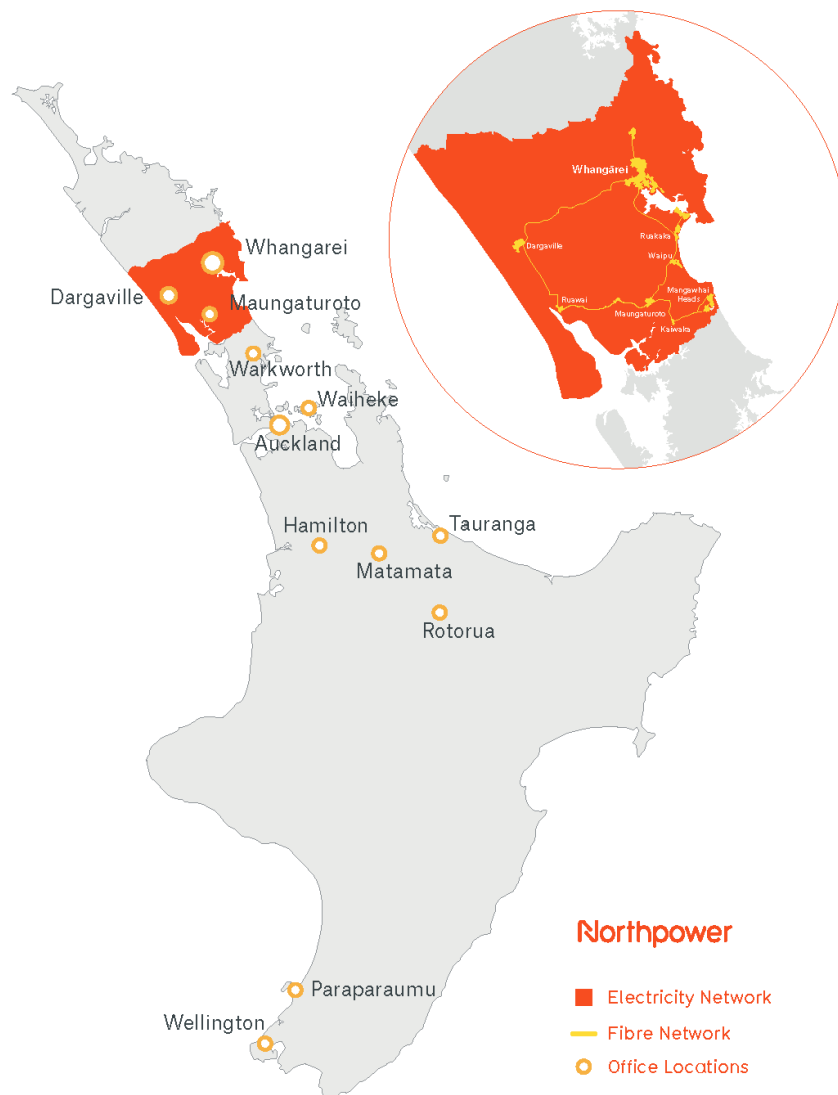


A tall utility pole stands in silhouette against a vibrant sunset sky. The sky is filled with soft, orange and pink clouds. Several power lines are strung across the frame, with insulators visible on the pole. The overall mood is serene and industrial.

# Statement of Corporate Intent FY2024 – FY2026

Northpower



Current Status	Approved by Board	
Version Date	22 February 2023	
Prepared by:	Date:	Signature:
O O'Neill, Chief Financial Officer	22 February 2023	
Recommended by:	Date:	Signature:
A McLeod, Chief Executive	22 February 2023	
Approved by:	Date:	Signature:
Mark Trigg, Northpower, Chair	22 February 2023	
Approved by:	Date:	Signature:
Phil Heatley, Northpower Electric Power Trust, Chair	13 April 2023	

Northpower Limited, 28 Mount Pleasant Road, Whangārei, New Zealand

The information contained in this document produced by Northpower Ltd is solely for the use of Northpower Ltd and its subsidiaries. Northpower does not accept any responsibility to any third party who may rely upon this document.

All rights reserved. No section or element of this document may be removed from this document, reproduced, electronically stored or transmitted in any form without the written permission of Northpower Ltd.

# Statement of Corporate Intent FY2024 – FY2026

## Contents

Foreword	5
Introduction	7
Our context	
Corporate objectives	7
Scope of activities	7
Subsidiaries	7
Our key performance indicators	
Financial KPIs	8
Non-financial KPIs	8
Policy and procedure statements	
Accounting policies	10
Dividend policy	10
Debt/capital ratio policy	10
Significant transaction policy	10
Matters required by the Companies Act 1993 and the Energy Companies Act 1992	
Half yearly report	11
Annual report	11
Related party transactions	11
Additional information to be provided	
Annual planning	12
Quarterly reports	12
Further information	12







# Foreword

## The role of the Statement of Corporate Intent

This Statement of Corporate Intent (SCI) is Northpower's performance commitment to the Northpower Electric Power Trust (NEPT) and its consumer owners.

Northpower's delivery is governed by its Board of Directors who use this SCI to guide Northpower's focus and delivery. It is also the reference point for discussions on performance between NEPT and Directors.

The targets in this SCI reflect discussions between NEPT and Directors. They set out specifically the performance outcomes to be achieved, the community contribution to be made and the level of financial return to be achieved.

This SCI is an element of the oversight applied by NEPT on behalf of consumer owners. This includes a 5-yearly review of ownership structure which was last completed in July 2022.

## A renewed focus on growth, following a period of service optimisation

Northpower is a consumer owned company, and its role in supporting economic development of the region is reflected in its Purpose - Connecting communities, building futures, for Northland.

The organisation's focus in recent years has been consolidating, modernising and evolving its operations to ensure a solid contribution for its customers and clients. The period has seen strong and consistent investment in fleet, plant, people and assets. It's been a critical stage in the company's evolution and has realised material benefits for Northpower's customers and owners.

The Northpower team is now considering growth options which fit within the mandate created by our Purpose, outlined in more detail within the document. Evolving Northland's energy system to accommodate materially higher power flows to support electrification of our economy needs deep skills and proven construction experience; both of which Northpower is well placed to provide to the region, and more broadly, to its key customers across New Zealand.

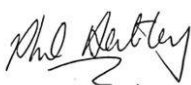
## A critical role for oversight and governance in enabling organisational strategy

As the Chairs of NEPT and the Northpower Board, we are conscious of the critical role that owner oversight and board governance plays in enabling teams and organisations to succeed and realise long term strategic success.

This SCI sets the standard of service and return to be realised over the next period. It strikes a balance between maintaining core services and enabling cash to be retained to consider appropriate growth opportunities. It is consistent with NEPT's focus of the organisation as set out in its annual Letter of Intent.

This document outlines the programme of interaction between Directors and NEPT.

We look forward to supporting Northpower in our respective capacities. It's an exciting period for the organisation, the energy and communications sectors and for New Zealand.



Phil Heatley  
NEPT Chair



Mark Trigg  
Northpower Chair





Our 'why'?

Connecting communities,  
building futures,  
for Northland



# Introduction

This Statement of Corporate Intent (“SCI”) sets out the background, overall intentions and objectives for Northpower Limited and its subsidiaries (“the Northpower Group” or “the Group”) for the period ending 31 March 2024.

## Our context

### Northpower Purpose

The focus of the Northpower Group as stated in the Trust Deed is to provide a safe, secure and reliable supply of electricity, while operating as a successful and sustainable business for the benefit of its shareholders, the electricity consumers of Kaipara and Whangārei.

To maximise Northpower’s impact and value, while maintaining a clear line of sight to this core focus for the group as set out in the Deed, Northpower utilises an organisational purpose which contains the following key elements:

**Connecting communities** reflects Northpower’s focus on deployment of enabling infrastructure supporting the Kaipara and Whangārei regions. This includes its core electricity network and its fibre communications network.

**Building futures** reflects Northpower’s focus on the development of skills, capabilities and careers for its staff. Northpower is an engineering and construction organisation of scale, and the organisation is committed to ensuring sustainable skills development for the regions and sectors in which it operates.

**For Northland** reflects Northpower’s focus on delivering economic value to the region beyond the value created through networks and through skills development. This includes delivering a strong financial return to consumer owners, supporting key local causes and advocating for the region on political and sector issues.

### Scope of activities

The scope of activities undertaken by the Group includes:

- Ownership and operation of electrical and fibre distribution networks;
- The supply of network and operations services for the distribution and transmission of electricity and communications; and
- Provision of design, construction, maintenance and professional services for electricity and fibre networks.

### Subsidiaries

Northpower Fibre Limited (NFL) is a 100% owned subsidiary of Northpower with the Minister of Finance holding one special share. NFL provides ultra-fast broadband (“UFB”) services in our network area.

# Our key performance indicators

Northpower's growth strategies include investments to build its services business, targeted investment to prepare its electricity networks for growth and electrification in the region, and potential investments into new asset classes. As demand for capital increases, our focus will be on generating steady returns to fund these investments while managing debt levels and ensuring capital is available to continue to sustainably grow the value of the group for the benefit of consumer owners.

The following Key Performance Indicators (KPIs) set out our anticipated performance for the year ending 31 March 2024, as well as a representative view of the projected financial performance of the Northpower Group over the planning period to 2026. Our KPIs seek to ensure we strike an appropriate balance between a reliable service offering, increased distributions to consumer owners over time, and building the value of Northpower's business holding to enable long term value creation and release over the long term.

## Financial KPIs

Our financial KPIs reflect our focus on an appropriate balance and focus on business performance, lifting distributions, building value and management of longer term debt levels. Our targets are set at a group level and reflect the strength of our complementary asset holding.

Northpower Group	2023-2024	2024-2025	2025-2026
Net Profit After Tax/Shareholders' Funds (pre-distribution) <sup>1</sup>	≥ 7.5%	≥ 7.5%	≥ 7.5%
Debt/Capital Ratio (Net Debt)/(Net Debt + Equity)	≤ 40%	≤ 40%	≤ 40%
Debt Coverage Ratio (Net Debt)/(EBITDA)	≤ 4.25x	≤ 4.25x	≤ 4.25x
Distribution (posted discount plus dividend)	\$14.8m	\$16.4m	\$17.4m

## Non-financial KPIs

Our non-financial KPIs reflect our core operational focus on safety, network reliability and customer satisfaction. As a company with a long operational history, we understand that structured and sustained focus is required to ensure consistent outcomes in these areas.

Safety	2023-2024	2024-2025	2025-2026
Total Recordable Injury Frequency Rate <sup>2</sup>	≤ 6	≤ 6	≤ 6
Permanent disability and/or fatality	0	0	0
High Potential Event Frequency Rate <sup>3</sup>	5	4.5	4

<sup>1</sup> NPAT/Shareholder' Funds excludes the impact of fair value adjustments.

<sup>2</sup> TRIFR: Number of Lost Time Injuries (LTIs) + Medically Treated Injuries (MTIs) + Restricted Treatment Injuries (RTIs)/hours worked x 1,000,000 hours.

<sup>3</sup> HPEFR: Number of events classified as having potential for serious harm/hours worked x 1,000,000 hours.



Northpower Electricity Network	2023-2024	2024-2025	2025-2026
Network interruptions (SAIDI minutes) <sup>4</sup>	≤162.05 ≤93.31	≤162.05 ≤93.31	≤162.05 ≤93.31
Network interruptions (SAIFI) <sup>5</sup>	≤0.7231 ≤2.2843	≤0.7231 ≤2.2843	≤0.7231 ≤2.2843
Average number of faults per 100 km <sup>6</sup>	≤10	≤10	≤10
Customer satisfaction <sup>7</sup>	≥85% ≥85%	≥85% ≥85%	≥85% ≥85%

Northpower Fibre Network	2023-2024	2024-2025	2025-2026
Provisioning (percentage met by agreed date) <sup>8</sup>			
- simple	≥ 95%	≥ 95%	≥ 95%
- complex	≥ 95%	≥ 95%	≥ 95%
Faults per 100 connections <sup>9</sup>	≤ 3	≤ 3	≤ 3
Network availability (average unplanned downtime)			
- Layer 1	≤ 36 min	≤ 36 min	≤ 36 min
- Layer 2	≤ 6 min	≤ 6 min	≤ 6 min
Installation quality satisfaction (score out of 10) <sup>10</sup>	≥ 9	≥ 9	≥ 9

<sup>4</sup> SAIDI: System average interruption duration index – the average duration of interruptions to supply consumers on average in the year for planned and unplanned outages. Unplanned SAIDI normalised to remove extreme events according to methodology used for regulated EDBs. SAIDI = Sum of (number of interrupted consumers x interruption duration) / Average number of connected consumers.

<sup>5</sup> SAIFI: System average interruption frequency index is the average number of interruptions to supply experienced by consumers for planned and unplanned outages. Unplanned SAIFI normalised to remove extreme events according to methodology used for regulated EDBs.

<sup>6</sup> Faults per 100km: A fault is classified by the Commerce Commission as “a physical condition that causes a device, component or network element to fail to perform in the required manner”. The measure calculates the faults per 100km averaged for all voltages.

<sup>7</sup> Customer satisfaction is measured via an annual survey and measures overall satisfaction with the services we provide.

<sup>8</sup> Provisioning met by agreed date as a rolling 12 month average.

<sup>9</sup> Faults per 100 connections as a total sum of 12 months.

<sup>10</sup> Service level performance (residential) measures the percentage of customers connected within target timeframes.

# Policy and procedure statements

## Accounting policies

The Group's accounting policies will comply with the legal requirements of the Companies Act 1993, the Financial Reporting Act 1993 and will be consistent with generally accepted accounting principles. Financial Statements will comply with New Zealand equivalents to International Financial Reporting Standards and other applicable financial reporting standards as appropriate for profit-oriented entities.

## Dividend policy

The Group will distribute to its shareholder all funds surplus to the investment and operating requirements of the Group. The estimated dividend to the shareholder in FY23 is \$0.7m, subject to the solvency requirements of the Companies Act 1993, the maintenance of the minimum debt to capital ratio specified and meeting the investment needs of the Group. In addition, consumers will receive a posted discount estimated at \$14.1m in FY24, providing a total distribution of \$14.8m by way of dividend to the shareholder and posted discount to consumers.

## Debt/capital ratio policy

The ratio of debt to capital (debt/capital ratio) will be maintained at less than or equal to 40%. The debt/capital ratio for the next three years is as set out in the Key Performance Indicators ("KPIs") and takes into account projected capital needs and minimum distribution payments as set out in the Dividend Policy.

Debt will comprise of the Group's total debt.

Capital of the Group will comprise of total shareholders' funds plus total debt.

## Significant transaction policy

As a general policy, any proposed share investment by the Group will be required to meet the same financial criteria as any significant capital expenditure. In addition, the questions of control and risk will be addressed.

All share investment proposals will be considered by the Group's Board of Directors.



# Matters required by the Companies Act 1993 and the Energy Companies Act 1992

The Group will provide information to its shareholder, the Northpower Electric Power Trust (“NEPT” or “shareholder”), in accordance with the requirements of the Companies Act, Energy Companies Act and other relevant legislation.

## Half yearly report

A half yearly report will be delivered to the Group’s shareholder within three months after the end of each half of the financial year covering the operations for the half year period including performance against the metrics defined in the SCI.

## Annual report

An annual report will be delivered to the Group’s shareholder within three months of the end of each financial year and will comprise:

- i. A report from the Directors covering the operations for the year;
- ii. Audited consolidated financial statements for the financial year in respect of the Group; and
- iii. Auditors’ report on the financial statements and the performance targets (together with other measures by which performance of the Group has been judged in relation to the Group’s objectives).

## Related party transactions

Sales and purchases from related parties are made on commercial arm’s length terms.

Northpower does not propose any transactions with any related party, except as set out below. The following support services will be provided to Northpower Fibre Limited, including the following as required:

- i. Treasury and accounting services;
- ii. Human resource management services;
- iii. Health and safety management services;
- iv. Specialised technical and/or construction services;
- v. Operation and maintenance services; and
- vi. Information systems services.

# Additional information to be provided

## Annual planning

Early engagement between the shareholder (NEPT) and the Northpower Board of Directors supports the development of the annual SCI and strategic plan.

The draft SCI will be delivered to NEPT within one month of the end of each financial year.

A summary of the Northpower Group annual strategic plan will be provided to NEPT within one month of the start of the new financial year.

## Quarterly reports

The Group will provide quarterly reports to the Group's shareholder within two months of the end of the quarter, which will comprise divisional level reporting of the financial performance for the period.

## Information on growth initiatives

The Group will keep the Group's Shareholder informed of new business ventures on a no surprises basis as part of its quarterly reporting process.

The Group will consult its shareholders before entering any new markets or business activities which significantly alter/affect the Group's risk position. Further, the Group will promptly report to shareholders on any transaction(s) that could materially impact the Group's risk exposure.

## Further information

It will be possible for the shareholder to request further information or reports from the Directors where the information relates to matters affecting shareholders and the value of their investment in the Company.

The Chairman and Chief Executive will provide regular briefings to NEPT on all material matters and will ensure that they are provided with the appropriate information, including providing information relevant to material adjustments of electricity network pricing tariffs.



