

A nighttime photograph of a wooden pier extending into a body of water. The pier is made of dark wood and has a railing. In the background, a city skyline is visible with many bright lights reflecting on the water. The sky is dark blue with some clouds. The overall mood is serene and urban.

SCI 2021-2023

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Alpine Energy Limited, in accordance with section 39 of the Energy Companies Act 1992 (the Act). It sets out the Board's overall intentions and objectives for Alpine Energy Limited and its subsidiary companies (the Alpine Group) for the year commencing 1 April 2020 and the following two financial years.

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Please note, that no allowance has been made for the effects of COVID 19. This Statement of Corporate Intent assumes the pandemic will be controlled and that it will not have a significant effect on the availability of skills, equipment and material. Should this not be the case, it may be subject to change.

FY 2021/2023 STATEMENT OF CORPORATE INTENT

Alpine Energy Limited (the "Company") is an electricity distribution company.

This statement of corporate intent sets out the overall intentions and objectives for the group for the trading period of 1 April 2020 to 31 March 2021 and the two succeeding financial years, and also meets the requirements of the Energy Companies Act 1992.

Alpine Energy Limited ("the company") and its subsidiaries and joint arrangements (together, "the group") own an electricity distribution network, and also undertake assets management contracting services.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 24 Elginshire Street, Washdyke, Timaru.



Our Purpose

*“Infrastructure
providing secure
reliable
electricity supply
in South
Canterbury”*

We're a community-owned and operated business which owns and operates the electricity distribution network in South Canterbury. The network connects over 31,000 customers throughout the region.

A low-angle, upward-looking photograph of a utility pole with multiple power lines stretching across the frame. A helicopter is visible in the upper right, flying towards the left. The sky is a deep blue with wispy white clouds. The text is overlaid on the right side of the image.

Our Vision

*“Empowering
our
Community”*

*We're community owned and proud of it,
working with our community for our community
in all we do.*



Our Values

Safety

We value health & safety always

Accountability

We accept responsibility

Integrity

We are honest and sincere; we mean what we say and say what we mean

We do all this on a foundation of

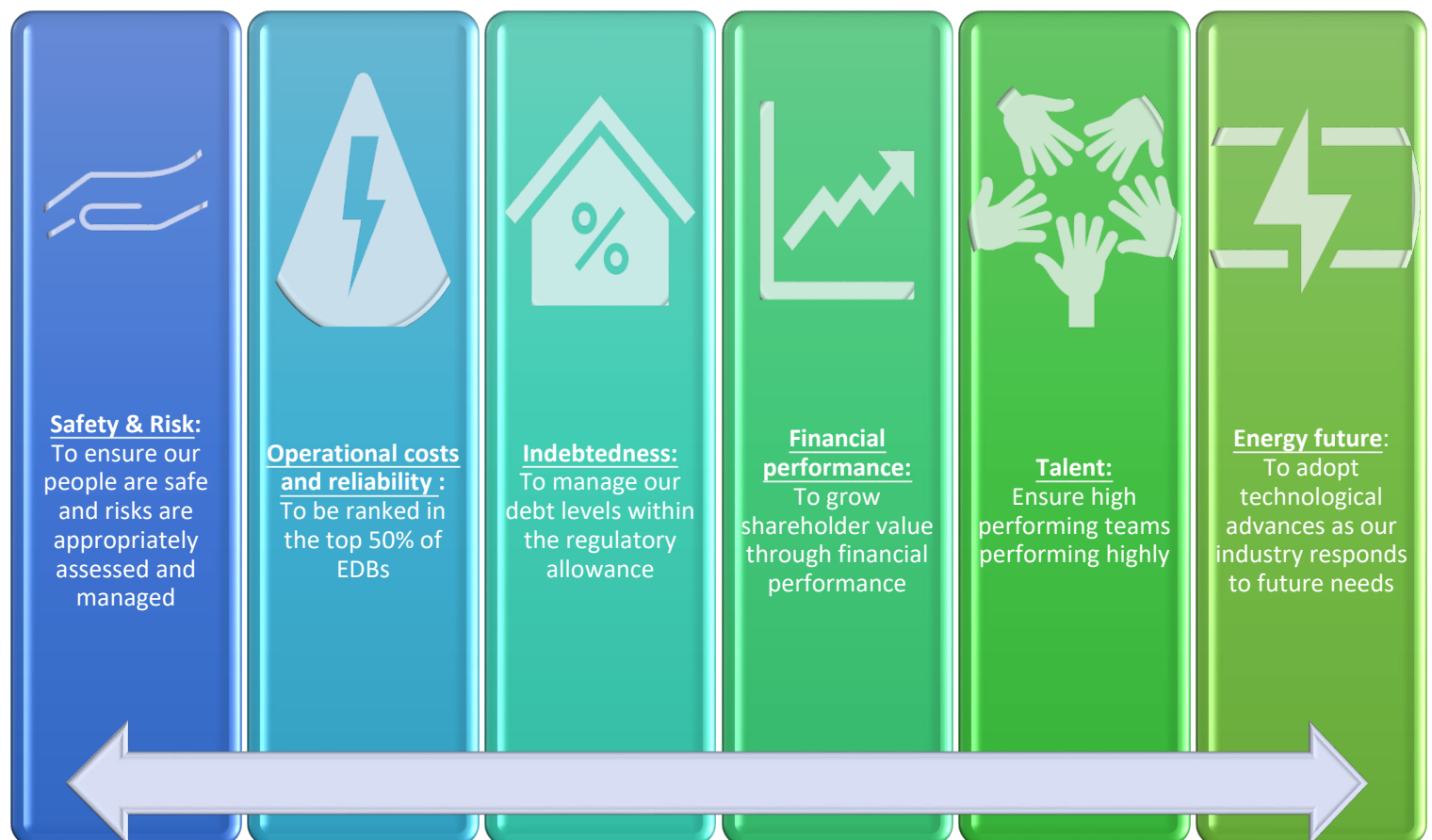
Respect

Strategic Objectives and Outcomes

Alpine's strategic objectives are shown in figure 1. Having considered the drivers of the business, we will develop, review and update our strategic objectives and desired outcomes prior to the commencement of each financial year.

Reporting against our strategic objectives and outcomes, in addition to the reporting obligations referenced throughout, will be by way of regular monthly reporting to our shareholders and shareholder meetings.

Figure 1 – Strategic Objectives



Nature and scope of activities to be undertaken

Our business will primarily be that of quality energy delivery and infrastructure asset ownership and management.

We are, through our subsidiary companies, NETcon Limited and Infratec Limited, also involved in activities which support and develop our business.

Consistent with our objectives we will pursue activities designed to ensure the efficient utilisation of our capital assets and human resources.

Opportunities for investment in activities, consistent with our purpose, will be investigated.

We will consult with our shareholders on any proposed investment which has a value greater than 5% of the value of the total assets of the group, as disclosed in the statement of financial position published in our preceding annual report.

We will not proceed on any projects other than the safe, efficient, reliable and cost-effective sale and delivery of energy (renewable and historical) and data (e.g. backhaul fibre) and will not proceed without the support of the majority of our shareholders.

Proprietorship Ratio

Our ratio of shareholders' funds to total assets will be maintained at not less than 45 percent.

Total assets will comprise all the recorded tangible assets of the group at their value as defined in the group's statement of accounting policies.

Consolidated shareholders' funds of the group will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

Accounting Policies

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.

Financial Performance Targets

We have developed financial performance targets and associated key performance indicators to achieve productivity improvements in each of our main business units.

The following performance measures have been established for the group; it should be noted the reduction in revenue in 2020/21 reflects the impact from the regulatory reset period from 1 April 2020 i.e. DPP3.

Please note, that no allowance has been made for the effects of COVID 19. The financial performance targets assume that the pandemic will be controlled and that it will not have a significant effect on the availability of skills, equipment and material. Should this not be the case, the targets will be subject to change.

Statement of Corporate Intent Financials - Alpine Group
For the years ended 31 March 2021 - 2023

	Alpine Group		
	2020/21	2021/22	2022/23
(i) Ratio of shareholders funds to total assets	54%	55%	56%
(ii) Rate of return on shareholders' funds:	7.34%	6.12%	6.04%
(iii) Net Tangible Assets per share \$	7.45	7.68	7.90
(iv) Earnings per share (cents per share)	28.76	25.84	26.75
(v) Ordinary Dividend per share (cents per share)	6.00	6.00	6.00
Financial Projections	\$M	\$M	\$M
Revenue	84.3	86.5	88.7
Operating Expenses	68.6	71.5	72.8
Operating Surplus Before Tax	15.7	15.0	15.8
Net Operating Surplus After Tax	11.9	10.7	11.1
Shareholder Funds	166.6	174.7	183.7
Current assets	13.2	15.0	16.6
Non-current Assets	294.6	302.3	309.9
Total Assets	307.8	317.2	326.5
Current Liabilities	14.0	14.7	14.9
Non-current liabilities	127.2	127.8	127.9
<i>Term debt included in above</i>	89.7	91.9	92.9
Total Liabilities	141.20	142.49	142.80
Net assets	166.6	174.7	183.70
Customer Capital Contributions	2.1	2.1	2.1
Capital Expenditure	20.4	19.0	18.5
- Asset Management Plan (Network)	16.6	16.9	17.4
- Other (Non-network)	3.8	2.1	1.1
Interest Cover - Parent (not to be less than 3.0 times)	5.09	4.82	4.85
Interest Cover - Group	5.11	5.26	5.23
Shareholder Funds to total assets (Parent) to be 45% or greater	55%	56%	57%
Shareholder Funds to total assets (Group)	54%	55%	56%

Operating Performance Targets

We have developed annual operating performance targets to show how our quality of service to customers and consumers is focused. Apart from the consequences of extreme weather events, it is our intention to remain within the cap imposed under DPP3 for interruptions. Our annual operating targets below are based on these criteria.

- i. Electricity Line Losses < 6% per year
- ii. Average Interruption Duration (SAIDI¹):
 - a) Planned: 55 interruptions² on the network
 - b) Unplanned: 91.9 interruptions² on the network
- iii. Average Interruption Frequency (SAIFI)
 - a) Planned: 0.70 interruptions on the network
 - b) Unplanned: 1.20 interruptions on the network

Dividend Distribution Policy

We intend, subject to a solvency certificate being signed by Directors, to distribute to our shareholders in cash, a total of 6.0 cents per share with respect to FY 2021 and the following two years.

The Board of Directors will include within its report on the operations of the group (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable by the group in respect of its equity securities.

Quarterly interim dividends of 20% of the annual forecasted dividend will be paid out on 30 September, 31 December, and 31 March with a final dividend on 31 July subject to completion of the Annual General Meeting.

¹ Please note that under DPP3, the calculation of SAIDI interruptions has changed. Our planned SAIDI outages limit has increased to allow for planned work to be effectively delivered. In addition, the compliance is now measured over the five-year reset period as opposed to the annual assessment under DPP2. Unplanned outages remain assessed annually.

² Please note we have used the term 'interruptions' which is derived from the Commerce Commission's use of the term in the information disclosure schedules that accompany the AMP. The more commonly used term is 'minutes'.

Sponsorship

In addition to the above, we are proud to sponsor an extensive range of personal endeavours, activities and events throughout the region which help make a difference in the community.

The sponsorship advisory committee considers a range of applications across sporting, cultural and community areas of personal development. It is the intention for this sponsorship to continue under the period covered by this Statement of Corporate Intent, subject to the availability of funding to do so.

Information to be provided to shareholders

We will provide information which complies with all relevant statutes and regulation. The following information will be available:

Annual reporting

Half yearly reports will be delivered to our shareholders within two months after the end of each reporting period. These reports will comprise:

- i. a report from the directors covering the operations for the half year period, including significant activities of the group and its subsidiaries; and
- ii. financial statements, including a statement of financial position and a statement of profit and loss.

Annual reports will be delivered to our shareholders within three months of the end of each financial year and will comprise:

- i. a report from the directors covering the operations for the year, including significant activities of the group in regard to our subsidiaries;
- ii. audited consolidated financial statements for the financial year in respect of the group and its subsidiaries (if any);
- iii. auditors' report on the financial statements and the performance targets (together with other measures by which performance of the group has been judged in relation to our objectives).

The group audited consolidated financial statements will comprise the following:

- i. Income Statement
- ii. Balance Sheet
- iii. Statement of cash flows
- iv. Statement of changes in equity
- v. Details of all transactions entered into during the financial year by the Company or any of our subsidiaries and certain other bodies
- vi. Such other statements as may be necessary to fairly reflect the financial position of the Company and our subsidiaries (if any), the resources available to it or them and the financial results of the operations.

Statement of Corporate Intent

A draft Statements of Corporate Intent will be delivered to our shareholders one month before the end of each financial year. The Board of Directors shall consider any comments on the draft statement of corporate intent that are made to it, within two months of the commencement of the financial year. We shall deliver the completed Statement of Corporate Intent to shareholders within three months of the commencement of the financial year.

Letter of expectation

From time to time shareholders may provide the board with a Letter of Expectation which may set out additional matters relevant to the engagement of the shareholders with the group.

Monthly reporting

We will agree with shareholders on the form and content of monthly reporting.

Monthly dashboard reports will be provided to shareholders covering the following information:

- i. Health & safety
- ii. Alpine Group Overview;
- iii. Risk Summary;
- iv. Alpine Group Financial Performance (YTD)/YTD results against budget for each of Alpine Energy, NETcon and Infratec;
- v. Financial Commentary
- vi. Operational Performance
- vii. Any other matters agreed with shareholders.

Shareholders may request further information or reports from the Directors, and we shall supply this information to all shareholders in such manner as shall from time to time be agreed with shareholders.

Procedures for Acquisition of interests in Other Companies or Organisations

As a general policy, any proposed investment by the group in other companies or organisations will be required to exceed the Regulatory weighted average cost of capital (WACC) for the current pricing period.

All investment proposals will be considered by the Board of Directors and in respect of any acquisition which has a value greater than 5% of the value of the total assets of the group, as disclosed in the statement of financial position published in the preceding annual report, recommendations will be made for shareholders' approval.

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:
 - Development, installation and maintenance of community lighting facilities.
 - Road and Footpath Sealing: - re-sealing of cable trenches and restoration of footpaths etc. after underground cabling and new subdivisions.
 - Leasing of vacated gas reticulation pipe works for the conveyance of fibre and/or electrical infrastructure i.e. ducting and cable.
- Transactions with related parties include:
 - Master services agreement for the provision of network contracting services.
 - Advisory services relating to renewables and future technologies.
 - Financing arrangements.
 - Rentals received on commercial property leases.
 - Rental received for smart meters and associated management fee transactions
 - Interest levied to joint venture partners.

All transactions with our shareholders will be conducted on a commercial basis. Charges between the parties made for services provided as part of the normal trading activities, are incorporated into our operating costs and revenues.

Further Matters

From time to time, we will investigate opportunities in our industry. For significant opportunities, we will seek the necessary shareholder support.

The maintenance and development of our network is our primary responsibility. Our pricing methodology will be based on a fair and reasonable allocation across the consumer base.

We will seek to collaborate with the wider lines industry in seeking to improve consumer, community and workplace outcomes through developments such as:

- Health and safety leadership
- Tariff reform to reflect cost reflective pricing
- Technology development strategies to keep abreast of change
- Disaster recovery strategies
- Capturing economies of scale