



Statement of Intent

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 2021 and the following two financial years. The companies that comprise the Orion Group are listed in Appendix 2.

*Peter Allen, Operations Trainer,
and Jessalee MacLean, Internal
Communications Lead, discuss a
network development plan.*

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Corporate Offices

Orion

565 Wairakei Road
PO Box 13896
Christchurch 8141
New Zealand
Phone: +64 3 363 9898
Email: info@oriongroup.co.nz
Website: oriongroup.co.nz
Twitter: twitter.com/orionnz

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

Directors

Jane Taylor – chair
John Austin
Bruce Gemmell
Jason McDonald
Geoff Vazey
Sally Farrier
Richard Wilson – Associate Director

Executive

Interim Group Chief Executive

Jono Brent

Interim Orion Network Chief Executive

David Freeman-Greene

Interim Connetics Chief Executive

John Thompson

Our **Purpose** is to
power a cleaner and
brighter future for our
communities

1. Our Purpose

Orion's Group Purpose is central to all we do and is the touchstone for this Statement of Intent.

As New Zealand transitions to a low-carbon economy, the energy sector has a critical part to play. Orion has established its Purpose to ensure it is a vital player in that transition for our community, our region and New Zealand. We are focussed on helping our community realise its aspiration for a sustainable future.

Our SOI delivers on our commitment to undertake our core network role to the high standard expected by our customers. It also outlines many new projects and initiatives aligned to our Group's Strategy.

2. Our Group scope

Orion owns and operates the network that provides the people of central Canterbury with the power they need to go about their daily lives and run their businesses.

We deliver electricity to more than 210,000 homes and businesses and are New Zealand's third largest Electricity Distribution Business. Electricity distribution is an essential, lifeline service that underpins regional, community and economic wellbeing. It also has a critical part to play in New Zealand's transition to a low-carbon economy.

We take pride in stewardship of our assets for the long-term benefit of customers and the wider community.

Traditionally the scope of our business has been to deliver electricity to our region's homes and businesses. Our principle 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.

Recognising we are in the midst of radical change in the energy sector and the climate change crisis, we challenged ourselves to consider how we need to adapt, remain relevant and proactively harness opportunities in the fast-evolving energy landscape.

We developed our new Group Strategy to respond to the challenges facing our industry and New Zealand, and position Orion for a new, purpose led future.

3. Orion Group Strategy



Our Group Strategy is changing the shape of Orion’s contribution to our communities - to use the skills and expertise of the Orion Group to meet the changing needs of our communities today and tomorrow.

3.1 Our Group Purpose

Powering a cleaner and brighter future for our communities encapsulates the contribution we want to make to our community’s future wellbeing and prosperity.

- **Powering** – conveys our commitment to taking action and reinforces our focus on energy
- **Cleaner** – speaks to our commitment to assisting our region and New Zealand’s transition to a low carbon future and being environmentally sustainable
- **Brighter** – reflects our contribution to social and economic prosperity
- **Our communities** – reflects our holistic view that includes our people, our region and New Zealand

3.2 Sustainable Development Goals

We have selected a subset of the 17 United Nations goals that define our global sustainable development priorities and aspirations. We consulted with a variety of our key stakeholders who helped us choose the seven goals most relevant to Orion, and where we could have the most impact. They provide a common language that enables us to collaborate and form partnerships with other like-minded organisations.

3.3 Impacts

We aim to make a clear, measurable long-term impact in three areas:

- **Strategic Leadership** – we aim to expand and harness the capabilities across the Group to deliver on our Purpose in a dynamic and complex environment.
- **Regional Prosperity** – we will lead our region through an equitable transition to a carbon neutral economy. We will become a catalyst for economic and social development for the region. We are committed to managing our costs efficiently and prudently. Affordability is important to us. Our electricity distribution network will adapt as needed to remain fit for purpose for our customers.
- **Sector Transformation** – we will collaborate with others to ensure the sustainability and viability of the South Island electricity sector. We will have transformed the way our industry develops capability.

3.4 Strategic themes

Our Group Strategy is focussed on five themes to fulfil our Purpose:

- **Re-imagining the Future Network** – rapidly changing technologies and New Zealand’s drive for a low carbon future have the potential to alter the demands on our network assets and the services our customers require. We are focussed on understanding what these changes mean for our customers, and how our network can be re-configured and engineered into one that provides the services our customers need in a changing energy landscape.

- **Customer Inspired** – listening to our customers, and being alert to changes and opportunities in the market inspire us to seek out new ways to enhance our service and empower customer choice. This theme focusses on ensuring we engage with our customers in our decision making, and actively seek out new systems and services to provide an exceptional customer experience.
- **Lead and Grow** – we aim to be a forerunner in our field, providing strategic infrastructure leadership. We will capitalise on our strengths and expertise to explore opportunities to maintain our position as a respected contributor to the development of our industry, for an evolving energy future.
- **Accelerating Capability** – we are making a commitment to invest in human capability to ensure our Group and our sector can respond to the challenges ahead. We are focusing on the essential skills and capabilities we need today and on the new capabilities needed for a sustainable future. Our sector underpins New Zealand's ability to thrive and the Energy Academy is reimagining the future of capability development. As we build capability across our sector, we are also committed to building capability within the Group. Through Christchurch City Holdings Limited (CCHL) Te Whāriki pilot, we have experimented with new ways of working, uncovered hidden talent and provided opportunities for our people to develop beyond their role and accessed talent from within the CCHL group of companies. We will continue to support Te Whāriki as it evolves and grows.
- **Powering the Low Carbon Economy** – we are a passionate advocate for clean energy, and a proactive enabler of those seeking help to reduce their carbon footprint through more efficient use of low carbon energy sources. Within our own operations, the Orion Group has committed to achieving carbon neutrality for corporate emissions by June 2022, the first electricity company in New Zealand to commit to this ambitious target. To meet the target, the Group is implementing initiatives to reduce its corporate emissions such as vehicle and building emissions, and investing in natural climate initiatives that will provide carbon offsets.

3.5 Our Foundation

We have a strong commitment to the health and safety of our people, our service providers and the public.

Underpinning all we do, it is critical we continue to perform our core network role exceptionally. Our SOI delivers on our aspiration to operate New Zealand's most advanced electricity distribution network and undertake our core network role to the high standard expected by our customers and to do so efficiently. It also outlines new projects and initiatives aligned to our Group's Strategic Themes. The initiatives under this heading in this SOI are dedicated to ensuring integrity and future effectiveness.

Aspiring to be New Zealand's most advanced electricity network reflects our focus on asset management improvement initiatives and, attention to embedding the right organisational risk management culture of continuous improvement to ensure we are future fit.

This includes providing our community with an understanding of how climate risks and opportunities might impact our business through our Climate Change Opportunities and Risk reporting.

We will continue to monitor changes in the COVID-19 pandemic situation and comply with Government agency requirements and guidelines in response to any changes in the situation.

3.6 Our Enablers

The building blocks that will enable us to achieve our Group Strategy are:

- **Leadership and Culture** – we are committed to being diverse and inclusive with a culture that generates a real sense of belonging. We will continue to engage our people in embracing an inclusive environment and will aim to increase diversity across all levels of the Group. We will aim for consistency, fairness and alignment with our business objectives for our employee remuneration. We are especially conscious of our public responsibilities in the setting of 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 market, subject to employee performance. We are committed to paying our people the Living Wage. Exceptions may occur for those who are part of a structured training programme such as an apprenticeship or work experience.
- **Data & Digitisation** – robust data gathering, and analysis will increasingly be used to inform our asset management decision making and strategy and optimise our performance. Obtaining customer insights through research and engagement will drive our thinking around customer service enhancements and enable us to optimise asset performance. We are increasing our focus on digital engagement with our community while not losing sight of the importance of face to face interactions with our community when it really matters.
- **Strategic Agility** – rapid technology change and changing customer behaviour, combined with uncertainty in our operating environment dictate the need to be flexible and agile in our strategic thinking and planning. We are developing a greater ease with change, and we approach this uncertainty confident in our ability to adapt to changing circumstances as needed.
- **Re-defining Value** – we recognise our long-term value to our community goes beyond our financial returns to shareholders. We intend to redefine long-term value to ensure that our business is sustainable and delivers what is truly important to our community and stakeholders, in line with our Purpose. This requires providing a broader definition of long-term value, which includes social and environmental benefits, while delivering committed financial returns to shareholders.

4. Our governance

The board

Our shareholders appoint the directors to govern and direct the Orion Group. The Group has two boards, one for Orion New Zealand 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.

Statement of Intent (SOI)

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 February each year. After due consultation with the shareholders and after considering their comments, and board approval the final SOI is delivered to shareholders. A copy of the SOI is available on our website.

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 director 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 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.

Board performance and review

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

Board meetings and committees

Each board meets approximately ten 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 Leadership Teams 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:

- the audit committee – liaises with the company's independent external auditor, and reviews the effectiveness of internal controls and financial and regulatory information used and issued by the board
- the remuneration committee – reviews the company's remuneration policies and practices and reviews and sets the remuneration of the company's Chief Executives and Leadership Team

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.

Loans to directors or employees

The group does not make loans to directors or employees.

Legislative compliance

The boards receive regular updates and representations from management on legislative compliance. Areas of relevant law include industry-specific regulation, health and safety, corporate, taxation, financial reporting, commercial, environmental, human resources and privacy. Compliance manuals and training are made available to all employees, and independent experts are engaged for advice when needed.

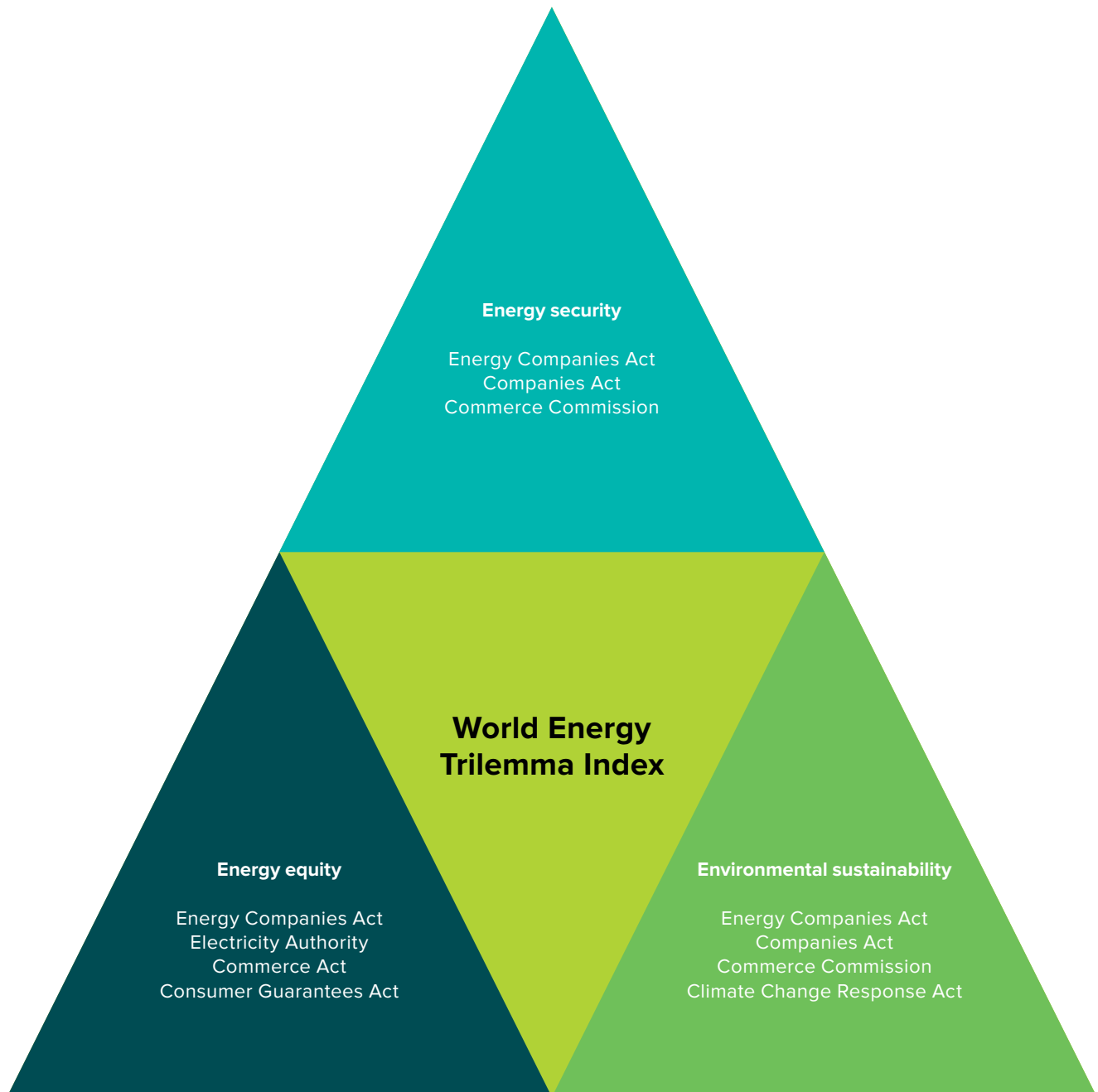
We will continue our comprehensive legislative compliance programmes and we will meet our obligations under relevant legislation and regulations.

Auditor

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

5. Energy Trilemma

As a purpose-led 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. Our key legislation is shown below, in the context of the World Energy Trilemma Index, which aims to provide equitable, secure and environmentally sustainable energy.



6. Our capital structure and our dividends

We maintain a capital structure that ensures we have financial capacity to manage strategic and operational risk, fund ongoing operations and enable investment to fulfil our Purpose.

We estimate that the commercial value of shareholders' investment in the group is at least that which is stated as shareholders' equity in our audited financial statements. We reassess this value annually when we prepare our audited financial statements.

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

In determining the level of funds available for distribution, our board will consider our earnings, cash flows, capital expenditure, future investment requirements and market and regulatory conditions.

Any dividend declared will be at a level that allows us to execute business strategy and maintain a sustainable capital structure.

In determining any dividend, our directors will also consider all forms of long-term value that we create for our shareholders and other stakeholders.

Dividends will be subject to maintaining our targeted shadow credit rating of at least A- which implies a gearing ratio (defined as debt/(debt plus equity)) which does not exceed 45 per cent.

We will pay our dividends in two instalments:

- in August 2021 and December 2021 for FY22
- in June 2022 and December 2022 for FY23
- in June 2023 and December 2023 for FY24

We will consult with 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.

7. Acquisitions and divestments

We will only consider acquiring securities in a company or organisation, or a divesting part of an existing business, where consistent with our objectives. 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.

8. Our relationships with our shareholders and wider CCC and SDC group

We actively support wider group entity initiatives to seek or develop opportunities to stimulate collaboration, share resources and identify where group approaches will achieve more than individual entity approaches, including:

- CCHL's five pillars of focus: financial, mana, kaitiakitanga, sustainability and people
- CCHL's 2021 group programme initiatives – optimising performance, accelerating innovation, enhancing community impact and expanding and leveraging capability
- Te Whāriki
- support the continued growth in the Selwyn district, driven by population and decarbonisation
- governance
- sustainability
- group targets for Christchurch City Council's 2030 carbon neutral plan
- carbon emissions targets, emerging technologies and innovation
- collaboration and capability
- debt financing

We collaborate with the wider Christchurch City Council and Selwyn District Council to explore opportunities and develop new business opportunities as appropriate.

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 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.

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 8 of this SOI.

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

- our audited financial statements
- our performance relative to the targets we set in our SOI
- how we are meeting our community's expectations
- other information to enable an informed assessment of the Group's governance, performance and financial position

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.

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 2020. Our actual accounting policies may change because of changes to NZ IFRS standards and interpretations.

9. Our performance targets

Description	FY22	FY23	FY24
Financial			
Electricity delivery revenue (\$m)	227.6	230.1	233.2
Profit after tax (\$m)	25.1	24.1	23.4
Fully imputed dividends (\$m)	31.0	32.0	25.0
Profit after tax to average equity (%)	3.7	3.6	3.6
Debt to debt plus equity (%)	38	41	44
Equity to total assets (%)	51	49	47
FY22 to FY24			
Network reliability (these are regulated limits)			
SAIDI - planned	39.68		
SAIDI - unplanned	84.71		
SAIDI - total minutes per customer	124.39		
SAIFI - planned	0.1496		
SAIFI - unplanned	1.0336		
SAIFI - total number of interruptions per customer	1.1832		
FY22			
Health and Safety			
Events that did or could have resulted in serious injury to Orion Group employees	≤4		
Events that did or could have resulted in serious injury to Orion service providers	≤4		
Events that did or could have resulted in serious injury to the public, excluding car versus pole incidents	Nil		
Customer Inspired			
Net Promoter Score	>50%		

Notes and definitions: see Appendix 1

10. Our key initiatives

Re-imagining the Future Network

Rapidly changing technologies and New Zealand's drive for a low carbon future are providing opportunities for our customers to produce, store, consume and share electrical energy rather than simply consuming energy provided to them. These changes have the potential to alter the demands on our network assets and the services our customers require. It is vital we enable open access and customer choice while continuing to provide safe, reliable electricity.

1. Increase the real time 'visibility' of the state of our low voltage network

We have embarked on a significant upgrade of our advanced distribution management system (ADMS), which has been focused on our high voltage network – 11kV, 33kV and 66kV.

This project is to develop our ability to monitor our low voltage network (400V), in real time. Low voltage networks around the world have typically been built without this capability because power flows have overwhelmingly been one-way – from large centralised electricity generators to consumers.

Low voltage networks will increasingly need to support new and more complex two-way power flows, as customers increasingly adopt innovative technologies such as electric vehicles, home storage batteries, energy management systems and solar PV.

Project complete: 30 June 2021

2. Develop a live operating model of our low voltage network

We have embarked on a significant upgrade of our Advanced Distribution Management System (ADMS), which will enable us to include low voltage network monitoring and operation.

Our aim with this project is to integrate the low voltage network (400V) in real time into our current operating system. This will enhance operational response, decision making and customer communications; increase our safety outcomes and allow real time analysis of two-way power flows and demands.

Project complete: 30 September 2022

3. Undertake a trial of non-network alternatives to low voltage constraint management

As new technologies emerge, we will start to see changes in the traditional usage patterns on our low voltage network. In this trial we are investigating the use of alternatives such as low voltage Statcoms (voltage compensators) to maintain supply quality where previously we would have reinforced the LV network at greater cost and disruption to customers.

Trial in place: 31 March 2022

4. Data and digitisation strategy

Data and digitisation will enable us to deliver a better experience to customers and employees and be key to developing a smart network and high performing assets and operational performance.

Through data and digitisation and customer centricity we will continue to transform our customer's experience.

We will progress our strategy to create smart networks through the deployment of new technology platforms to enable the emergence of new commercial markets and the future energy marketplace.

Our asset management and operational performance will be enhanced with embedded digital practices, analytics and be enabled by artificial intelligence to drive efficiency, collaborative innovation and insight driven decision making.

Business processes will be optimised and automated, to support agile and flexible ways of working. We will develop a robust data and digital strategy and commence implementation.

Strategy in place: 31 March 2022

5. Non-network supply procurement

Future demands on our network may be less predictable and may not be best addressed through traditional network services. We will need to be adaptive to being able to offer solutions that are not necessarily traditional "poles and wires".

We will explore options to contract for the provision of such services from the open market, choosing solutions that are customer inspired and power the low carbon economy.

Options in place: 31 March 2022

6. Design for new field data collection method in place

Good asset management and decision making relies on good data on which to make decisions. Our in-field data collection of asset condition and maintenance will be enhanced. We have established a project to identify and design how and when we will collect this data and identify how and when we store and use it.

Project complete: 30 September 2021

10. Our key initiatives

7. Development of publicly available network constraint maps

To enable true and open access to our network for our customers and suppliers of non-network solutions we will publish information about where our network is constrained or where it can accept technologies freely. We will trial the publishing of heatmaps at a non-granular level. This will allow us to develop and evolve our offering to suit our customers.

Trial complete: 31 March 2022

8. Install a new digital voice radio network in Banks Peninsula

Our current analogue voice radio network has limited range and has significant coverage 'black spots' around the many hills and gullies of Banks Peninsula. These shortcomings can hinder the safety of our people, our service and our operational efficiency/effectiveness. In 2019, we successfully trialled a new type of digital radio equipment for the Peninsula. In the trial, we demonstrated that we can upgrade our voice radio network to achieve almost total high-quality digital coverage for the whole peninsula.

Our new radio network will be the first of its type for New Zealand and our trial has gained attention from several large voice radio user organisations throughout New Zealand. We will in due course also look to deploy this technology in the Darfield to Arthur's Pass area to achieve similar benefits.

Installation complete: 30 September 2021

10. Our key initiatives

Customer Inspired

We recognise our customers value great service and have a focus on continual improvement in this area. Our customers tell us they want to be confident our network is prepared to meet their future needs, and we will involve them in our decision making.

1. Implement a new Customer Relationship Management platform (CRM)

Customer requirements and expectations are changing and service offerings we make to customers are becoming more diverse. An integrated CRM is the foundation for building a single view of a customer and their various touch points with us; providing enhanced digital channels for interactions with customers and continuing to provide a high level of service in a more complex future. During this year we will establish the foundations of CRM and begin to build our business processes off that.

CRM foundation complete: 31 March 2022

2. Launch a new Outage Notifications service to our community

Customers are increasingly reliant on their electricity supply. Building off the establishment of CRM, we will provide customers with an option to subscribe to planned outage notifications via text or email for work we are doing on the network directly impacting them. This service will augment the current process of planned outage notifications to customers via retailers. As outage work progresses, we will keep subscribed customers informed of outage timeframes, changes to work and restoration of power. When outages on our network are necessary, this will allow customers to better plan their personal and working lives.

Outage notifications in place: 31 March 2022

3. Further develop our customer and community engagement programme to give greater voice to our stakeholders' views in Orion's decision making

We will continue to seek the views of our community through a range of community engagement activities.

We will appoint a community engagement specialist who will extend our current programme of community engagement that includes:

- Our annual customer survey of residential and business customers
- Three meetings of our Customer Advisory Panel per year
- Three Powerful Conversations workshops per year with metro, rural and a specific community group to be identified
- Significant project communications to affected communities
- Community outreach via social media, community groups
- Establish regular briefings to community boards and community groups to update them on Orion network developments and seek feedback on local needs

Programme in place: 31 December 2021

4. Continue our community sponsorships and align with our Group Strategy

We will continue to support our community through several strategic partnerships and smaller targeted sponsorships, aligned to our strategy.

Recognising the importance of growing sustainable businesses in Canterbury, we will continue our partnership with the Canterbury Employers Chamber of Commerce. We will maintain our longstanding partnership with Community Energy Action which recognises the need for our community to live in healthy homes and for residential customers and business customers alike to use energy efficiently.

Feedback from our community through Orion's Residential Customer Perceptions Survey told us our customers would prefer to see us supporting "grass roots" activities in our community rather than large "corporate style" events.

Last year we initiated a Community Fund Sponsorship programme, which we will continue this year, allocating \$30,000 to support up to 25 groups with small grants. This is an internal programme where Orion people nominate local non-profit groups they are actively involved in for support. Many Orion people are passionate about being involved in our community and this is another way for Orion to give back to the community and empower our staff at the same time. The aim is to empower Orion people to make decisions on how we spend a small proportion of our sponsorship budget and to encourage wider engagement of Orion people in their community, with the support of Orion.

FY22 Programme complete: 31 March 2022

10. Our key initiatives

Lead & Grow

We ensure our business is financially sustainable and we invest prudently to deliver on our Purpose. We provide value for money for our community.

1. Continuous improvement of our works delivery

We are transitioning to a “Primary Service Delivery Partner” contracting model between Orion and Connetics for contract work which delivers improved safety, quality, and capability development.

The success of this new contracting model will be measured by our performance in safety, quality, and our focus on investment in capability development. Our Asset Management Plan will continue to be delivered on time and on budget.

Model measured: 1 April 2022

2. Connetics will shift its Southern operations from establishment phase to performance phase

Connetics will partner with its key customer in the region, Aurora Energy, to help deliver their significant programme of network maintenance and development into the future. The successful operation of Connetics’ new Southern Region depot will be measured across a number of metrics.

Metrics in place: 31 March 2022

3. We have a clear three-year programme to continually optimise in service of our Group strategy

We have an agreed programme of work for FY23 to optimise the performance of the Group to ensure we can deliver on our strategic impacts and themes.

Programme in place: 31 March 2022

10. Our key initiatives

Accelerating Capability

We are a Purpose led, high performing team, focused on achieving great outcomes for our community. To deliver on our Purpose and keep pace with the rapid changes in our industry, we recognise the need to invest in the development and growth of our people. Building the level of employee engagement and passionate commitment to the Group's more dynamic future contribution to our communities will be essential to our success. We will be more agile and develop our ability to operate in a more fluid, fast paced and changing environment.

1. Enhance employee engagement

Our aim is to have highly engaged and motivated people who are proud to work for us. Our people have valuable insights that can help shape our culture and ways of working and through an engagement survey we will establish a benchmark of engagement of our people and identify key initiatives that will continue to grow and develop our people and our businesses.

Survey in place: 31 March 2022

2. Continue to embed and evolve leadership development

Our aim is to continue developing our leaders, so they can lead strategic initiatives with intent and velocity. Our programmes are tailored to context and objectives and focus on what we are seeking to achieve with our Group Strategy.

Programme on-going: 31 March 2022

3. Complete the next major phase of our diversity and inclusion programme

Our aim is to build an inclusive culture of belonging. As we continue to adopt more inclusive behaviours, we will shift our focus to targeting the systemic barriers that may exist within our systems and processes.

Programme phase complete: 31 March 2022

4. Complete the first major phase of initiatives for the Energy Academy

We will evolve the Energy Academy from establishment into the first phase of an extensive programme of initiatives. Key priorities include the introduction of a capability sharing platform for the sector, modelled on Te Whāriki, the launch of three future focused micro-credentials in partnership with tertiary institutions, and a sector-wide future workforce planning project.

Phase one initiatives complete: 31 March 2022

5. Continue to champion the Wāhine tū tahi, wāhine kaha - CCHL's Women & Leadership series

Wāhine tū tahi, wāhine kaha - CCHL's Women & Leadership is a series of events run by volunteers from across the CCHL group. The series helps build relationships and collaboration and breakdown biases. We have two more events planned for FY22 and we will evolve this series into an ongoing platform to encourage diversity across the CCHL group of companies.

Sessions complete: 30 September 2021

10. Our key initiatives

Powering the Low Carbon Economy

We are committed to taking decisive action to address the climate change emergency, and recognise the need to take action that is both urgent and game-changing.

1. Prepare to offset our Group corporate carbon emissions, to become carbon neutral by June 2022

In 2021 we will undertake the necessary steps to be ready to offset our Group corporate emissions excluding emissions from electricity lost as it travels along our distribution network. See Appendix 1.

Our activity includes the carbon reduction and planting measures detailed in initiatives 2. and 4. below. In addition to this, we will purchase carbon credits from a Verified Emissions Reduction Scheme in 2021, to allow the group to offset its corporate emissions until any planting scheme reaches maturity.

Group corporate carbon emissions neutral: 30 June 2022

2. Halve our Group benchmark corporate emissions by 2030 Obtain Group carbon reduce (previously CEMARS) certification

During 2022 we will pursue a group audit of carbon emissions to ISO 14 064-1 standard, in order to obtain carbon reduce certification.

This will necessitate the implementation of a fresh benchmark year but does not alter our goal to reduce our group corporate emissions by 2030 in line with keeping global warming within 1.5 degrees. In 2022, Orion will pursue an absolute reduction of its corporate emissions of 50 tonnes, from our existing benchmark year of 2018.

We are excluding emissions associated with electricity lost along our lines from our reduction target, as these are largely outside our control.

Group carbon reduce certification obtained: 31 March 2022

3. Undertake initial scenario modelling of physical risks to our network from climate change

We published our first Climate Opportunities and Risks report in August 2020. This contained largely qualitative analysis of our exposure to climate risk.

During 2021 we will expand our understanding of how our changing climate could affect our physical network by undertaking quantitative scenario modelling based on at least two warming scenarios. The results will be discussed in our 2021 Climate Opportunities and Risks report.

Scenario modelling complete: 30 September 2021

4. Partner with local landowners to create a native forest resource

In 2020 we committed to achieving carbon neutrality for our group corporate emissions by June 2022. As part of this we will partner with local landowners to plant an area of native forest of at least 200ha in at least two locations around our region. During 2021 we will identify and secure locations for this forest.

Partnerships in place: 31 March 2022

5. Set a business environmental budget aligned with the planetary boundaries

A healthy environment requires us to operate within the constraints of our planet. The Ministry for the Environment has already quantified NZ's status within the planetary boundaries, but this is difficult to apply at a business level to influence our day to day choices.

During 2021 Orion will work to identify its environmental quotas, within the planetary boundary framework and use this information to influence its business as usual decisions.

Business environmental budget in place: 31 March 2022

6. Partnerships to promote the effective use of electricity in the region

We have been working to establish partnerships to promote the effective use of electricity within community buildings in our region. During 2021 we will have monitoring and partnership outcome agreed within at least three sites.

Partnerships established: 31 March 2022

7. Access to data on thermal fuel boilers

We are working with other South Island EDBs to collect data on thermal fuel boiler sites to understand conversion opportunities in the South Island.

Data collection underway: 30 June 2021

10. Our key initiatives

Our Key Projects

We maintain and develop our network to support customer needs and ensure we can enable our customers to realise the benefits of access to New Zealand's low-carbon energy source, now and into the future. Maintaining our respected, leadership position in the New Zealand industry is also about ensuring safety, reliability and resilience are our top priorities.

1. Improve how we manage our critical health and safety risks

In FY21, we identified and reviewed our critical health and safety risk activities and our critical controls using the risk assessment tool, BowTie.

In FY22, we will develop and embed a Critical Control Assurance Programme to monitor the effectiveness of these controls to ensure we are taking all reasonably practicable steps to ensure the health and safety of our Group employees, service providers, visitors, customers and the public in relation to our critical risks.

Programme in place: 31 March 2022

2. Construct a new 66kV line between Highfield zone substation and Norwood GXP

Our existing commercial customers in this area are growing their businesses and placing constraint on our existing network. This project will provide these customers with the opportunity for growth by increasing the capacity of our network now, ahead of the planned full GXP to be installed in this area in following years.

Project complete: 31 March 2022

3. Replace our end of life 11kV switchgear at Oxford Tuam zone substation with modern vacuum breakers

This project is necessary as the current bulk oil filled breakers are near their end of life. Replacement of these breakers will enable us to take advantage of modern safety and protection systems, with remote operation. It will deliver enhance operational benefits to ongoing developments in the central business district.

Project complete: 31 December 2021

4. Build and commission a new zone substation at Belfast and connect it with our existing 66kV sub-transmission network and a new switching station to be built and commissioned at Marshland

This is a two-year project to support significant customer and demand growth in the north and north-east of Christchurch. We also forecast a follow-on project to interconnect Belfast with our Papanui zone substation by 31 March 2023.

Project complete: 31 March 2022

11. Appendix 1: Notes and definitions

Financial

- Our financial targets above 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 be in line with our approved network AMP, effective from 1 April 2021
 - no future major investments/divestments
 - no future natural disasters, material COVID-19 impacts, material adverse events or materially adverse decisions by regulatory agencies
 - no future asset revaluations

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 2018 were approximately 19,300 tCO₂e. Around 95 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, around 3,000 tonnes per annum in 2018. 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 staff.

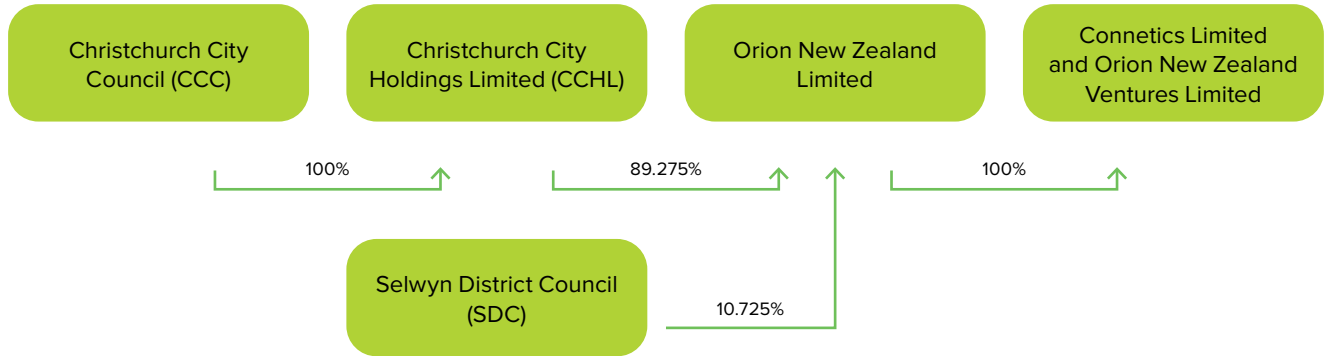
We believe it is important to manage our footprint regardless of its size and use mitigation of our corporate emissions to trial reduction measures that could also assist our customers.

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.

12. Appendix 2: Our Group structure

Our Group Structure



How this SOI sits within our governance framework



Orion

Orion New Zealand Limited
565 Wairakei Road

PO Box 13896
Christchurch 8141

+64 3 363 9898
oriongroup.co.nz