



Statement of Intent

Contents

1.	Introduction	3
2.	Our Group Strategy	4
3.	Facilitating decarbonisation and hosting capacity at lowest cost: Assets and know-how	5
4.	Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost: Assets and know-how	6
5.	Being a force for good in the community we serve, enabling the net zero transition: Community and environment	7
6.	Creating the preferred workplace: People and Health, safety and wellbeing	9
7.	Fit for purpose capital structure: Financial	13
8.	Our Governance	15
9.	Appendix 1: Notes and definitions	19

Corporate Offices

Orion

565 Wairakei Road
PO Box 13896
Christchurch 8140
New Zealand
Phone: +64 3 363 9898
Email: info@oriongroup.co.nz
Website: oriongroup.co.nz
Facebook: facebook.com/orionnewzealand

Connetics

11 Islington Avenue
PO Bo 2237
Christchurch 8042
New Zealand
Phone: +64 3 353 7200
Email: enquiries@connetics.co.nz
Website: www.connetics.co.nz
Facebook: facebook.com/connetics

Directors

Paul Munro – Chair
Jen Crawford
Sally Farrier
Jason McDonald
Mike Sang

This Statement of Intent (SOI) is submitted by the Board of Directors of Orion, in accordance with section 39 of the Energy Companies Act 1992 (the Act). It sets out the Board's overall intentions and objectives for Orion New Zealand Limited and its subsidiary companies (the Orion Group) for the year commencing 1 April 2023 and the following two financial years. The companies that comprise the Orion Group are listed in the Appendix.

Integrated Leadership team

Group Chief Executive

Nigel Barbour

GM Energy Futures

Sam Elder

GM Future Network

David Freeman-Greene

GM Value Optimisation

Vaughan Hartland

GM Electricity Network

Steve Macdonald

GM Digital, Data and Technology

Duane Makin

GM Purpose and Performance

Alice van den Hout

Connetics Chief Executive

John Thompson

Company Secretary

Karen Wiese

GM Growth and Development

Nic Wong

Cover Photo: Pōwhiri at Wairewa Marae in Little River to formalise the partnership between Orion and Wairewa Rūnanga. Photo taken by Phil Tumataroa and supplied by Wairewa.

Powering a cleaner and brighter future with our community

Orion Group's purpose to power a cleaner and brighter future with our community is central to all we do and is the touchstone for this Statement of Intent.

Central Canterbury is a place of rapid growth and transformation, embracing change and innovation, with Ōtautahi Christchurch at the heart of this diverse and vibrant region and with Selwyn representing the fastest growing district in the motu.

Electricity distribution has always been an essential service that underpins regional, community and economic wellbeing. Our service is vital to the wellbeing and livelihood of the people and businesses who live and operate here.

Now, it also has a critical part to play in Aotearoa New Zealand's transition to a low carbon economy. Challenges and opportunities are arising from a combination of our community's willingness to adopt changing technologies, Aotearoa New Zealand's drive for a low-carbon future, and the impact of climate change.

While we face huge change in coming years with an unprecedented growth in the demand for electricity, Orion is confident it has the agility and capability to continue to serve its customers well, at lowest possible cost, in the evolving energy environment.

We own and operate the electricity distribution infrastructure in Central Canterbury, including Ōtautahi Christchurch. Our network is both rural and urban and extends over 8,000 square kilometres from the Waimakariri River in the north to the Rakaia River in the south; from the Canterbury coast to Arthur's Pass. We deliver electricity to more than 220,000 homes and businesses making us Aotearoa New Zealand's third largest electricity distribution business.

Our principal subsidiary Connetics' core business is the design, construction and maintenance of overhead and underground power lines and associated equipment. Specialists in electrical distribution, Connetics supports Orion with the design and build expertise to maintain and develop our network and provides these services to other electricity distribution businesses around New Zealand.

Our SOI incorporates our purpose, strategy, and five-year strategic objectives. We have also incorporated the integrated reporting capitals, this is the first step in our integrated reporting journey, aligning the capitals to our focus areas.

2. Our Group Strategy



Orion Group is focused on ensuring we are ready to enable our community to transition to a resilient low carbon economy, while also being ready for the growth in our region.

Our Purpose – powering a cleaner and brighter future with our community talks to the impacts we are making on regional prosperity through energy affordability, energy security and sustainability.

Our priority for the next five years is to get ‘match fit’. This means our network will be ready for the increased demand as electricity plays a crucial role in decarbonising Aotearoa New Zealand.

Our changing landscape is primarily driven by three factors – climate change, new technology and increasing demand for electricity.

While the move from petrol and diesel vehicles to electric vehicles is an important step on the decarbonisation journey, other initiatives will also make significant contributions. Of those, the largest contributors across Aotearoa New Zealand will be conversion of industrial processes and heating from coal to electricity and significant solar and wind generation.

Our five-year focus areas are:

- Facilitating decarbonisation and hosting capacity at lowest cost while giving our customers choice on how they access our network
- Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost
- Being a force for good in the community, enabling the net zero transition
- Creating the preferred workplace, making sure our people are at the heart of what we do
- Having a fit for purpose capital structure, funding our future to ensure our investments are sustainable and provide equitable returns to our shareholders.

Integrated Reporting

We have aligned our focus areas to the integrated reporting capitals. Each focus area section is linked to the capitals (see the diagram above).

Our 2023 Annual Report will be our first iteration of an Integrated Report, using the above capitals and it will include our Climate Statement summary. Our Integrated Annual Report and full Climate Statement report will both be published on our website, along with our Statement of Intent.

3. Facilitating decarbonisation and hosting capacity at lowest cost: Assets and know-how

- **Maximise the use of the existing network with smart technologies and better data:**
 - To get the most granular and accurate view of our networks
 - To maximise their utilisation
 - Invest in the right capacity at the right time.
- **Maximise the scope for customer participation through ‘flexibility’ and other market-based solutions**
- **Ensure our networks enable/do not block the path to decarbonisation.**

Key performance measures	FY24	FY25	FY26
Network Transformation			
RAB/maximum system coincident demand. Note: better performance is that less RAB/MW of system coincident demand	>= Lower quartile	>= Lower quartile	>= Lower quartile
Low Voltage network visibility % of transformers monitored across the LV network	9%	11%	13%
Accuracy of operational/day ahead load forecast used for network peak demand management	>=80%	>=85%	>=90%
Maximising Flexibility			
Market led flexible capacity: number of sites we assess the feasibility of flexibility	4 zone substation sites		
Number of sites we take to tender for flexibility services	2 (including Lincoln)		

The key projects and programmes in this focus area:

Network Transformation

Through our Network Transformation Roadmap and programme, we will enable and support our community to sustainably transition to a low carbon economy – ensuring everyone can participate; including the most vulnerable, and the environmental cost of doing so is minimised or removed where possible.

Specifically, this is ensuring our customers can take advantage of new low-carbon technologies and providing them with greater freedom to manage their energy use to achieve their decarbonisation goals. The goal for Orion’s Network Transformation Roadmap is that by 2030 Orion has:

- Significantly enhanced the sustainable connection of new technology to our distribution network
- Enabled the trading of energy and capacity between customers and market participants via an open network framework
- Significantly augmented our planning, investment, and operational requirements in service of the above.

Our immediate priorities are focused on better network visibility and systems that enable us to dynamically operate the network. See LV network visibility measure in table.

Maximising Flexibility

The transition towards net-zero emissions is driving a need for more demand-side flexibility to support the integration of intermittent renewables and improve utilisation of electricity networks. Existing approaches to flexibility, such as ripple relays and peak period pricing, are crucial to system security and help manage cost to customers. However, Orion is committed to maximising opportunities for flexibility by exploring new approaches, such as flexibility services and innovating distribution pricing.

Our approach is both customer-centric and collaborative. We recognise the need for tariff and technology innovation to ensure customers have access to the information they need to make informed decisions about demand side flexibility. In response, we are actively working with customers and stakeholders across the energy sector through a range of initiatives, both strategic and practical. Specific projects include our Lincoln flexibility trial to defer capital investment through flexibility services and Resi-flex, which aims to encourage residential flexibility by stimulating innovative customer offerings, such as smart tariffs.

4. Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost: Assets and know-how

- **Be a responsible steward of the network and invest for the long-term**
- **Drive cost effectiveness, efficiency, continuous improvement and innovation in everything we do**
- **Leverage the power of integrated systems, data analytics and processes (based on the condition and attributes of Orion's population of network assets) to:**
 - Build optimised asset maintenance and investment plans
 - Provide a single, consistent view of asset health and risk
 - Reduce costs, improve network performance and better manage risk.

Key performance measures	FY24	FY25	FY26
Regulatory measures			
SAIDI - planned	39.68	39.68	39.68*
SAIDI - unplanned	84.71	84.71	84.71*
SAIDI - total minutes per customer	124.39	124.39	124.39*
SAIDI - planned	0.1496	0.1496	0.1496*
SAIDI - unplanned	1.0336	1.0336	1.0336*
SAIDI - total number of interruptions per customer	1.1832	1.1832	1.1832*
Resilience of our rural and urban network			
Construction of Norwood Grid Exit Point	Complete		
Construction of Dunsandel to Norwood 66kV line	Complete		
Construction of Brookside to Norwood 66kV line		Complete	
Milton zone substation and replacement of 66kV cables from Milton to Bromley	Complete		
Hoon Hay zone substation upgrade and replacement of oil filled 66kV cables from Milton to Hoon Hay	Not started	Started	Underway
Replacement of oil filled 66kV cables from Halswell to Hoon Hay	Not started	Started	Underway

The key projects and programmes in this focus area:

Resilience of our rural and urban network

The construction of a new GXP and zone substation at Norwood and associated 66kV lines is a once-in-50-year project for Orion and will be our region's third largest GXP. Delivering 25% more electricity to our rural region, it will allow us to support our existing commercial customers in this area who are growing their businesses and placing constraint on our current network. It will deliver on our commitment to a future where electricity continues to play a key role in being a renewable energy solution for decarbonisation.

It also builds on our resilience and reliability to our network, two things our customers have told us are important to them in a world that is increasingly reliant on electricity. The new GXP will enable delivery of our strategy to power a cleaner and brighter future by delivering capacity, reliability, and resilience when our customers require it. Delivering on this will contribute to enabling a clean and renewable energy source to our customers and deliver on our country's climate emission targets.

Our region's greatest natural disaster risk is a major earthquake. This would test our network in different ways to previous events we have experienced. To address this resilience risk, we have planned to replace our oil filled 66kV cables over the next 10 years. We started the replacement in FY22, and it is a key risk mitigation for a potential Alpine Fault event (AF8). The architecture adopted also supports our future aspirations to power a cleaner and brighter future with our community.

Building an integrated view of our assets and processes

We are significantly shifting our approach to asset management through better use of data and technology. A fully integrated view of our assets will deliver efficient management of our asset. Over the next period, the Integrated Asset Management programme will be focused on implementing a modern asset management platform, reviewing the end-to-end asset management value chain and associated processes. Key to this is the capturing and use of asset data and improving field force support through mobility.

*FY26 is subject to DPP4 reset and our quality targets are unknown at this stage.

5. Being a force for good in the community we serve, enabling the net zero transition: Community and environment

- Reduce the environmental impact of our operations
- Collaborate with our local authorities and stakeholders on regional decarbonisation plans
- Play a proactive role, working with other trusted organisations, to support our customers to close the “knowledge gap” on how they can move to a more energy efficient and greener way of living
- Foster and promote energy efficiency.

A locally led energy transition is key to delivering net zero in the cheapest and most effective way possible, with more local support, better tailoring to local needs, and economic and social benefits. Given the role of electrification in decarbonisation, we will need to increase our collaboration and alignment with local stakeholders to build our understanding of customer and community needs on their energy transition journey. Our stakeholder NPS and depth of connections with our communities and customers allow us to track how successful we are.

Key performance measures (to be reported year-end)	FY24	FY25	FY26
Collaborative local energy planning			
Local future energy scenarios published	Complete	Complete	Complete
Empowering our customers and communities			
Net Promoter Score	>40	>40	>40
Reducing the environmental impact of our operations			
Group operational carbon emissions	2620	2456	2292
Planting of native forest in partnership with Wairewa Rūnanga	45,000 seedlings planted	50,000 seedlings planted	300 hectares established

5. Being a force for good in the community we serve, enabling the net zero transition: Community and environment

The key projects and programmes in this focus area:

Collaborative local energy planning

We are developing a set of future energy scenarios for our region, together with significantly enhanced regional energy modelling capability. It will allow us to explore plausible energy futures and associated energy generation and demand across our network area through to 2050. This work will underpin our network investment planning in the face of significant uncertainty, our understanding of transition threats and opportunities, and associated innovation priorities. We will engage with stakeholders, particularly local authorities, and major customers, early in FY24 to test and validate our energy scenarios framing and assumptions, which we envisage will be a powerful first step in facilitating the development of more aligned energy transition planning across Orion's network.

Empowering our customers and communities

Household and communities: we will build on our recent work and relationships, including with Community Energy Action, Ōtautahi Community Housing Trust and Ecobulb, and our growing capability in data-driven consumer insights, to maximise the reach and impact of our support for households and communities, with a particular focus on supporting energy equity and community resilience. We will further develop and leverage our newly created Home Energy Living Lab, as an environment to explore, develop and test solutions and services.

These projects align with priority actions identified in The Boston Consulting Group's The Future is Electric^[1] report.

[1] <https://www.bcg.com/publications/2022/climate-change-in-new-zealandresilience> investments in our overhead fleet assets.

Industrial and commercial customers: we will continue to develop our advisory services for commercial and industrial customers. This will have a particular focus on industrial customers seeking to decarbonise their operations through conversion of coal and gas fired boilers to lower carbon alternatives, and those seeking to develop renewable generation within the region.

Reducing the environmental impact of our operations

This captures our culture of being responsible stewards of the assets and energy resources we manage. We recognise that our operations have environmental and social impacts and to be an authentic decarbonisation partner we must decouple our operations from carbon emissions. On that basis, we have set a carbon reduction target aligned with keeping warming within 1.5 degrees and will track our progress towards it.

In addition, we are working with local landowners and Rūnanga to establish up to 300ha of indigenous forest on Te Kāio, in Banks Peninsula. This will support biodiversity and have the additional benefit of creating carbon units that Orion Group can use to offset its operational emissions. Orion will look for further partnership opportunities including with Selwyn District Council.

6. Creating the preferred workplace: People

- Attracting, developing, and retaining a skilled and motivated team that feels included and reflects the diverse communities we serve
- Actively looking for opportunities to better use our people's skill and expertise and minimise their involvement in inefficient workflows.

The key focus areas for our Group People Plan are:

- **Our people**—shift our talent profile to meet future needs
- **Our place**—enhance our employee experience
- **Our performance**—drive sustainable performance.

Our people—focuses on understanding the capability needs for the future and develop our talent profile to meet the needs of tomorrow's workforce. This focus will ensure our people thrive in our new environment and we attract and source the right people to enable our future growth.

Activity includes:

- Building our internal capability framework and processes to identify, develop, and select future skills and capabilities
- Developing learning content and pathways for our people
- Credentialing our learning pathways (in partnership with the Energy Academy)
- Developing clearly defined pathways for diverse groups to enter our industry and increasing the pool of people interested in our industry (in partnership with the Energy Academy).

Key performance measures	FY24	FY25	FY26
Engagement score* *we anticipate engagement staying static for the next three years	> 65% positive	> 67% positive	> 69% positive
Voluntary turnover	< 16%	< 14%	< 12%
Organisational capability	Complete assessment/ study of current organisational capability and future competency needs		
Improve gender balance at all levels (executive, people leaders and staff)			
Orion	35:40:25 (female: male: any gender)	38:40:22 (female: male: any gender)	40:40:20 (female: male: any gender)
Connectics	Gather and understand data. Build a programme of work		
Reduce gender pay gap (see page 10 for further details)			
Orion	< 15.9%	< 14.9%	< 13.9%
Connectics	Publish gender pay gap		

6. Creating the preferred workplace: People

Our place—focuses on creating an environment that supports employee wellbeing and lifts performance by ensuring our workforce reflects the diverse communities we serve and embraces our differences. We will amplify the behaviours that reflect what’s most important and enable our workforce by ensuring our physical and digital work environment provides positive impacts. Activity is primarily aligned around our Diversity and Inclusiveness strategies, which we will continue to build out to include wider Diversity, Equity, and Inclusion (DEI) measures such as ethnicity.

Our performance—focuses on driving sustainable performance over time by ensuring our people have the confidence and capability to seek opportunities to improve performance. We are working on continuous improvement programmes that find opportunities to improve efficiency, create team readiness for change and ensure any improvements are sustainable.

Te Whāriki

We will continue to tap into the diverse expertise and experiences of the CCHL group of companies through Te Whāriki. This platform has helped to enrich our perspective on diversity and broaden our approach to how we work. By facilitating connections, Te Whāriki provides opportunities for our people to develop beyond their role and for Orion Group to access knowledge and talent from a wider pool of people. We have one ILT member on the governance panel and three members proactively contributing as champions. Orion Group currently has 368 users on the platform, 193 total listings and 20 mentors.

Diversity and Inclusiveness strategies

In alignment with our DEI strategy, we will focus on the following four key areas:

- Creating an inclusive culture
- Gender Pay Gap programme
- Talent Acquisition programme
- Participating in CCHL C3 programme including He Huanui Māori Pathways initiatives.

Engagement and partnerships with other ethnicities

Enhancing our ethnic diversity is one of our DEI targets. We are currently gathering increased demographic data on our workforce to better understand how representative we are of our communities. To support this mahi, Orion Group is continuing to support the employee-led Inclusion Council (Orion) and Wellbeing Rōpū (Connetics) as well as developing attraction strategies customised to the demographic make-up of future New Zealanders.

6. Creating the preferred workplace: Health, safety and wellbeing

Health, safety and wellbeing

Our approach to the health, safety and wellbeing of our people focuses on senior leadership commitment and engagement, critical risk management and improving our systems and processes.

We will continue our review of our critical risks and commence a dedicated programme to ensure our risk controls are fit for purpose and we are monitoring to capture new and emerging risks. Our critical risks include eight inherent risks. Connetics also have an additional 10 that cover situational high impact, low probability risks.

Te Rautaki Tokona te Ora 2028

This year, we will focus on the implementation of Te Rautaki Tokona te Ora 2028 | 2028 Health, Safety and Wellbeing 5 Year Strategy to demonstrate our commitment to the health, safety, and wellbeing of our people and to achieve safe outcomes across the Group.

Te Rautaki Tokona te Ora 2028 sets a clear direction, providing a shared vision for the Orion Group for where we want to get to, and what we need to do to get there. It identifies the common capability gaps and opportunities, through a set of kaupapa rautaki matua strategic priorities and ngā whakamana rautaki strategic enablers that will help us to focus our efforts over the next five years. This supports better coordination across the Orion Group, by providing visibility of the different roles we have and a framework to work together on how we're improving health, safety, and wellbeing outcomes.

Te Rautaki Tokona te Ora 2028 also aims to improve measurement through simplifying our processes to build a better picture of the Orion Group's health, safety, and wellbeing for our kaimahi, contractors and the community we serve.

Key performance measures	FY24	FY25	FY26
Events that did or could have resulted in serious injury to employees (notified events)	≤4	≤4	≤4
Events that did or could have resulted in serious injury to service providers (notified events)	≤4	≤4	≤4
Events that did or could have resulted in serious injury to the public, excluding car versus pole incidents	≤1	≤1	≤1
Connetics			
Number of health and safety interactions (Connetics)	100% to target	100% to target	100% to target
Number of senior leadership safety observations (Connetics)	84	84	84
Number of board safety observations (Connetics)	12	12	12
Orion			
Number of board safety observations (Orion)	10	10	10
Number of senior leadership safety observations (Orion)	90	90	90

6. Creating the preferred workplace: Health, safety and wellbeing

Integrated approach to workplace mental health and wellbeing

We will work in collaboration with specialists to develop a tailored Kaimahi Ora programme (Orion) and Wellbeing, Inclusion & Belonging programme (Connetics) to protect from risks to psychological harm, bolster and promote positive work aspects and provide early intervention and proactive recovery support.



2028 Health, Safety & Wellbeing – strategy-on-a-page.

7. Fit for purpose capital structure: Financial

Capital structure refers to the combination of debt and equity used by Orion to finance its operations and growth. Debt comes in the form of loans while equity may come in the form of owners' contributions and retained earnings.

An appropriate capital structure is intended to enable Orion to manage financial sustainability over the long-term and enable investment to fulfil our purpose. It should provide appropriate flexibility to manage the business and adjust in response to unexpected shocks whilst also delivering an appropriate level of certainty to our key stakeholders.

Target capital structure

While not formally rated, Orion seeks to maintain a capital structure consistent with achieving a minimum supported issuer indicative credit rating of A- (Standard and Poor's) and a standalone (unsupported) indicative credit rating of BBB.

The primary ratios used to gauge this indicative rating are FFO/Debt and Debt/Regulated Asset Base (RAB).

The benefits associated with this level of rating / financial strength include:

- Availability of debt from both domestic and international debt markets
- Flexible longer term (10yr +) funding arrangements can be arranged
- Competitive debt pricing.

Key performance measures	FY24	FY25	FY26
FFO over debt (%)	13.2%	13.5%	13.7%
Debt over RAB (%)	39%	40%	41%
Interest cover ratio (EBITDA / Interest)	4.9x	4.8x	4.1x
Profit after tax (\$m)	16	18	23
Dividends (\$m)	25	25	12
Indexation increase in RAB (\$m)	56	40	34
Total Shareholder Return (%)	9.4%	7.3%	5.1%
Supplementary performance measures			
Electricity delivery revenue (\$m)	237	260	294
Earnings before interest and tax (\$m)	51.3	59.4	81.1
Interest cover ratio (EBIT / Interest) (Covenant is >1.5x)	2.0x	2.0x	1.9x
Debt over (Debt + equity) (%)	41%	43%	45%
Equity to total assets (%)	48%	47%	45%
Return on equity (PAT / Average Equity) (%)	1.9%	2.0%	2.6%
Return on assets (PAT / Average Assets) (%)	1.0%	1.0%	1.2%
* FY26 is subject to DPP4 reset			

7. Fit for purpose capital structure: Financial

Return on capital

The economic regulatory framework limits the return Orion can generate from the electricity network to a prescribed regulated weighted average cost of capital (WACC), set by the Commerce Commission every five years. The Commerce Commission sets the allowed return on capital, and also inflation-indexes our Regulated Asset Base (RAB) annually. Therefore, total return is split between a cash return (in the form of profit) and an annual increase in the value of RAB (in the form of inflation-based indexation).

Dividends

We will distribute funds to our shareholders subject to meeting the solvency requirements of s53 the Companies Act 1993.

In determining dividends, the Board considers:

- Profitability
- Target capital structure
- Operating and forecast cash flow requirements (including planned capital expenditure)
- Market and regulatory conditions
- Ability to execute our business strategy
- All forms of long-term value that we create for our shareholders and other stakeholders.

The Board has considered our forecast capital and operating expenditure, and financial forecasts over the medium term and the implications for dividends. It considers dividends will be payable as follows:

- FY24 Dividend of 100% of NPAT*, paid in two instalments in June 2023 and December 2023
- FY25 Dividend of 100% of NPAT*, paid in two instalments in June 2024 and December 2024
- FY26 Dividend of 50% of NPAT*, paid in two instalments in June 2025 and December 2025.

*NPAT numbers for our dividend policy exclude capital contributions income.

In addition to ordinary dividends, we forecast to pay special dividends in FY24 and FY25. These forecast special dividends increase total forecast dividends to be in line with prior year forecasts for FY24 and FY25. The Board considers special dividends will be payable as follows:

- FY24 Special Dividend of \$9m, paid in two equal instalments in September 2023 and December 2023
- FY25 Special Dividend of \$7m, paid in two equal instalments in June 2024 and December 2024.

We will advise shareholders on a “no surprises” basis in the event of any substantial investment (either because of the quantum or the nature of the investment) which requires a significant increase in corporate debt, and/or has a subsequent material impact on dividends.

8. Our Governance

The Board

Our shareholders appoint the directors to govern the Orion Group. The Group has two boards, one for Orion New Zealand Limited and one for Connetics Limited. The boards are the overall and final body responsible for the direction and control of the companies' activities and decision-making. The boards' responsibilities include the overall strategy, objectives, stewardship, performance and reporting of the relevant entities and Group.

Board operation

Our boards are committed to best practice governance. Our boards' operations are subject to the Group's constitutions and the Board Charter. The Charter sets out how the boards and directors shall undertake their responsibilities.

The Orion Chair leads the Board and its relationship with shareholders and other major stakeholders. The Chair maintains a close professional relationship with the Group Chief Executive and leadership teams.

New directors undertake an induction process to familiarise them with matters related to the company.

Policies

The boards review the companies' key policies at regular intervals. We develop new policies as needed to provide clarity and guidance to our people on changes in an evolving work and social environment.

Board performance and review

The boards regularly review their performance and the performance of the Group Chief Executive. The reviews aim to identify opportunities and set plans for performance development and improvement.

Board meetings and committees

Each board meets approximately eight times per year. Additional meetings are convened as and when required. The boards' annual work programmes are set by each board before the start of each calendar year. The boards receive formal agenda papers and regular reports, generally a week in advance of meetings. The Integrated Leadership Team (ILT) and other business leaders in the Group are regularly involved in board discussions. Directors also have other opportunities to obtain information and may seek independent expert advice.

The boards delegate some responsibilities and tasks to board committees, but the boards retain the ultimate responsibility and accountability for any committee's actions or inactions. Subject to any conflict issues, all directors receive agenda papers for committee meetings and all directors may attend committee meetings.

The Orion Board has two standing committees:

- **Audit Risk Committee** – liaises with the company's independent external auditor and reviews the effectiveness of internal controls, financial and regulatory information, and operational risk management.
- **People and Culture Committee** – reviews the company's remuneration policies and practices and reviews and sets the remuneration of the company's Chief Executives and ILT as well as providing guidance and feedback on succession planning, talent development, inclusion and diversity and other people and culture policies and practices.

Liability insurance and indemnity

The Group arranges comprehensive liability insurance policies within the limits and requirements as set out in the Companies Act 1993 and the Group's constitution. The Group also indemnifies directors and employees within the limits and requirements set out in the Act.

8. Our Governance

Loans to directors or employees

The Group does not make loans to directors or employees.

Statement of Intent (SOI)

The SOI is prepared in accordance with section 39 of the Energy Companies Act 1992 and the Group's constitution, the Orion Board submits a draft SOI to shareholders in March each year. After due consultation with the shareholders and after considering their comments (and Board approval) the final SOI is delivered to shareholders by the end of June. A copy of our SOI is available on our website.

Risk management

Risk management at Orion Group provides a flexible and purpose-built approach to the application of risk management and is consistent with ISO31000:2018 Risk Management Guideline. Our risk management processes and tools are embedded within our business operations, to drive consistent and accountable decision-making through an Enterprise Risk Management (ERM) approach. This ensures we have a complete, integrated, group-wide focus on managing our strategic and operational risks and enables the Group to make clear decisions around opportunities.

Legislative compliance

As a purpose driven Group our aspiration is to accelerate Aotearoa New Zealand's transition to a low-carbon, affordable, equitable economy. To ensure we deliver on our purpose we need to balance what is in the best interest of our community while managing our compliance under relevant legislation and regulation.

Auditor

Audit New Zealand on behalf of the Auditor-General is the auditor of the Group.

How we will report to our shareholders

We submit our draft SOI to our shareholders for consultation annually, as required under the Energy Companies Act 1992 and the Group's constitution. Where appropriate, we will submit a revised SOI to our shareholders. Our performance targets are in section 12 of this SOI.

We will deliver our Integrated Annual Report to our shareholders on or before 30 June each year. Our Integrated Annual Report will include:

- Our audited financial statements
- Our performance relative to the targets we set in our SOI
- Integrated reporting
- How we are delivering on our Group purpose and strategy
- Other information to enable an informed assessment of the Group's governance.

We will deliver half-year reports to our shareholders that will contain unaudited information similar in content to our Annual Report and will comply with financial reporting standard NZ IAS 34 – Interim Financial Reporting. We will provide regular updates to our shareholders on our performance, which may include updates on financial, strategic, risk and operational issues.

8. Our Governance

Board and Management will meet regularly with shareholders to provide briefings and context on our five-year plan. We will also have a yearly investor day presentation to share progress with shareholders on our strategy and focus areas.

We will continue to support and co-operate with shareholders sharing information to assist with forecasting and shareholder strategic reporting.

Our accounting policies will comply with applicable NZ IFRS standards and interpretations and will be consistent with the accounting policies adopted by the CCC Group. We have applied the same accounting policies when preparing our financial forecasts in this SOI that we applied for our audited financial statements for the year ended 31 March 2022, FY22 Annual Report. Our actual accounting policies may change because of changes to NZ IFRS standards and interpretations.

Executive remuneration

We continue to be conscious of our community context and shareholding structure in setting remuneration for senior executives, which is closely managed by the Board and made publicly available via our Annual Report. We regularly compare our employee remuneration against relevant market data. In general, we aim to meet the Energy and Private markets.

In line with our CCHL shareholder's expectations that we actively address the need to achieve equitable relativity across the company, the table below shows the average remuneration for the top 10 per cent of Orion Group employees compared to the average remuneration for the lowest paid 10 per cent of employees as at February 2023.

An external review of remuneration frameworks across the Orion Group was undertaken in the third quarter of FY22 and both Connetics and Orion have since adopted a series of recommendations to ensure that:

- There is a fair and equitable remuneration system which is based on performance and contribution, not tenure, bias, or favouritism
- Market relativities are met
- Remuneration and conditions are appropriate to attract and retain competent and motivated people who exemplify Orion Group's work principles and behaviours.

The review confirmed that Orion's remuneration practices and job evaluation methodology are sound, and the Group is working towards improving the current practices to better reward high performance.

Orion Group average remuneration for top and bottom 10 per cent of employees as at 10 February, 2023

Total number of employees in the Group	675
Average remuneration for the top 10 per cent	\$216,866
Average remuneration for the bottom 10 per cent	\$53,711

8. Our Governance

Living Wage

Orion Group is dedicated to CCHL's commitment to paying above living wage, including any adjustments to the living wage. Orion Group pays all employees on or above the living wage, except some apprentices while they are working towards their initial competencies.

Gender Pay Gap

Orion Group is committed to fair and equitable pay for all people and roles. In order to understand our pay equity, we have analysed the overall pay gap (average median pay for males versus average median pay for females). We have conducted an analysis on the drivers of our gender pay gap and have comprehensive action plans in place to close the gap at both Orion and Connetics.

In line with best practice, we plan to externally report on our pay gap. Connetics plan to report their pay gap in FY24, Orion has externally reported the gap on both their Careers website and on the New Zealand pay gap registry (mindthegap.co.nz).

Acquisitions and divestments

We will only consider acquiring securities in a company or organisation, or divesting part of an existing business, where consistent with the Orion Group Strategy and Purpose. When we consider a transaction to be significant, we will consult with our shareholders with as much lead-time as is commercially practicable in the prevailing circumstances.

Major transactions as defined by the Companies Act 1993, will be subject to shareholders' approval by special resolution. Where we decide to incorporate or subscribe for shares in subsidiaries to undertake our commercial activities, we will ensure effective management.

Board control of any subsidiary is exercised by our directors and management.

No material intercompany transactions are forecast to take place with our shareholders, or the wider CCC and SDC group, during the three years covered by this SOI, except the payment of dividends, services provided or received on an arms-length commercial basis and services received that are covered by local authority rates. We will advise shareholders of any additional material intercompany transactions which take place with our shareholders or the wider CCC and SDC group.

We operate on a "no surprises" basis with shareholders in respect of significant matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations. If a shareholder decides to sell shares in Orion, we will co-operate and work with that shareholder and its advisors, subject to our obligations at law.

Procurement practices

Where practical we are working with suppliers to move to 'All of Government' (AOG) contracts to gain efficiencies and lower rates.

9. Appendix 1: Notes and definitions

Financial

- **Our financial targets are for the consolidated Orion Group and are in nominal terms – they include forecast inflation/escalation.**
- **Our key assumptions for our financial targets are:**
 - our future electricity distribution revenues will be within the limits the Commerce Commission has set for Orion
 - our transmission charges from Transpower will be ‘passed through’ to customers
 - our future opex and capex will largely reflect the work programme in our 2023 Asset Management Plan, subject to any impacts of COVID-19 on our supply chain and resources
 - no future major investments/divestments
 - no future natural disasters, materially adverse events or materially adverse decisions by regulatory agencies.

Reliability

- SAIDI and SAIFI are standard industry measures for network reliability:
- SAIDI refers to our system average duration: the minutes of supply interruptions per customer
- SAIFI refers to our system average frequency: the number of supply interruptions per customer
- Both measures exclude interruptions that are caused by electricity generators or Transpower, are caused by our low voltage (400V) network or last for less than one minute
- The Commerce Commission sets performance limits for our network reliability as part of the Commerce Act (Part 4) price-quality control regime. Our annual targets are consistent with our performance limits for FY21 to FY25

- The Commission assesses our actual unplanned network reliability against our limits 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 limits, after normalising for ‘major events’ using the Commerce Commission’s methodology.

Group corporate emissions

Our total Group carbon emissions for our current benchmark year of 2020 were 17,203 tCO₂e. 81 per cent of these are associated with electrical losses, directly linked to how New Zealand generates its electricity. We take steps to limit losses, for example by reducing peak load, but there are no viable solutions to eliminate them yet.

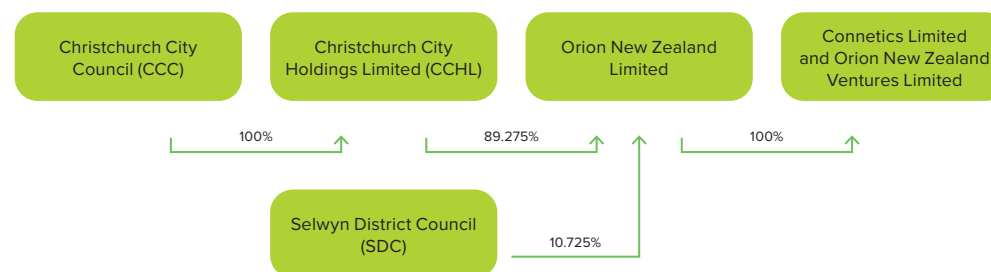
What we consider to be our Group corporate emissions are relatively small by comparison, comprising 3,276 tonnes per annum in 2020, reducing to 3,201 tonnes in FY26, with a goal to reduce to 2,761 tonnes in FY23. They include direct emissions, such as petrol or diesel used by the group, as well as some indirect emissions, such as landfill gas and air travel by employees.

We believe it is important to manage our footprint regardless of its size and use mitigation of our corporate emissions to trial reduction measures that could also assist our customers.

Health and safety

Events that did or could have resulted in serious injury are events defined in section 25 of the Health and Safety at Work Act 2015 as Notifiable Events.

Our Group Structure





Orion New Zealand Limited
565 Wairakei Road

PO Box 13896
Christchurch 8140

+64 3 363 9898
oriongroup.co.nz