



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 2022 and the following two financial years. The companies that comprise the Orion Group are listed in Appendix 2.

Photo: Baylee Rollo, a member of our Customer Support team.

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Sam Elder

GM Future Network

David Freeman-Greene

GM Value Optimisation

Vaughan Hartland

GM Electricity Network

Steve Macdonald

GM Data and Digitisation

Duane Makin

GM Purpose and Performance

Alice van den Hout

GM Growth and Development

Nic Wong

Connetics Chief Executive

John Thompson

Company Secretary

Karen Wiese

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

1. Our Purpose

Orion Group's Purpose to power a cleaner and brighter future for our community 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 plays a critical part. Orion will be a vital player in that transition for our community, our region and New Zealand. We are focussed on helping our community to realise a sustainable, equitable future.

Our SOI reflects 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 are currently the only mass distributor of electricity in our region, however that monopoly is being challenged as other channels for accessing power come on stream. We are excited to build on our core network foundation as New Zealand's most advanced electricity network to be part of the creation of a new, dynamic energy environment.

We deliver electricity to more than 215,700 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 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.

Recognising we are in the midst of radical change in the energy sector and the climate emergency, we are exploring new ways to proactively harness opportunities in the fast-evolving energy landscape. This includes investigating significant investments that complement our network and Purpose.

Our Group Strategy is responding to the challenges facing our industry and New Zealand, and is positioning Orion for a new, purpose-led future.

3. Orion Group Strategy



Our Group Strategy is changing the shape of Orion's contribution to our community – to use the skills and expertise of the Orion Group to meet the changing needs of our community today and tomorrow.

3.1 Our Group Purpose

Powering a cleaner and brighter future for our community 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 and a more equitable energy future
- **Our communities** – reflects our holistic view and includes our people, our region and New Zealand

3.2 Sustainable Development Goals

In consultation with our stakeholders, we have selected a subset of the 17 United Nations goals that define our global sustainable development priorities and aspirations. They reflect a common understanding of where our community thinks Orion is best to focus our efforts to achieve our Purpose.

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 initiate changes that facilitate energy transition within our community.
- **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 support 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 remains 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 are exploring opportunities to support the changing energy needs of our community. We will capitalise on our strengths and expertise and seek to partner with others to explore opportunities to grow our business and the impact we create for our customers and community.

3. Orion Group Strategy

- **Accelerating Capability** – we 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.
- **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. We are poised to meet our goal for the Orion Group to be carbon neutral for corporate emissions by June 2022 – the first electricity company in New Zealand to achieve this ambitious target.

3.5 Our Foundation

Underpinning all we do, it is critical we continue to perform our core network role exceptionally. Our SOI explains how we plan to achieve 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.

Our focus on asset management improvement initiatives, attention to embedding Enterprise Risk Management and our culture of continuous improvement ensure we are future fit.

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

We will continue to monitor changes in the COVID-19 pandemic as it evolves and comply with Government agency requirements and guidelines in response to any changes in the situation. As an essential service provider, we remain conscious of our responsibility to maintain power to the homes and businesses in Ōtautahi Christchurch and Central Canterbury. We have implemented a range of measures to ensure we maintain essential power services to our community and keep our people safe.

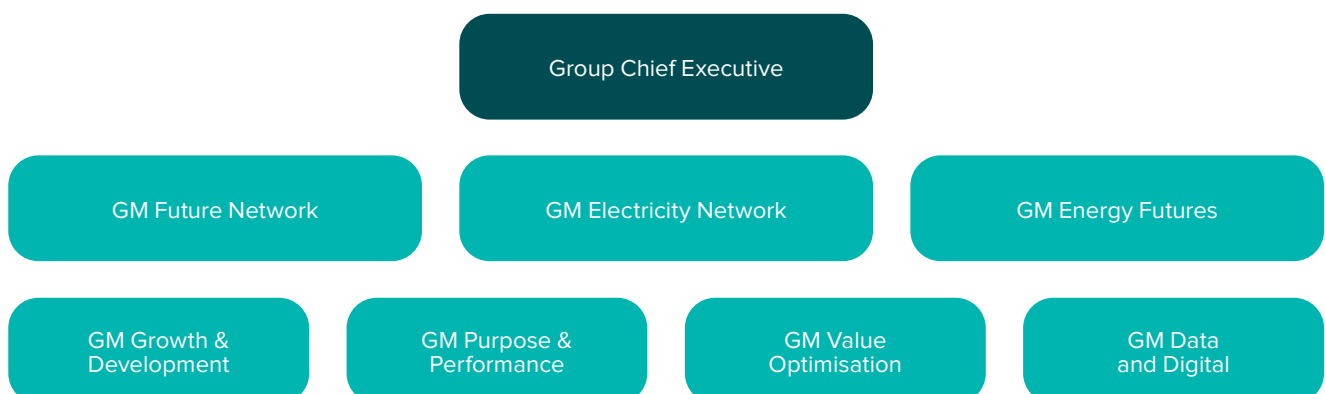
3.6 Our Enablers

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.
- **Data & Digitisation** – data and analysis are increasingly used to inform our asset management decision making and strategy and optimise our performance. Robust network data is also critical for us to optimise network performance and development. Obtaining customer insights through research and engagement will drive our thinking around customer service enhancements and enable us to optimise asset performance.
- **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 will ensure 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. New Integrated Leadership Team and organisational design

To deliver our Purpose and Strategy, in FY21 we reviewed our organisational design. In July 2021, a new Group Integrated Leadership (ILT) was established.



5. Leveraging the power of CCHL Group and Selwyn District Council

We actively support wider Group entity initiatives that stimulate collaboration, sharing of resources and that identify where Group approaches will achieve more than individual entity approaches, including:

- CCHL's five strategic pillars: kaitiakitanga, mana, people, sustainability and financial
 - Working with the CCHL Group of companies on initiatives within its C3 Programme Focus Areas: optimising performance, expanding and leveraging human capability, accelerating innovation and enhancing community impact
 - 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 broadened our approach to how we work. By facilitating connections, Te Whāriki provides opportunities for our people to develop beyond their role and for Orion to access talent from a wider pool of people
 - We support the continued population growth and decarbonisation projects in the Selwyn district with new infrastructure
 - We contribute to the CCHL Group targets for Christchurch City Council's 2030 carbon neutral plan
 - We collaborate with other CCHL companies and the wider Christchurch City Council and Selwyn District Council to explore opportunities and develop new business opportunities as appropriate
- Orion people actively participate in CCHL Group-wide collaboration and information sharing forums and hui on a range of topics where we have common interests:
- **Sustainability** – our Head of Sustainability is a member of the CCHL Sustainability Working group, working together towards a Group wide greenhouse gas emissions reduction programme
 - **Health and safety** – our Head of Health and Safety will continue to be a member of the H&S leaders forum, ensuring learnings from Orion are shared with the CCHL group and that any learnings from the group are taken into Orion team
 - **Insurance** – our Head of Group Risk and Reporting co-leads the insurance group, this group has come together to share knowledge and learnings on insurance programmes. The group continues to look a opportunities to work together and add value
 - **Future of Inclusion series** – people share the stories of their inclusion journey, led by two Orion people, with the aim to promote greater inclusion and diversity across the CCHL group
 - **He Huanui Māori Pathways Programme** – our Community and Engagement lead is a member of the rōpū, or working group, for embedding Te Ao Māori, Tikanga Maori, Mātauranga Maori and the principles of Te Tiriti o Waitangi within our organisations

6. Executive remuneration

We continue to be conscious of our public accountability 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.

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.

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 2022.

Orion Group average remuneration for top and bottom 10 per cent of employees as at 10 February, 2022	
Total number of employees in the Group	645
Average remuneration for the top 10 per cent	\$210,518
Average remuneration for the bottom 10 per cent	\$54,671

Note: Calculated based on full time equivalent total remuneration. Includes just over half of lowest 10 per cent at Connetics who are apprentices in fully funded, fully paid training positions.

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.

7. 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 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. Our most recent new policies include our Management of COVID-19 and Gender Transition policies.

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 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 Integrated Leadership Team 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 and 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 Integrated Leadership Team as well 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.

Loans to directors or employees

The Group does not make loans to directors or employees.

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. Our key legislation and regulators are shown below, in the context of the energy trilemma, which aims to provide equitable, secure and environmentally sustainable energy.

7. Our governance

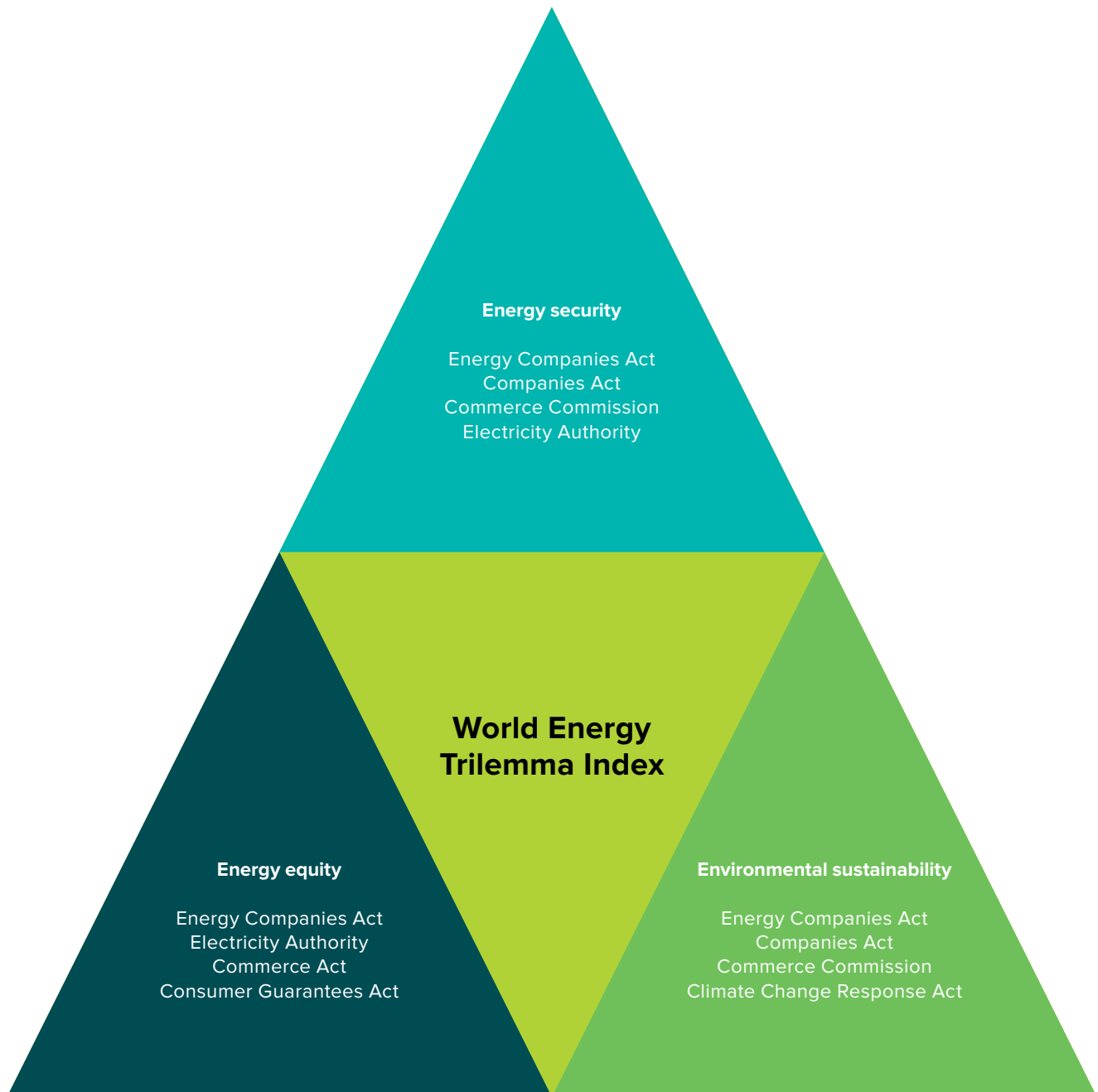
Energy Trilemma

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.



8. 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 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, the board considers 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-.

We will pay our dividends in two instalments:

- Between July and September 2022 and December 2022 for FY23
- in June 2023 and December 2023 for FY24
- in June 2024 and December 2024 for FY25

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.

9. 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 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 cooperate and work with that shareholder and its advisors, subject to our obligations at law.

10. 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 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 delivering on our Group Purpose and Strategy
- 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 2021, see [Orion Group Annual Report 2021](#). Our actual accounting policies may change because of changes to NZ IFRS standards and interpretations.

11. Our focus for the next three years

The Orion Group is moving from a singular focus on its traditional, one-way electricity distribution business to participate more broadly in a dynamic, changing energy sector. This SIO reflects the Group's focus over the next three years on preparing to meet future challenges.

The scale of these changes is enormous, and the need for the Orion Group to prepare to meet them, urgent. Changes include:

- Increasing pressure to move to 100 per cent renewable energy
- New Zealanders will use a lot more electricity by 2035 and 2050
- A great deal of new generation will be added to the system – especially wind and solar
- Greater role for demand-side flexibility from electricity users

Many of the projects in this SOI are designed to help Orion respond to these macro changes. The focus of this SOI is on beginning to be an active participant in the changes underway.

We are looking to do things smarter so to be an agile organisation with the capacity and capability to take on the challenges presented by the climate emergency, and stay ahead of the changes required of us by our customers.

At the same time, we are exploring fresh ideas and reaching out to work with partners to develop new ways to contribute to our community.

Incremental core investment will be required for Orion to become New Zealand's most advanced electricity network against the backdrop of evolving energy technologies, energy system challengers, changing customer appetites and New Zealand's decarbonisation ambitions. Investment will support greater than expected growth in core service volumes and as complexity evolves, as well as the structures, processes and technologies required to enhance Orion's core to best support further growth across adjacent and complimentary areas of opportunity.

Orion is considering capital investment in area of the energy value chain beyond electricity distribution and expects investment decisions will be made over the coming year.

12. Our performance targets

Financial	FY23	FY24	FY25
Electricity delivery revenue (\$m)	232	239	253
Other revenue (\$m)	96	102	98
Earnings before interest, tax, depreciation & amortisation (\$m)	112	119	123
Earnings before interest and tax (\$m)	47.7	47.2	54.6
Interest expense (\$m)	14.8	18.5	23.0
Profit after tax (\$m)	22.1	19.1	21.2
Dividends (\$m)	32.0	25.0	25.0
Debt (\$m) (including Transpower finance leases)	508	597	632
Equity (\$m)	682	676	665
Equity to total assets (%)	49	45	44
Profit after tax to average equity (%)	3.2	2.8	3.2
Dividend yield (%)	4.7	3.7	3.7
Return on invested capital (%)	4.2	3.9	4.4
Operating margin (%)	9.7	9.8	9.9
Debt to EBITDA (times)	4.1	4.4	4.6
Net gearing (%)	43	47	49
Interest cover (times)	3.2	2.5	2.4
Revenue growth (%)	6.5	4.0	3.0
EBITDA growth (%)	(4.1)	6.2	3.8

Network reliability (these are regulated limits)	FY23 to FY25		
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		

Health and Safety	FY23	FY24	FY25
Events that did or could have resulted in serious injury to Orion Group employees	≤4	≤4	≤4
Events that did or could have resulted in serious injury to Orion service providers	≤4	≤4	≤4
Events that did or could have resulted in serious injury to the public, excluding car versus pole incidents	0	0	0

Customer Inspired			
Net Promoter Score	>40	>40	>40

Notes and definitions: see Appendix 1

13. 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 a safe, reliable and resilient electricity supply.

1. Gain access to customer's smart meter data

As part of our Network Transformation road map we are seeking to gain better insight of our low voltage network. While we have our own devices on some of our LV feeders, access to customer smart meter data at an aggregated level will vastly improve our visibility of the LV network.

Contract in place for access to data for more than over 90 per cent of smart meters on our network: 31 March 2023

2. Integrate data from our low voltage network into our systems

We will integrate the data collected from our low voltage network monitoring devices and customer smart meters into our current systems. The insights gained from improved visibility of our LV network will help us better understand our constraints at this level. This is a vital milestone in our network transformation road map to provide an open network and facilitate the use of distributed energy resources such as solar, batteries and electric vehicles.

Integration commenced: 31 March 2023

3. Trial non-traditional network solutions

We want to better understand the impact and potential of utilising solutions other than "poles and wires" on our network. We will identify 1-2 trials to undertake in the next 12-24 months.

Trials identified: 1 December 2022

13. 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. Continue to develop our 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 continue to build on the foundations of CRM we delivered in FY22 and begin to develop our business processes off that.

Outage Notifications, Major Customer Management and Customer Connections Process integrated into the CRM platform: 31 March 2023

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

Our customers, stakeholders and community expect to have a voice in the decisions that affect them. Community engagement is a key activity for enabling this, as well as achieving our Group Purpose and demonstrating our contribution to local and regional wellbeing. We will continue to seek the views of our community through a range of community engagement activities, and a community engagement specialist joined Orion in April 2021 to expand our activities to include:

- Our annual survey of residential customers, with new methodology to gain a more demographically representative sample of our customer base
- Three meetings of our Customer Advisory Panel per year
- Establish an online engagement platform that will help us develop an alternative channel for engagement with our community while face to face channels remain problematic
- 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

Engagement programme underway: 1 April 2022

3. Build genuine relationships with local rūnanga

Local iwi, Ngāi Tahu, are key partners in our community, and our network operates in the takiwā of six Papatipu Rūnanga. In the past we have engaged with iwi on a project basis. We are now looking to build genuine relationships with local rūnanga, and have developed an Iwi Engagement Strategy that establishes a pathway for this. Effective engagement includes two important, and interweaved aspects:

- Embedding Māori culture within the organisation – as gateway to building meaningful relationships; and
- Building effective and enduring relationships

Orion, primarily via its Inclusion Council, has embarked on embedding Māori culture through:

- Participating in a mihi whakatau to welcome our Group Chief Executive
- Establishing a waiata group, and holding Te Reo Māori lessons for staff
- Recognising Te Wiki o te Reo Māori and Waitangi Day
- ILT members attending a 'Getting to know us' workshop at Tuahiwi Marae

Orion is participating in the He Huanui Maori Pathways Programme with our CCHL whānau, and supports the FY23 objectives and KPI established by the rōpū. Through this programme we will actively participate in workstreams, share learnings and leverage capability to enhance cultural understanding and competency to honour the principles of Te Tiriti o Waitangi.

Iwi Engagement Strategy programme underway: 1 April 2022.

4. Continue our community support 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.

FY22 Programme complete: 31 March 2023

13. Our key initiatives

Lead and Grow

We leverage our strengths to grow our business and explore new ways for the Group to expand our value to our community. We develop future energy solutions for the future energy marketplace, delivered through innovation, maximising Group capability and effective external partnerships.

1. Establish an Energy Hub and Energy Futures Lab to facilitate sector collaboration

Delivering on our Purpose to power a cleaner brighter future for our community will only be achieved through deep, authentic collaboration across sectors. The Orion Group will enable and facilitate this cross-sector collaboration by developing innovation services including:

- Energy Academy – transforming the way the industry develops capability
- Energy Accelerator – facilitating the innovation of new energy tech
- Energy Futures Lab – collaboratively experimenting on energy's just transition

In late FY21 we established an 'Energy Hub' within Christchurch's EPIC innovation precinct, to co-locate these innovation services and support cross-sector connection and collaboration. Over the next year we will work with partners to develop the new Energy Futures Lab model, including collaborative initiatives to address key challenges and opportunities for the energy transition, from decarbonisation of transport and process heat, to enabling the growth of renewables and distributed energy resources, to community energy solutions which ensure that no-one gets left behind in the transition.

Energy Futures Lab model established and at least three collaborative initiatives underway: 31 March 2023

2. Review and enhance the Orion Energy Accelerator programme to run for a second year

Following the success of the inaugural programme of this type for Orion, we will run the Orion Energy Accelerator programme for a second year. We will review last year's programme for ways to enhance the programme or adapt it to meet current strategic objectives.

Programme underway: March 2023

3. Establish a renewable energy service and advisory offerings

We will maximize the capability within the Orion Group, and where necessary via external partnerships, to provide the expertise, learnings and experience to develop and deliver renewable energy solutions for our customers.

This service will include advice on the role Orion network can play in meeting our customer's future energy needs.

Delivery programme in place and underway: July 2022

4. Connetics to deliver new products and services

Connetics will develop the capability to deliver additional products and services within the non-regulated market. As part of that capability development, in FY23 Connetics will develop a full Solar Strategy with an initial focus on commercial rooftop solar installations.

Project to develop capability up and running: 31 March 2023

13. Our key initiatives

Accelerating Capability

Our long-term goal is to become an organisation people are keen to join and other organisations want to become. We want our people to be enriched by their experience with us. To achieve this and maintain our leadership in the contest for talent we will create a strong employee experience by focussing on empowering and building the capability of our people.

1. Enhance our remuneration framework

Orion Group will continue to develop a remuneration framework which is fair, supports pay for performance and rewards exceptional performance. We will refresh our employer brand and benefits we offer and continue to work on defining our flexible working offerings to provide suitable collaborative workspace and style of work options for our people where possible.

Our diversity and inclusion programme of work has already gained a strong base and a number of initiatives are underway to achieve our aim to create a diverse workforce, proudly representative of Aotearoa.

A safe and inclusive place where our people can be their whole selves and thrive. We will keep working towards obtaining a GenderTick accreditation.

Remuneration framework enhancements complete: 1 March 2023

GenderTick accreditation achieved: 31 October 2022

2. Support our leaders – Orion

We will work with our established leadership communities to further define and embed the skills needed for us to bring our Group Strategy to life. Our focus is going to be on clarity and transparency of expectations and developing a coaching culture throughout the organisation. The second phase of our leadership development is scheduled for the second half of 2022.

Phase two of our leadership development programme complete: 31 March 2023

3. Support our leaders - Connetics

Connetics people leaders will be skilled in the art of recognising and rewarding great performance.

Culture AMP surveys will be carried out throughout the year: 31 March 2023

4. Create opportunities for our people to grow

Our people will not be able to adapt to the pace and magnitude of the changes which come with the future aspirations and the Group Strategy if we don't create an environment in which they can take ownership of their own learning and development and where they have readily access to many types of learning via a variety of channels to suit their needs. We are therefore going to identify common capability gaps and create a self-directed, dynamic learning environment.

Work has already started on identifying an emerging talent cohort and we will work with our next generation of leaders and professionals by creating targeted opportunities for them to grow and advance.

Learning and development framework complete: 31 March 2023

Talent management programme complete: 31 March 2023

5. Support CCHL's Future of Activity initiative

Wāhine tū tahi, wāhine kaha – CCHL's Women & Leadership Orion and Connetics will collaborate with CCHL subsidiaries to develop and adopt, where applicable, strategies to attract and develop the human capabilities the Group needs for the future and to be recognised as an employer of choice.

Future of Activity strategies in place: 31 March 2023

6. Energy Academy to accelerate industry capability development

Energy Academy will undertake four key programmes to galvanise the sector, and accelerate capability

- Introduce the capability sharing platform LUMO364 which has 30 organisations represented with 210 people to date. The goal is 2,000 energy sector individuals to participate: 31 December 2022
- Run the LUMO Symposium as a virtual event with more than 55 speakers: 31 May 2022
- Seek funding for round two of the Te Haerenga o Tama Raua ko Kotiro – a graphic novel for school students to explore NZ's energy systems in new and novel ways: June 2022
- Roll out digitising learning content across the Common Competency Framework – first part of project complete: December 2022

13. 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. Achieve our carbon reduction targets

In June 2022 we expect to fulfil our ambition to establish an Orion Group audited carbon footprint and achieve carbon neutrality for our corporate greenhouse gas emissions, which excludes scope 2 distribution losses. We will continue our carbon reduction journey by reducing our Group corporate emissions to at least 2761 tCO₂e during FY23.

Orion Group reduction target: FY20 corporate emissions reduced to 1640 tCO₂e

2022 carbon reduction achieved: 31 March 2023

2. Measure and reduce our Scope 3 carbon emissions

We recognise our need to continually expand our understanding and measure the impact of our business decisions on our emissions footprint. To that end, during 2022 we will build capability to measure and reduce indirect (Scope three) greenhouse gas emissions associated with our employee commute and design of our network.

Scope three emissions measured and reduced:
31 March 2023

3. Migrate process heat users away from fossil fuels

We recognise that our downstream decarbonisation impact is significant, and it is vital we operate to efficiently enable process heat users to move away from fossil fuels. During 2022 we obtained a view of the size of this challenge, one which we will proactively tackle in 2023.

Support for at least two process heat projects underway:
31 March 2023

4. Plant indigenous forest to offset emissions

Our work to establish indigenous forest to sequester any residual emissions after reduction efforts is ongoing. In 2022, we aim to have commenced indigenous forest planting and secured regenerating forest areas totalling at least 60ha within our network area.

60ha forest area secured: 31 March 2023

5. Connetics to establish a robust environmental management system

In 2022 we undertook to understand and set environmental budgets for the group. We now need to enhance our management of environmental impacts. During 2022/2023 Connetics will establish a robust environmental management system.

Connetics' Environmental Management System established:
31 March 2023

6. Produce Task Force on Climate-related Financial Disclosures (TCFD) report

In 2020 we published Orion network's first TCFD report. Since then, work has been ongoing to develop understanding and capability to use scenarios as a tool within the business to explain what future risks could exist due to climate change. During 2022 we will release our second TCFD report, aligned with our financial reporting dates and undertake ongoing development of climate risk scenarios for use within the business and to assist in adaptation engagement with our community.

TCFD report produced: 30 August 2022

13. 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. Construct a new Grid Exit Point and zone substation at Norwood and associated 66kV lines

Our existing commercial customers in this area are growing their businesses and placing constraint on our current network. This project will provide these businesses 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.

This project also includes the construction of a 66kV line between Highfield substation and the new Norwood GXP, which will provide these customers with the opportunity for growth by increasing the capacity of our network \ ahead of the planned full GXP to be installed in this area in following years.

Project complete: 31 March 2024

2. Replace our end of life 11kV switchgear at Heathcote 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 enhanced operational and safety benefits to ongoing developments and decarbonisation in the east of the city as well as in the Lyttelton Port area

Project complete: 31 March 2023

3. Build and commission a new zone substation at Milton St and connect it with new 66kV XLPE cables to existing 66kV sub-transmission network at Bromley zone

This is a two-year project and is the first in a number to replace our "end of life" oil filled 66kV cables. It will enable enhanced options around switching of our subtransmission network between Bromley GXP and Islington GXP. It is being architected to meet the significant customer and demand growth for the next 50 years.

Project complete: 31 March 2024

14. 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 largely reflect the work programme in our 2022 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, 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 employees.

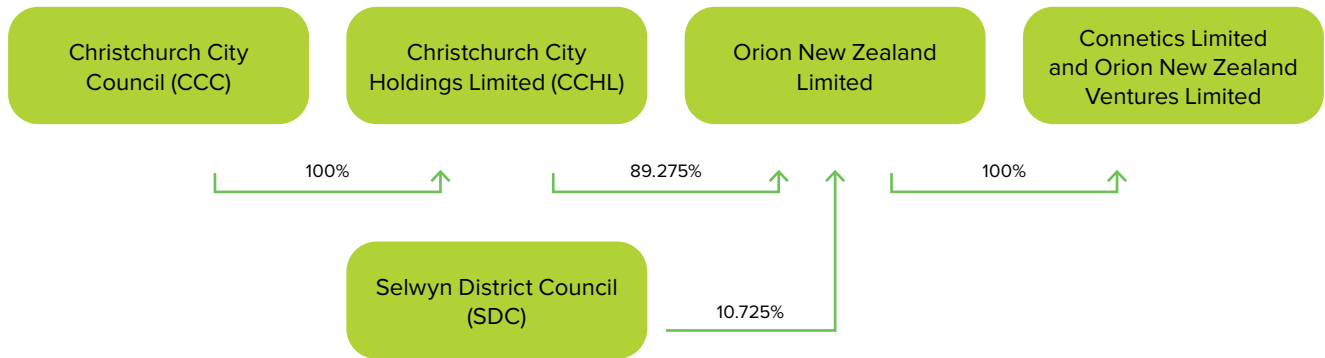
We believe it is important to manage our footprint regardless of its size and use mitigation of our corporate emissions to trial reduction measures that could also assist our customers.

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.

15. Appendix 2: Our Group structure

Our Group Structure



How this SOI sits within our governance framework



Orion

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