



Electra
EMPOWERING YOUR FUTURE

Electra Group

Statement of Corporate Intent

June 2024



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Introduction

Electra's Shareholders

Electra is 100% locally owned by the Electra Trust. The Electra Trust is a consumer trust and has six elected Trustees who hold shares in the company on behalf of the consumer beneficiaries.

The Statement of Corporate Intent is delivered annually to the shareholders as required under the Energy Companies Act 1992.

This document is intended to outline the ways in which the expectations of the Trust, as set out in the received Letter of Expectation, will be met by the Company.

Our Regions

Electra owns and operates the electricity network supplying the Kāpiti and Horowhenua regions on the west coast of the lower North Island.

Situated between the Tasman Sea and the Tararua Ranges, our network covers an area stretching from Foxton and Tokomaru in the north to Paekakariki in the south, and includes the towns of Levin, Waikanae and Paraparaumu along with several smaller towns and settlements and surrounding rural areas. The combined population of these regions is estimated to be 95,900¹.

We are one of 29 network companies in New Zealand, and the 10th largest network in terms of total connections.

Our Network

The Electra network supplies electricity to 46,749 consumers across an area of approximately 1,628 km². Our network supplies both urban and rural areas using a mix of underground and overhead infrastructure, consisting of 10 zone substations, 21,609 poles, 2,380 km of cables and overhead lines, and 2,655 transformers.

The network is supplied by two grid exit points from the Transpower national grid: Valley Road, Paraparaumu in the south and Mangahao in the north.

¹ Statistics New Zealand, Estimated Residential Population (ERP)

1.

Our Purpose

To operate our region's electricity network safely and effectively, and support the growth and electrification of Kāpiti and Horowhenua.



Eddie Whakatihi, Line Mechanic Leading Hand/Live Line

2.

Our Strategy

The Energy Companies Act 1992 sets out the principal objective of an energy company is to operate a successful business with regard to ensuring the efficient use of energy. Electra will continue to achieve this by implementation of the following strategy.

Our strategy is to operate a safe, efficient, innovative and sustainable business which:

- Focusses on our core operations,
- Delivers the needs of our customers and communities in an affordable way,
- Supports the growth and electrification of our region,
- Invests for a clean energy future, and
- Demonstrates the clear value proposition from local trust ownership.

Our Strategic Priorities



Our People



**Our Customers
and Communities**



**Excellence and Efficiency
in the Core Business**



Sustainable Investment in the Future

3.

Our Values

Our Values reflect the behaviours and expectations our staff have for each other.

Safety
Respect
Professional
Accountable
Integrity





4.

Trust Relationship

The Trustees of the Electra Trust hold 100% of the shares in Electra on behalf of Trust beneficiaries – those consumers who are connected to Electra’s electricity network in the Kāpiti and Horowhenua regions.

In recognition of this relationship, Electra will maintain a strong positive relationship with the Trustees and operate the business in line with the Trust’s 2024 Letter of Expectation.

The Board will meet with Trustees on a regular basis throughout the year to update Trustees on the performance of Electra and its subsidiaries.



5.

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 and a top priority for the business.

The Company is required to have effective and robust policies and processes for the identification, management and mitigation of all significant risks faced by the Company.

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

The Board will, both through the work of the main Board, and the Risk and Audit subcommittee, ensure that the Company is governed within the broader framework of corporate responsibility and regulatory oversight.



6.

Scope of Activities

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

Network ownership

Ownership of electricity distribution networks and related assets.

Electricity network operation

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

Investment

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

7.

Key Network Policies

Electra will endeavour to maximise value for consumers and owners through cost reflective prices, quality services together with safe and efficient operations.

In addition to normal business operations, Electra will adopt the following key policies and strategies:

Electricity line services pricing

Electra will offer all electricity retailers operating on the network the same price for similar electricity volumes and services. Network prices will be reviewed each year and future prices will continue to be competitive and will reflect the costs associated with line services, including the cost of capital. We are mindful of the cost of electricity to homes and businesses in our region, however there is a balance between funding business operations and sustainable long-term investment, and affordability for our consumers, especially those who are more vulnerable. We will engage with local support agencies and provide resources to help consumers understand their options with regard to using electricity more efficiently, and ensuring their pricing plans are appropriate for their usage.

Service and operational efficiency

Electra will continue to invest to improve safety, quality, effectiveness, and efficiency of network operations. The company will seek opportunities to partner with other line companies and organisations to assess technologies and minimise operating costs. This will enable it to benchmark performance and maximise information quality, ensuring value to consumers.

Adapting to change

Electra will proactively monitor and respond to changes in technology and consumer behaviour. The company will ensure company strategies consider the impact of Distributed Energy Resources (DER), electrification of the transportation sector and new requirements of energy management systems. This will ensure that the electricity distribution business remains of relevance to the changing demands of electricity consumers.

Market growth and quality of supply

Subject to normal investment criteria, Electra will continue to invest in network assets to meet market growth and to maintain the quality of supply in the Kāpiti Horowhenua area. 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. Measures include the implementation of Electra's Climate Resilience Framework designed to achieve sustainability.

Sustainability

Electra is committed to supporting the Government's greenhouse gas emissions reduction targets under the Paris Agreement. The company will seek opportunities to decarbonise New Zealand by transitioning energy users in our regions from fossil fuels to electricity. Electra has a Sustainability and Environmental policy focussed on the economic, environmental, social and cultural aspects. The business is currently in the process of setting goals and targets against this policy.

Resilience

As an essential service provider and lifeline utility, the company will consider the impacts of changing weather patterns, natural disasters and cyber security in our business and network planning. The company will invest in resilience to ensure ongoing operations are not materially affected by these events and that appropriate response plans are in place. A key aspect of resilience planning is close engagement with key regional and national stakeholders, and in particular, alignment with local councils and territorial authorities to enhance community resilience. We will continue to review, maintain and exercise our Disaster Recovery plans to ensure we are well placed for responding to major events.



8.

Government Regulation

Electricity – Electra Network

The provision of electricity line distribution services is a regulated service under Part 4 of the Commerce Act 1986 and the Electricity Industry Participation Code 2010 (the Code).

Part 4 prescribes the economic regulatory framework we adhere to and is enforced by the Commerce Commission. We are subject to information disclosure regulation, which requires us to report annually on our year-beginning and year-end performance. Because we are consumer owned through the Electra Trust our consumers give effect to the level of services they receive and the price that they are willing to pay. Accordingly, under section 54D we are exempt from price-quality regulation and therefore not subject to the default price-quality path.

The Code stipulates the market regulatory framework we operate under and is enforced by the Electricity Authority. We are a market participant under the Code and are subject to the Pricing Principles and Default Distributor Agreements, which prescribe the way we participate in the New Zealand electricity market.

In addition to Part 4 and the Code we are also subject to regulation under the Health and Safety at Work Act 2015, the Utilities Disputes General Rules Scheme, the Electricity Industry Act 2010, Electricity Act 1992, Electricity Industry (Enforcement) Regulations 2010, Electricity (Safety) Regulations 2010, Electricity (Hazards for Trees) Regulation 2003, Electricity (Low Fixed Charge Tariff option for Domestic Consumers) Regulations 2004, Fair Trading Act 1986, Consumer Guarantees Act 1993, Resource Management Act 1991 and the Energy Efficiency and Conservation Act 2000.

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

9.

Group Structure

Electra will continue to reassess, develop, invest and divest within its structure of subsidiary and associated companies where this improves efficiency and effectiveness, provides gains in economies of scale, and maximises value for owners. Each business unit focuses on a clear role and market to ensure success. A key focus is to enhance regional investment with resulting benefits for consumers.

Electra Limited

The parent company owns and maintains the electrical distribution network assets in Kāpiti and Horowhenua. Electra Limited has the following subsidiaries and investments.

Electra Services Limited – (Shareholding 100%)

This subsidiary is a company located in Levin, trading as Securely® and providing a range of services throughout New Zealand from call centre operations, after hours call services and medical alarm sales and monitoring. This business is held for sale as Electra refocuses on the core network business.

Quail Ridge Country Club Limited – (Shareholding 100%)

This investment operates a retirement village. Electra, under its refreshed strategy, has determined it is not the long-term owner of Quail Ridge and intends to sell its shareholding.

Non-trading subsidiaries: Electra Generation Limited and Kerikeri Falls Investment Limited – (Shareholding 100%)

These businesses are no longer trading and are in the process of being wound up.

Related Party Transactions

Electra Limited does not propose to enter into any material related party transactions.





10.

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 2024: \$444.4 million.

11.

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/>

12.

Financial Surpluses, Distribution Policy & Discounts

The 2024/25 financial year will see continued focus on investing in the business and the network, to deliver our strategy and ensure Electra continues to operate a safe, reliable, and efficient network that meets the growth in demand for electricity.

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 outlines that an annual Price Discount will be credited to the current connected customer (consumer) 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.

13.

Performance Targets

Four key focus areas have been identified linking Electra’s strategy to the performance targets and measures that are critical to achieving this strategy. These four focus areas are Health, Safety and Wellbeing, Assets, Revenue, and Profit, and the key targets that track the delivery of them are set out below.

13.1 Health, Safety and Wellbeing

Electra is committed to promoting a culture of health, safety, and wellbeing where harm to our people and the public in the workplace, both physical and psychological, is unacceptable.

We strive to keep our people safe and well through effective risk controls, positive engagement, and continuous improvement. When harm occurs, we provide full support to rehabilitate them, and ensure lessons are learned and applied to prevent a recurrence. We also provide resources to our team to assist them with their health and wellbeing, including the provision of Employee Assistance Programmes.

We will continue to improve the quality of our proactive and preventive activity every year and maintain a focus on what is important – including Board and Leadership team site safety interactions, effective worker participation in Health, Safety and Wellbeing activities through committee participation, and external reviews of our H&S performance.

The Group has a goal that our people go home safe and well each night and has a target of zero Lost Time Injuries (LTIs) arising from our Critical Safety Risk areas.



No injuries to workers related to critical risk areas
(LTIs relating to critical risk areas = 0)



Maintain certification of our Public Safety Management System to NZS7901



No public harm from our assets or operations



Complete at least one external H&S assessment to verify effectiveness of our H&S systems and practices



Leadership safety interactions increase year on year

13.2 Asset targets

Capital Ratio

Electra aims to achieve a ratio of consolidated shareholder funds to consolidated total assets that is greater than 55% by 31 March 2025. Consolidated Shareholders funds is the total group equity comprising; issued share capital, reserves and retained earnings.

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

| | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast |
|--|-------------|---------------|---------------|---------------|
| Consolidated Shareholders funds to Total Assets percentage | 42% | >55% | >55% | >55% |

Debt and Interest rate risk management

Electra aims to maintain a leverage ratio below 35%. A leverage ratio² has been added to help ensure efficient and prudent management of Electra's capital structure. The leverage ratio utilised takes its cue from the Commerce Commission's determination of WACC for Non-Exempt network businesses but is set at a lower level for Electra; 35% compared with the Non-Exempt WACC level of 41%. Setting a leverage ratio to help guide the management of debt levels will be very important as Electra will need to invest additional capital into the core network business to achieve its customer service and decarbonisation objectives.

The Electra Board reviews the Treasury Policy annually to ensure good practice in how it manages all the risks relating to its debt exposures. The Policy includes specifics on how and when it sources funding to secure appropriately long-term commitments from debt funders, and the management of interest rate expense to ensure that it has a high degree of certainty in its cash flow exposures. Electra's debt funders have a long-term interest in Electra and are supportive of its core network plans and the approach to supporting decarbonisation. They require Electra to maintain compliance with certain financial and operating covenants, and these help to inform the strategic and operational planning of Electra's business.

| | 2024 Actual | 2025 Forecast | 2026 Forecast | 2027 Forecast |
|----------------------------------|-------------|---------------|---------------|---------------|
| Leverage ratio | 35% | <35% | <35% | <35% |
| Debt funding covenant compliance | 100% | 100% | 100% | 100% |

² Leverage ratio is calculated as: Debt/(Debt+Equity)

Network reliability

We have set our targets based on historical performance reported under the Electricity Distribution Information Disclosure Determination (2012). We measure our performance relative to the 5-year average performance of our peer group. Based on our relative performance between 2019 and 2023 we have outperformed our peers.

Peer group comparison

| Measure of performance | Electra's 5-year average performance | Our Peer's 5-year Average performance |
|-------------------------------|--------------------------------------|---------------------------------------|
| Unplanned SAIDI minutes | 66.90 | 196.20 |
| Planned SAIDI minutes | 23.80 | 128.50 |
| Unplanned SAIFI interruptions | 1.24 | 2.08 |
| Planned SAIFI interruptions | 0.08 | 0.45 |

Our reliability targets

| | | 2024 Actual* | 2025 Forecast | 2026 Forecast | 2027 Forecast |
|-------|--------------|--------------|---------------|---------------|---------------|
| SAIDI | Planned | 25.18 | 35.00 | 35.00 | 35.00 |
| | Unplanned | 62.75 | 63.00 | 63.00 | 63.00 |
| | Total | 88.50 | 98.00 | 98.00 | 98.00 |
| SAIFI | Planned | 0.09 | 0.15 | 0.15 | 0.15 |
| | Unplanned | 0.90 | 1.40 | 1.40 | 1.40 |
| | Total | 1.04 | 1.55 | 1.55 | 1.55 |

* Class I interruptions are not included in Planned and Unplanned actuals but are included in the totals for the 2024 year.

² Leverage ratio is calculated as: Debt/(Debt+Equity)

Operating and Capital Expenditure

Electra continues to invest in our electricity network to maintain reliability, performance and safety, as well as to meet future needs and growth. It also invests in its people and business infrastructure. The annual update of the Asset Management Plan (2024) sets out the expected investment in our business as follows:

| | 2024 Actual (\$m) | 2025 Forecast (\$m) | 2026 Forecast (\$m) | 2027 Forecast (\$m) |
|-----------------------|----------------------|------------------------|------------------------|------------------------|
| Operating expenditure | 19.4 | 22.54 | 22.99 | 25.03 |
| Capital expenditure* | 15.4 | 26.92 | 32.85 | 27.88 |
| Total expenditure | 34.8 | 49.46 | 55.84 | 52.91 |

* Note: major driver is investment in property and major network projects (e.g. SCADA and zone substations)

13.3 Revenue and Profit targets

Electra is focused on operating a successful electricity network business that provides benefits and value to Electra's beneficiaries and consumers. We will continue to invest in the network to maintain reliability, performance and safety, and to prepare for significant growth in electricity usage as New Zealand increasingly turns to electricity to support its decarbonisation goals.

| | Actual 2024 | Target 2025* | Target 2026 | Target 2027 |
|--|-------------|--------------|-------------|-------------|
| Group Net Profit / (Loss) after Tax and Discount | (\$11.2m) | \$1.1m | \$2.5m | \$2.7m |
| Price Discount (excl. GST) | \$5.2m | \$5.4m | \$5.5m | \$5.6m |
| Average Price Discount (excl. GST) Per Customer Connection Point | \$110 | \$114 | \$114.50 | \$115.50 |
| Group Return on Equity (pre discount & tax) | (1.9%) | 3.0% | 3.6% | 3.7% |
| Group Return on Equity (post-discount & tax) | (5.1%) | 0.5% | 1.1% | 1.2% |
| Number of Customer Connection Points at year end | 46,749 | 47,500 | 48,000 | 48,500 |

* Group Net Profit after Tax and Discount, and Group Return on Equity targets exclude the impact of fair value gains or losses and other extraordinary items (such as gains or losses on sales of subsidiaries).

14.

Information Reporting

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 available for 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 shareholders with additional information which may be of interest.

15.

Group Investment Policy

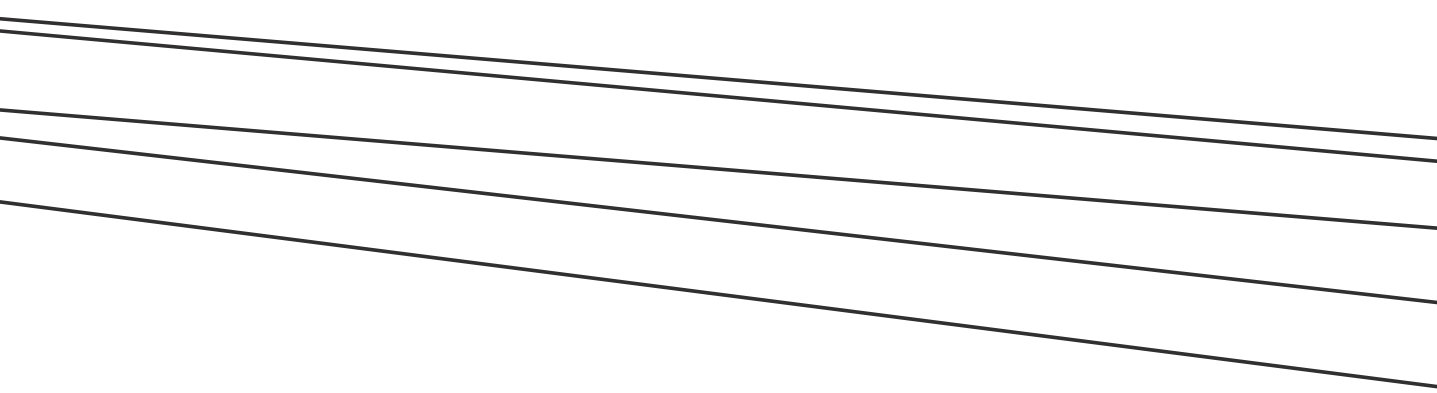
Electra will invest in property, plant and equipment to operate, maintain and enhance the electricity distribution network (our core business). These investments are covered by the Asset Management Plan prepared each year by the company.

Investments will align with the Company's current strategic plan and investment strategy, be aligned to core business activities, and with a preference for investment in the Kāpiti and Horowhenua regions.

In addition to the required Trustee approval where proposed investments are a major transaction, Trustees will be informed in an early and timely manner before investments are finalised.

The company may undertake divestment of activities and subsidiaries that are not aligned with current strategy, or where their performance does not meet expectations.





Electra
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