year.

From time to time the company may provide the shareholder with additional information which may be of interest to shareholders.

16. Investment policy

As a general policy, any proposed acquisition, investment, or divestment by Electra must meet normal strategies and financial criteria, including the questions of risk and control. A proposed acquisition or investment must be considered within the context of Electra's constitution and the Trust Deed.

Appendix 1

Network Service Performance Standards

Service	Performance Standard
Getting the power back on after a fault on our network.	We will get your power back on within 4 hours of your call to us.
Restoring hot water supply where the problem is caused by a fault on Electra's network.	We will carry out repairs within 2 hours of you notifying us, or within a time agreed with you. If the problem is widespread, we will deal with it within 4 hours.
Letting you know that you will be without power due to planned maintenance on Electra's network.	We will give you at least 72 hours' notice of the date and duration of a planned shutdown, either in writing, or verbally.
Keeping to the time when we carry out planned maintenance.	We will not switch the power off prior to the time notified and will have your power back on within the time notified to you.
Maintaining the quality of your electricity supply.	Delivering electricity to you in accordance with the agreed industry electricity specifications.
Responding to enquiries you make to us.	If we can't answer on the spot when you call us, we will reply within 24 hours. If you write to us, we will reply within 4 working days of receiving your letter.
Where you ask for something to be dealt with by a senior manager.	The senior manager will meet with you or discuss the matter by phone and make a decision within 4 working days.
Dealing with you in a fair manner.	We will always deal with you fairly, professionally, and courteously.

Electra's goal is to meet these Service Performance Standards and we will report back to our consumers about how we have performed.