Empowering our Future

FY2023-2025
Statement of Corporate Intent

OUR
Vision

Empowering
Our Community.

OUR
Purpose

To deliver secure, reliable energy while innovating for our future.

OUR
Values

Safety, Accountability, and Integrity. Always built on a foundation of respect.

OUR
Scope

We own and operate the electricity distribution network that provides South Cantabrians with power. Our subsidiaries are primarily engaged in related electrical contract services.

We are proud to be community-owned and connect over 33,000 customers throughout our region. We are considered an essential lifeline service, playing a significant role in our community, contributing to the growth and prosperity of South Canterbury and New Zealand's transition to a low-carbon economy.

Contents

Delivering secure, reliable and sustainable energy, enabling our customers to make informed energy choices.

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Alpine Energy Limited (AEL). It sets out the Board's overall intentions and objectives for AEL and its subsidiary companies for the year commencing 1 April 2022 and the following two financial years up to 31 March 2025.

Our Strategy and Business Environment

Our Business Environment

Our core focus is to continue to operate a successful electricity distribution business (EDB). The Commerce Commission regulates our network services, which accounts for over 90% of our revenue, under Part 4 of the Commerce Act (1986). Part 4 aims to ensure we:

- Have incentives to invest in our network
- Have incentives to innovate, improve efficiency and provide services at a quality that reflects consumer demands
- Share the benefits of efficiency gains with consumers, including through lower prices; and
- Are limited in our ability to extract excessive profit

Under these requirements, our asset management strategies and our capital and operating expenditure plans are published annually.

Key Strategic Influences

In developing our strategy, we looked at the energy and electricity industry through a national and local lens. We identified key trends that will impact our business in the short, medium, and long-term.

The Voice of Our Customer

We engaged an independent consultant to perform a Voice of Our Customer analysis.

The purpose of the research was to better understand the experience our retailers, large customers, and household consumers have with the services we provide to better inform, test, and evaluate our strategic direction.

Our customer core needs were identified as:

Our Strategy

Traditionally our core purpose has been to deliver electricity to South Canterbury. Over the last 18 months, our industry has seen radical change in our sector and the government's climate change goals. Our strategy has been refreshed to respond to these changes.

The following are the key themes:

- Responding to the escalating impacts of **severe weather events.** The number of extreme weather events is increasing, with three significant events occurring in our region in the last two years. We need to be agile and resilient enough to ensure our lines run properly to prevent or shorten these outages. We need to drive automation in our outage management system to do this.
- **Increasing complexity.** Customers are becoming power suppliers as we receive more and more applications to connect solar to our network. We expect these connection points to grow, as our community invests in solar for their homes and businesses. In addition, the government's incentive to purchase an electric vehicle (EV) has seen an increase in the number of registrations in our region. This is also expected to lead to increased EV usage by businesses and car rental companies. We need to prepare the network to service this growing demand. These changes make the network more complex to operate. It will lead to a change in our network investments to increase grid reliability. It will also result in increased cyber-security risk.
- Responding to these changes needs an **accelerated digital adoption** and technological change approach. We need to rethink how we work and understand the new services we need to provide, requiring a change to our current business model. We need to become a best-in-class EDB to service the new needs of our community.
- **This digital adoption and change will drive higher automation** in our business. It will require a new approach to gathering and processing data. This informs our asset management decision making, gathering information about our large power users, and building our digital engagement with our community to better understand their changing requirements. We have termed this "Modernising our Foundations."

In summary, we need to dynamically balance energy supply and demand in our region. This balance needs to consider the rapidly changing customer energy usage patterns and the introduction of new sources and types of generation.

Our goal in responding to this change is that:

> We will deliver secure, reliable, sustainable energy that enables our customers and communities to make informed energy choices. Through our efforts to increase the electrification and decarbonisation of energy in South Canterbury, we will enable 70% of process and transport energy to convert to electricity by 2030. We are a "best-in-class" EDB with a strong capacity to fast follow on key trends, and our operational excellence will form a baseline from which we can identify and adopt new commercial opportunities.

We will do this with a central focus on our South Canterbury community by serving our customers well, by providing excellent core services. This will include:

- Developing and maintaining our network to deliver secure, reliable energy to our community
- Enabling distribution generation connection to our network
- Supporting the electrification conversions from fossil fuel for new and existing customers

To do this, we have developed objectives and key results reflected on the following page.

Our Objectives and Key Results

Our Objectives

- We have data and technology at the heart of our business for greater operational efficiency and responsiveness
- We deliver exceptional customer experiences enabling our customers to make informed and preferred energy choices
- We respond effectively to decarbonisation and electrification needs amongst our customers to support NZ to carbon zero
- We want to get the basics right and shed inefficiencies to enable us to invest in adjacent markets

Our Key Results

We have data and technology at the heart of our business for greater operational efficiency and responsiveness

- Automation of distribution and outage management to optimise the performance of the distribution network by December 2024
- **80%** of recurring business processes transformed from manual to automated, delivering key data insights by March 2024
- Cyber security score (VCSS[1]) from 1 to 3 by December 2022

We deliver exceptional customer experiences enabling our customers to make informed and preferred energy choices

- Customer satisfaction score of **80%** achieved across each of our key customer segments by December 2023
- Move from middle to upper quartile of EA pricing scorecard by September 2024

We respond effectively to decarbonisation and electrification needs amongst our customers to support NZ to carbon zero

- 100% of new decarbonisation load growth[2] and distributed generation applications accommodated on our network to 2035, through cost effective investment decisions

We want to get the basics right and shed inefficiencies to enable us to invest in adjacent markets

- All non-regulated investments deliver ROI **>8%** by March 2023
- **Deliver $1M** per annum sustainable operational cost savings by March 2024

[1] Voluntary Cyber Score

[2] Excluding Grid Exit Point (GXP) upgrades

Performance Measures and Targets

	FY22 (actual)	FY23	FY24	FY25
Financial				
Revenue ($M)	68.40	73.16	80.87	75.31
- Electricity delivery revenue	52.89	57.40	67.86	62.48
- Other	15.51	15.76	13.01	12.83
Operating expenses ($M)	53.59	59.87	57.11	58.66
Operating surplus before tax ($M)	12.81	10.85	20.66	13.70
Net operating surplus after tax ($M)	8.82	9.07	16.03	10.97
Rate of return on shareholders' funds	5.10%	4.74%	7.96%	5.29%
Fully imputed dividends ($)	$0.06	$0.06	$0.06	$0.06
Earnings per share (cents per share)	21.40	21.94	38.78	26.54
Capital expenditure	23.09	25.93	23.75	20.43
- Network	21.00	22.51	22.22	18.84
- Other	1.38	3.43	1.53	1.60
Alpine Energy parent covenants:				
- Interest cover (target> 4.0 times)	10.94	6.72	8.23	6.80
- Shareholder funds to total assets (target > 45%)	57%	61%	61%	62%
Business Safety				
Number of fatalities or injuries causing permanent disability to workers	0	0	0	0
Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours worked	0.71	0.71	0.71	0.71
Number of Lost Time Injuries	1	<2	<2	<2
Total Record Injury Frequency Rate (TRIFR) per 200,000 hours worked	0.71	0.71	0.71	0.71
Number of Total Recordable Injuries	1	<4	<4	<4
Public Safety				
Number of serious injury events (excluding third party contact e.g. car vs. pole) involving members of the public	0	0	0	0
Network Reliability (these are regulated limits)				
SAIDI - planned		54.99	54.99	54.99
SAIDI - unplanned		98.11	98.11	98.11
SAIFI - planned		0.699	0.699	0.699
SAIFI - unplanned		1.197	1.197	1.197

In addition to the targets above, we are passionate about enabling those who are seeking to reduce their carbon footprint through more efficient use of low carbon energy sources. In line with our aspiration to enable 70% of South Canterbury's process heat and transportation energy by 2030 through electricity, we intend to measure our progress against this on an annual basis as well as our network investment spend in enabling this transition.

Transportation Energy	GWh
70% electrification target	21.000
Current	0.004
Process Heat >500kW	
70% electrification target	70.000
Current	5.000

		$'000	
Network Investment for Decarbonisation (planned)	FY23	FY24	FY25
Client initiated work	1.392	-	-

Financial Performance Targets

Our financial performance targets reflect the increased investment required in achieving our strategic objectives over the next three years, leading to an increase in expected long-term financial returns as the strategy is delivered.

Revenue growth is driven by decarbonisation load growth, increased distributed generation and regional development connections. We also continue to earn our forecast allowable revenue under the Default Price Path 3, which has resulted in an increase in recoveries for the next three years.

The investment required to deliver our strategy has increased operating costs and network investment. Costs have been influenced by the effects of escalating commodity and fuel prices, extended lead times on logistics and rising inflation. These have been partially offset by a continued drive for internal operational efficiencies.

We recognise the need to deliver a sustainable return to our shareholders while delivering a secure, reliable and resilient network to meet our customers' needs, including the facilitation of exponential demand and supply. To do this in the most efficient way possible, we need to optimise our core capabilities while creating additional capabilities to deal with current and future customer demand.

Our Investments

NETcon

NETcon, a 100% wholly owned subsidiary of ours is one of our main contractors. Its experienced technicians, line mechanics, cable jointers, and electricians provide the expertise required to operate and maintain our electrical distribution infrastructure, including a variety of essential plant and equipment. NETcon's priority is to provide a safe and reliable electricity network through construction, maintenance, and vegetation management services.

Infratec

In November 2020, we sold the New Zealand arm of the Infratec business to Infratec New Zealand, a division of WEL Networks retaining the delivery of the Pacific projects. With the advance of the outbreak of COVID-19, conditions became markedly more challenging, complex, and uncertain for the timing of these projects, compounded by the volcanic activity in Tonga. Despite these challenges, Infratec has contained its overheads and hibernated the projects during this time, preserving both cash flow and expenses. Our objective remains to maximise the returns from the legacy projects consistent with our strategy and to manage the associated risks.

Metering

Our metering network delivers advanced metering technology and operational services to customers throughout Canterbury. This is done through our two investments, namely SmartCo and On Metering. The primary revenue stream is currently the lease of our metering assets to electricity retailers. The secondary return on investment, particularly in South Canterbury, has been our ability to access and diagnose power quality characteristics of our low voltage network, leading to faster identification of fault location, cause and ultimately restoration of power. It also provides data from the field that assists us with our future planning for network development, augmentation, and maintenance.

A third area of potential return is expansion of opportunities expected through the development and offering of products and services to participants trading in the highly anticipated flexibility-services market[3].

The transition to a smarter digital energy system dominated by decarbonised, decentralised, and digitalised resources demands access to new data. Our smart metering network, covering 85% of our community, plays a pivotal role in providing access to these new datasets, identifying opportunities, and providing a platform for distributed energy management into the future.

Flexibility services, outage management, and network modelling will be enabled through this investment. SmartCo is currently developing a suite of products to deal with this demand. Taking a holistic approach to data and digitisation is essential in building an optimised energy system for South Canterbury.

Fibre

Alpine Data Networks, our fibre division, has established a strong base across the South Canterbury region, with reach into Central Otago. There is an opportunity to service growing demand in the region and beyond and we will be dedicating resources to explore these growth opportunities.

> "Our objective remains to maximise the returns"

[3] Flexibility services such as trading in generation derived from distribution generation and batteries as well as demand response for managing network demand and supply.

Safety Performance Targets

We strive to ensure our people are safe in the workplace and risks are appropriately managed. This is supported by our key value of health and safety always.

We aim to provide a working environment in which there are no fatalities or injuries causing permanent disability.

Our safety priorities for the period covered in this SCI and beyond are:

- Leadership/training is provided to ensure directors and staff are skilled to discharge their obligations for health and safety
- Employee/stakeholder participation is effective to secure ongoing improvements
- Risks are regularly reviewed to ensure appropriate mitigation strategies are implemented

We also benchmark our Lost Time Injury Frequency Rate (LTIFR) and Total Record Injury Frequency Rates (TRIFR) against the Electricity Engineers Associations' (EEA) yearly benchmarking Performance Indicator report for electricity distributors.

As an ongoing improvement, and to coordinate large scale emergency events more efficiently with other South Island EDBs, Civil Defence and the Canterbury Lifelines Utility Group, we have adopted the Coordinated Incident Management System for emergency responses.

Safety Performance	AEL 21/22	EEA Benchmark Average 19/20
Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours worked	0.71	1.2
Number of Lost Time Injuries	1	95
Total Record Injury Frequency Rate (TRIFR) per 200,000 hours worked	0.71	2.7
Number of Total Recordable Injuries	1	218

Leading Safety metrics for 2022/23	Metric
Public Safety Management System (PSMS)	
- External PSMS assessment	Recertification
- Media comms planned vs. delivered	>90%
- Public safety observations (Safety & Culture forum members)	20
- Public harm accidents from our network (excl. car vs. pole)	0
- Public safety engagement meetings	12
Safety Conversations per year	
- Board of Directors	24
- Executive Leadership Team	60
Safety Observations per year	
Operational Business units	140
All other employees (one observation per employee)	>60%
Corrective actions	
- No corrective actions open more than 60 days	0
Safety training	
- Number of training courses planned vs. completed	>85%
- New employees attend Intro Entry Approval Certificate course (non-operational employees)	>75%
- Every employee completes as a minimum NZQA US6402 (First Aid)	>75%
Safety culture	
- Organisational Safety culture (maturity)	Complete first assessment to benchmark

Sustainability Performance Targets

Our Sustainability framework is based on a subset of the United Nations sustainable development goals and centers around the three Environmental, Sustainability and Governance (ESG) pillars. These pillars focus on our strongest areas of influence. We will collaborate with our stakeholders and industry partners in setting and achieving measurable goals in the short, medium, and long-term.

Our Sustainability Framework

Environmental

AEL is committed to minimising environmental harm and preventing pollution in performing our core activities.

We are committed to:

- Supporting our local councils in their Sustainable Environment initiatives
- Reducing our carbon emission and product carbon footprint
- Maintaining full compliance with the Resource Management Act
- Engaging with iwi and local rūnanga to understand their desired sustainability outcomes

How we know we are moving in the right direction:

- Develop our action plan to reduce our scope 1 – 3 greenhouse gas emissions by 2023
- No non-compliance with the Resource Management Act during any financial year

Governance

AEL is committed to building an environment of trust, transparency and accountability necessary for fostering long-term investment, reliability, financial stability and business integrity.

We are committed to:

- Continued compliance with the law, regulation and our internal policies and standards
- Strong business ethics
- Maturing our risk management practices
- Sustaining long-term value creation for our shareholders
- Strong corporate governance through an experienced board

How we know we are moving in the right direction:

- Incorporate limited voluntary TCFD disclosure in our 2022 Annual Report and develop a clear roadmap to have full voluntary TCFD disclosures included in the 2024 Annual Report
- Approve our ESG Strategy by December 2022
- Incorporate sustainability reporting into all Board and Board sub-committee standing agendas by December 2022

Social

AEL is committed to work practices, operations and outcomes that support our staff and the wider community.

We are committed to:

- Promoting a high level of safety, taking all practicable steps to provide safe working conditions
- Maintaining a well-qualified and motivated workforce that we treat fairly in all aspects of recruitment, retention and employment
- Continuation of our support of community events and projects which contribute to the growth and promotion of South Canterbury

How we will know we are moving in the right direction:

- Invest at least $200,000 in community events and projects on an annual basis

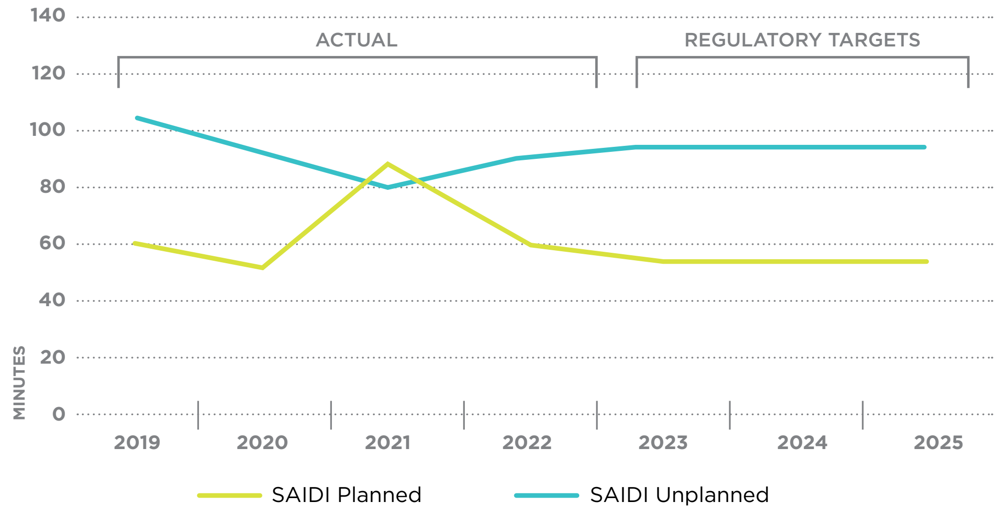
Network Performance Targets

System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) are standard industry measures for network reliability. SAIDI refers to our system average interruption duration: the minutes of supply interruptions per customer. SAIFI refers to our system average interruption frequency: the number of supply interruptions per customer. Both measures exclude interruptions that are caused by electricity generators, Transpower, low voltage (400V) network or interruptions that last for less than one minute.

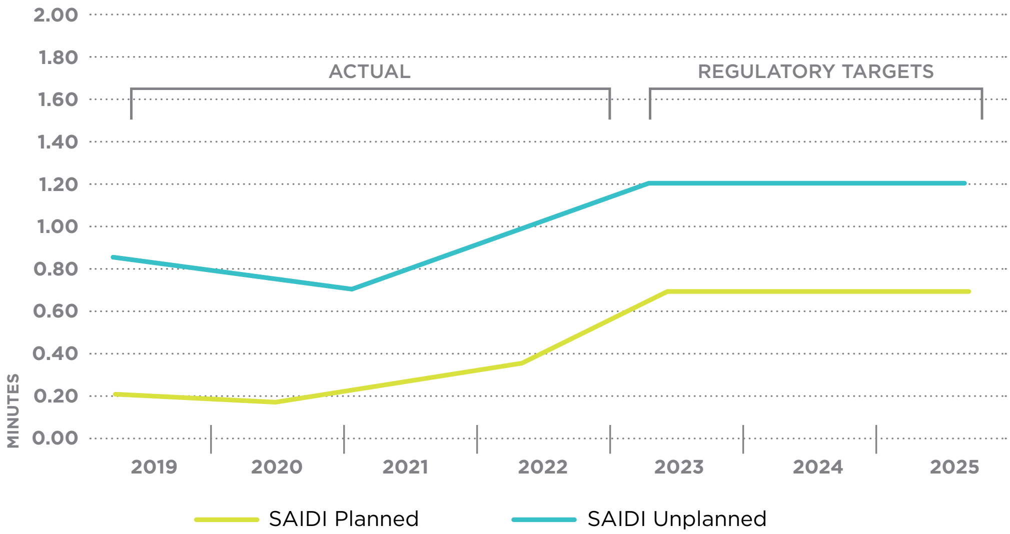
SAIDI and SAIFI performance measures are calculated in accordance with the Commerce Commissions' Default Price-Quality Path (DPP) methodology. The Commission assess our actual network reliability (both planned and unplanned outages) against our targets each year after 'normalising' for the impacts of major events by 'capping' the measured impact of each major event. We will report our annual performance against our network reliability targets, after normalising for 'major events' using the Commerce Commission's methodology.

The targets are set and fixed during each five-year regulatory period. The third and current regulatory period, DPP3, applies from 1 April 2020 until 31 March 2025. The charts below show our actual SAIDI and SAIFI performances for the years ended 2019, 2020[4], 2021 and 2022[5] as well as the regulatory targets covered by this SCI.

SAIDI



SAIFI



[4] During 2019 and 2020 the previous regulatory period (DPP2) applied, and the performance measure criteria were different to the current DPP3.

[5] 2022 performance measures are of nine months of actual data and three months of reliability forecast.

Large Projects Planned

Investment in Assets

Our Asset Management Plan (AMP) is comprised of a three-year investment plan and a 10-year forecast for our network. This includes the associated infrastructure, such as poles, conductors, cables, switchgear, transformers, and distribution boards that connect electricity consumers to our network. In addition to investing in our assets, our annual maintenance inspection program checks and upholds the condition of our assets. We base our asset health assessment on the condition of our assets rather than the age of the assets. Our inspection-based asset health assessments will then improve our AMP and identify future capital projects.

Overhead Line Activities

Our overhead network utilises 45,000 poles to support 3,500km of overhead conductors. Our decisions to invest in overhead lines are based on assessing the risk, security of supply, economic impact and safety associated with the lines. We expect overhead conductor replacements to remain reasonably constant over the next ten years. We will run projects to specifically replace, and renew, 200km of overhead lines during the next three years. These include refurbishing:

- 42km of overhead infrastructure in Simons Pass
- 27km on Te Moana Road
- 37km on Lilybank Road 2,100 overhead poles in Timaru
- A further 180km on the remaining network

Underground Cable Activities

We operate 815km of underground cables to connect our substations, switching stations, distribution substations and low voltage distribution boxes. We will install 2km of cable to remove a part of our overhead lines from Tekapo and Waimate and upgrade a further 2.5km of cable to accommodate system growth.

Substation Activities

Our zone substations connect our network to Transpower's electricity grid. Our Twizel substation is undergoing an upgrade to improve its reliability. Work planned will replace a 60-year-old switchboard, upgrade the electrical protection, and improve the security of supply at the substation.

Distribution Activities

We operate just over 1060 ground mounted distribution transformers and approximately 5000 pole mounted transformers, where we connect low voltage consumers to our high voltage network. We operate 29 underground distribution substations in the broader Timaru area, which are classified as confined spaces. In the interest of safety, we are replacing these underground substations with above-ground substations at a rate of three substations per year. We also consider the condition of pole-mounted substations and replace these substations at a rate of ten substations per year. The 457 high voltage switchgear units used at these distribution substations are upgraded at a rate of five (5) per year based on their condition.

Customer Initiated Activities

We are seeing a major shift from local primary industry to replace coal process heating to either electrified boilers or wood biomass as our industry adapts to New Zealand's decarbonisation targets. Local businesses have been incentivised by government to make the switch from coal to renewable energy and work is underway to install, replace or upgrade to electric process heating equipment with our primary industry businesses, landowners, consumers, schools, and the health sector.

Simultaneously, the move to distributed generation (DG) is also on the rise. Multiple solar applications for grid-sized generations have been received and we are consulting with external engineers and Transpower about these.

Key Assumptions and Risks

Business Risk

Our new enterprise risk management framework will help identify operational risks and the resources necessary to mitigate these risks before they occur. Our framework will assist us in improving performance, encouraging innovation, and achieving our strategic objectives.

The following critical success factors have been identified to ensure sustained and effective risk management:

- Governance and management commitment and involvement
- Communication and training
- Documentation
- Review and continuous improvement

Our risk reporting cycle to the Board, Audit and Risk Committee, and the Executive Leadership Team (ELT) requires strategic and operational updates to be submitted quarterly and annually.

The key strategic enterprise risks facing AEL for the period of this SCI, are outlined in the table below:

Risk Area	Description
Cyber security	Attempted or actual security breach of AEL's information, technology systems and network from unauthorised activity by an external or internal threat actor
Climate change	AEL is impacted or suffers loss from the adverse consequences of climate change (actual or perceived)
Decarbonisation	Unable to meet customer expectations on decarbonisation and future energy enablement
Strategic execution	The business is impacted or suffers loss due to the inability of the Executive Leadership to execute the strategic plan
Government & Regulatory	Non-compliance with regulatory requirements
Heat conversion	Minimal process heat conversion to electricity
Major projects	Failure to successfully complete a major project
Shareholder return	Cost of delivering the strategy significantly impacts shareholder return
Change management	Culture resistance to change
Key person loss	AEL is impacted or suffers loss due to the resignation or departure of a key person, or a small number of key personnel in a short period of time

Mitigation measures have been developed for each of the above risks and are updated to the Board on a quarterly basis. Various good practice risk registers are maintained by management for example Health and Safety, Cyber Security, Finance.

Financial Assumptions

Our financial targets are for the consolidated group and are in nominal terms. They include the following key assumptions:

- Regulatory allowances are adjusted for the latest Consumer Price Index (CPI) information.
- CPI and interest rates have been forecasted in consultation with our primary lenders economic outlook
- Our lines revenue, opex and capex will be in line with our Asset Management Plan, effective from 1 April 2022
- No currently planned future major investments or divestments requiring shareholder approval
- No major weather events
- No further material COVID-19 impacts, including increased commodity prices and supply chain disruptions above levels experienced as at the date of this SCI.

Our accounting policies will comply with the legal requirements of the Companies Act 1993 and be consistent with generally accepted accounting principles. Our financial statements will conform to the Financial Reporting Standards as required by the Financial Reporting Act 1993.

Capital Structure and Dividend Policy

We manage our financial performance and policies to support long-term financial resilience. This allows the continuous investment required to support our electricity distribution network and the necessary funding to implement its strategy effectively.

Utilising debt to the level that we do requires that interest rate risk be managed. Our Treasury Management Policy clearly dictates a hedging profile over multiple years that must be adhered to. This prescribed proportion of fixed interest rate cover is held to reduce the concentration of risk at any one point in time and to ensure the overall interest cost is not materially increased due to adverse interest rate movements.

In determining the level of funds available for distribution, our Board will consider our financial position, earnings, cash flows, capital expenditure, funding facility provided, future investment requirements and market and regulatory conditions.

We will distribute funds to our shareholders subject to meeting the solvency requirements of the Companies Act 1993. Any dividend declared will be at a level that allows us to execute business strategy and maintain a sustainable capital structure.

For the period known as DPP3[6] and subject to a satisfactory review, the Directors intend to declare a fully imputed dividend payment from normalised Net Profit After Tax (NPAT) of 6 cents per ordinary share each financial year. The annual dividend will be paid in four instalments in September, December, March, and July each year.

The level of dividend was established prior to the commencement of DPP3, utilising robust financial modelling to account for:

- The reduction in regulated revenue for DPP3 as a result of a decreased weighted average cost of capital;
- Maintaining a constant dollar level of borrowings;
- Providing sufficient available cashflow for the network capital and reliability programmes.

We will consult with shareholders on a ‘no surprises’ basis in the event of any substantial investment whereby the value is greater than 5% of Group total assets as disclosed in the preceding published Annual Report, and/or has a subsequent material impact on dividends.

“We manage our financial performance and policies to support long-term financial resilience”

[6] Default Price Path Period 3 - the third default price-quality path (DPP) for the 17 electricity distributors in New Zealand subject to price-quality regulation. The period runs from 1st April 2020 – 31st March 2025.

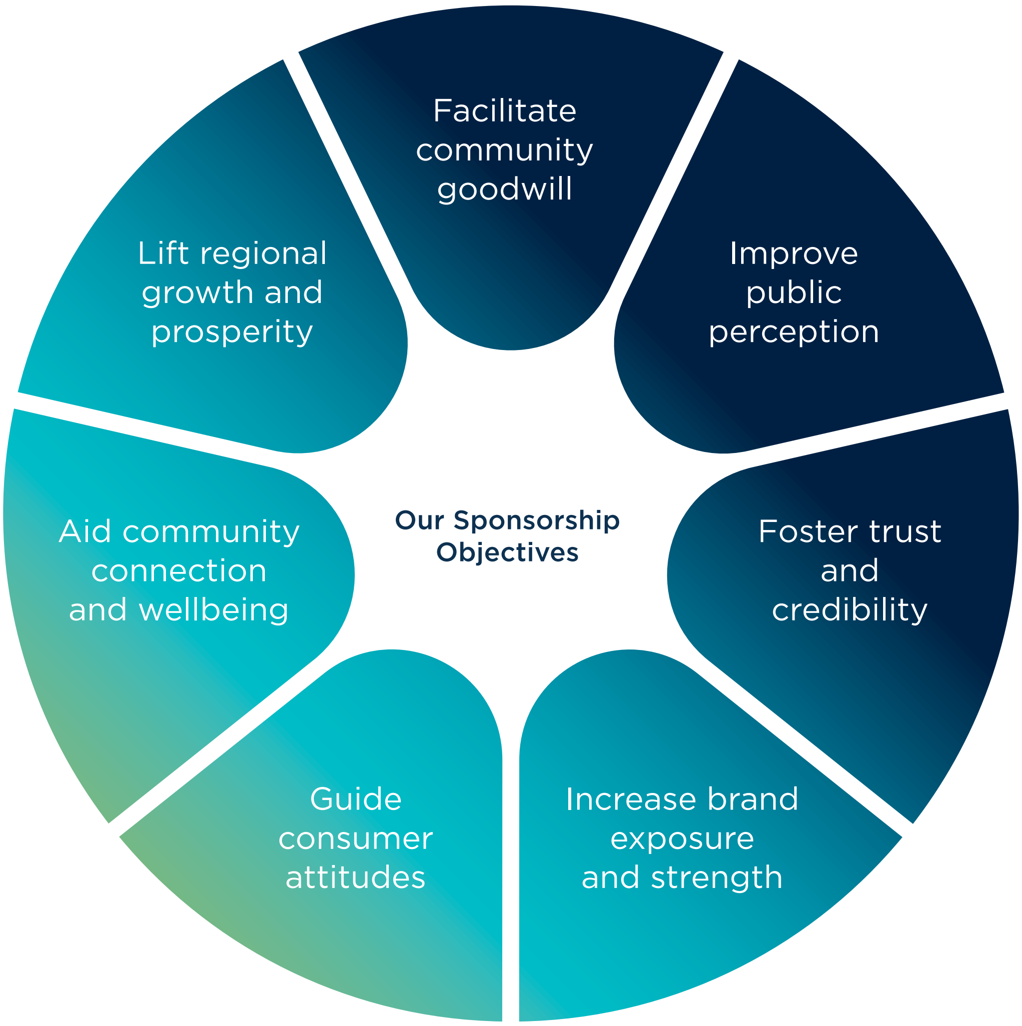
Sponsorship

Our Sponsorship and Personal Grants Programme intends to continue for the period covered by this SCI.

We are a committed and willing community empowerment sponsor. We sponsor an extensive scope of individual development requests, events, projects, and facility infrastructure. We invest in enabling our communities to grow and develop and our region to unite and prosper. Our Sponsorship Committee assesses applications across various disciplines while considering every town and city in our region. With an average of fifty causes sponsored per year, our sponsorship is often pivotal to their success.

Our aim is to continue developing our sponsorship and personal grants programme as we step into a new energy future, aligned with the core business strategy and deliverables in decarbonisation and sustainability for our current and future generations.

Our sponsorship portfolio/criteria funds sporting, recreational or educational events throughout the region. In considering the total allocation of funds, best endeavours are followed by the Sponsorship Committee to fund equitably across the region.



Governance and Reporting

Our Governance

The Board of Directors

Our shareholders appoint the directors to govern and direct AEL. The Board has overall responsibility for the direction and control of AEL's activities, decision making, risk management, overall strategy, objectives, performance, and reporting of the business and relevant entities.

The Board recognises the importance of the appropriate mix of skills and experience of directors on the Board. The capability/diversity matrix is used in annual self-reviews and in shareholder briefings to identify any current or anticipated gaps in the overall mix of skills and diversity on the Board.

Key Governance Outcomes

- Health and Safety: A robust health and safety ethos within AEL
- Decision Making: Ethical and responsible decision making within AEL
- Financial Integrity: The integrity of AEL's financial reporting
- Regulatory Obligations: Compliance with the regulatory frameworks applicable to AEL
- Shareholders: Providing timely information to the Shareholders, to enable them to monitor their investment in AEL, and protecting shareholder value
- Risk Management: The effective recognition and management of risk within AEL
- Holding to Account: Oversight of performance of management

Statement of Corporate Intent

The SCI is delivered to Shareholders within one month of the start of the new financial year. The SCI sets out the matters specified in relation to sections 39(2)(a) – (j) of the Energy Companies Act 1992 (in respect of each company in the Group and covering that financial year and the following two financial years).

The completed SCI is delivered to shareholders within three months after the start of the financial year. It is also published on the company's website within one month of being delivered to the shareholders.

Board Operation, Meetings and Committees

The Board adheres to the board charter which sets out the Board and committees' responsibilities and how they are to be achieved. The Board maintains a rolling annual work plan for AEL.

The Chair maintains the relationship with the shareholders along with the Chief Executive Officer (CEO) and the ELT.

The Board meets at least six times per year and will convene for additional meetings if required. The annual work programme for the Board is agreed at the start of each year. Formal reports and agendas are distributed to the Board a week before meetings, and the ELT attend meetings to discuss items of interest and strategic direction.

There are four committees that meet throughout the year to undertake business on behalf of the Board:

- **Audit and Risk Committee** – meets with the companies' auditor, oversee financial reporting, tax planning, regulatory compliance, risk management and manages treasury requirements
- **Board Health & Safety Committee** – assists the board to provide leadership and policy in discharging its health and safety responsibilities within AEL
- **People Performance and Culture Committee** – to oversee the people, performance, remuneration and culture related policies, frameworks, and practices
- **Sponsorship Committee** – manages the applications and distribution of a sponsorship fund to our community

Our Shareholders

Our interaction with Shareholders

The Shareholders are briefed at least three times annually, including the Annual General Meeting (AGM), by the Chair and CEO on the performance and strategic plans for the company.

Shareholders are also kept updated about any matters that arise such as emergency events throughout the year.

We provide the Shareholders with monthly and half yearly reports which cover the operations and financial results for the period and includes any significant activities of AEL and its subsidiaries. Annual reports are provided within three months of the end of the financial year.

In the development of the SCI any letters of expectations from Shareholders are used to set out additional matters required.

Transaction Details

The following information is disclosed in terms of Section 39(2)(i) of the Energy Companies Act 1992.

Contractual arrangements with the District Councils include:

- The development, installation, and maintenance of community lighting facilities
- Road and footpath sealing after work is completed
- Leasing of vacant gas reticulation pipe works for the conveyance of fibre and electrical infrastructure
- Leasing of land from council for distribution substations

All transactions with our shareholders will be conducted on a commercial basis. Transactions with related parties include:

- The provision of network contracting services
- Financing arrangements
- Rental received on commercial property and smart meters

The above transactions are provided as part of our normal trade activities and incorporated into our operating costs and revenues.

"Always acting in the best interests of our stakeholders"

Network Ownership

LineTrust South Canterbury	Timaru District Holdings Limited	Waimate District Council	Mackenzie District Council
40%	47.5%	7.54%	4.96%

The community owns 100% of Alpine Energy

Alpine Energy has ownership in

SmartCo*	NETcon Ltd	On Metering	Timaru Electricity Ltd	Infratec Ltd
21.43%	100%	50%	100%	100%

NETcon Ltd:

Power Services 2022 Ltd
100%

*14.29% shareholding directly through Alpine Energy; 7.14% shareholding through On Metering.

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