Orion New Zealand Limited

Statement of intent

For FY19, FY20 and FY21

Approved by the Orion board
5 April 2018

Contents

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A Introduction

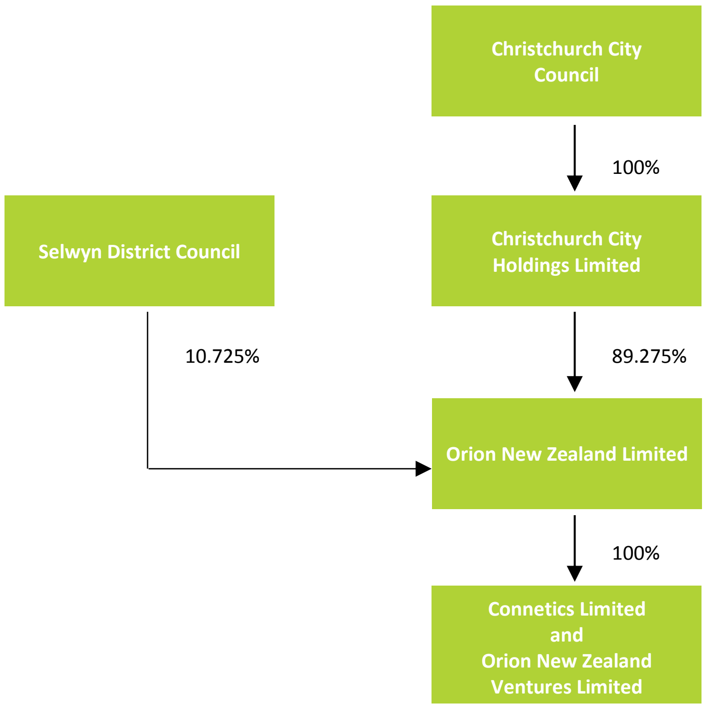
Our customers rely on the electricity we deliver in Christchurch and central Canterbury. Keeping this vital 'lifelines' infrastructure operating safely and sustainably is our top priority.

This statement of intent (SOI) sets out Orion New Zealand Limited's (Orion's) overall intentions and objectives. This SOI also covers our wholly-owned subsidiary companies, Connetics Limited and Orion New Zealand Ventures Limited.

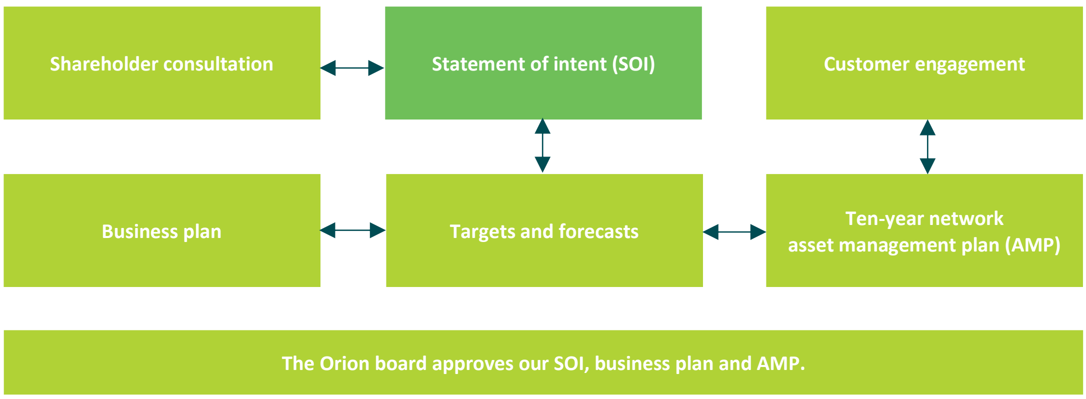
Orion and its subsidiaries are energy companies, pursuant to the Energy Companies Act 1992. This SOI has been prepared in accordance with section 39 of the Act and clause 11 of Orion's constitution. Pursuant to section 36 of the Act, our principal objective is to operate as a successful business.

We review and update our SOI annually, in consultation with our shareholders. This SOI covers FY19, FY20 and FY21.[1]

Our group structure is as follows:



The following diagram shows how this SOI sits within our governance framework:



[1] Financial years are denoted with the "FY" prefix. For example, FY19 represents the year ended 31 March 2019.

B Our key roles and our objectives

Our key roles

We have an important role in meeting our community's aspirations for:

- a 'liveable' city and region – with strong, connected communities
- a healthy environment and a prosperous economy.

In support of our community's aspirations, our key roles are to:

- connect our customers with New Zealand's, largely renewable electricity generation – mostly hydro, geothermal and wind
- ensure that our electricity delivery service matches our customers' and our community's expectations for network capacity, safety, resilience and reliability – prudently, efficiently and sustainably
- ensure that our electricity delivery service enables the efficient connection of distributed electricity generation
- act in the long term interests of our customers, our community and our shareholders.

Our purpose, vision and ambition is to connect communities and ignite innovation, and our values are to connect, create and collaborate.

Delivering on our key roles enables local individuals and businesses to invest for growth, confident that their electricity will go on and stay on when they 'flick the switch'.

We will aim to:

- provide a safe, resilient, reliable, efficient and sustainable electricity distribution service in the long term interests of our customers and community in the Christchurch and central Canterbury region – consistent with good industry practice
- use reasonable endeavours in our negotiations with Transpower to ensure that its transmission services are provided cost-effectively to our region – consistent with good industry practice
- provide commercial services that are ancillary to our electricity distribution service – this includes Connetics providing contracting services to its external customers
- support competition and innovation among electricity retailers and generators
- explore investment/acquisition opportunities in the infrastructure and energy sectors
- manage, grow and if appropriate, realise our other subsidiary and associate company interests.

Our customers and stakeholders

We will aim to engage with, collaborate with and provide good customer service to:

- our connected customers – including those who want to adopt new technologies
- those who want to connect to our network or upgrade their existing connection
- property developers
- regulatory agencies
- electricity retailers and generators
- electrical contractors and engineering consultants
- external customers who receive contracting services from Connetics.

Our network resilience

As a key 'lifelines utility', we need to be ready if high impact, low probability (HILP) events occur. We will aim to ensure that our emergency readiness plans and practices are prudent, robust and fit for purpose.

Our commercial objectives

We will aim to operate as a successful and sustainable business and provide our shareholders with appropriate returns on their investment.

To achieve this, we will aim to:

- achieve our performance targets as set out in this SOI
- understand and meet our customers' needs
- continually improve our customer engagement and our customer service
- be agile in adapting to and adopting emerging technologies
- innovate and continually improve the efficiency and effectiveness of our operations
- prudently and efficiently invest in our electricity distribution network
- recover our prudent and efficient costs, including an appropriate return on investment
- prudently and efficiently identify and manage our key risks
- comply with relevant legislation, regulation and planning requirements
- co-operate with and meet the objectives of relevant regulatory agencies
- undertake new investments in the infrastructure and energy sectors which are expected to:
    - yield a return at least equal to those investments' risk-adjusted weighted average cost of capital, and
    - increase the commercial value of the business
- provide services that are ancillary to our electricity delivery service on a commercial basis
- if appropriate, sell investments over time.

Our costs

We will seek innovative ways to be efficient and effective. For example, we signal the long-term economic costs of providing our network delivery service to our customers in our network delivery prices. These signals aim to incentivise our customers to reduce load at peak times, which in turn reduces the need for us to invest in expensive network capacity to meet peak loads that occur for relatively short periods.

We will carefully plan our network capital and operating expenditures and we will competitively tender our substantive network works and procurement.

Our network delivery prices

Our electricity distribution charges make up around a quarter of a typical power bill in our region.

We will aim to ensure that our network prices reflect our prudent and efficient costs. Full economic cost recovery retains our incentive to continue to invest in our network and our service, in the long term interests of our customers, our community and our shareholders. We will comply with the network delivery price limits that the Commerce Commission sets for us. We will pass on Transpower's charges for electricity transmission to our customers.

Our response to emerging technologies

Emerging technologies and innovations are an increasing focus for our industry. These innovations will lead to more choice for customers, changing customer needs and opportunities for further efficiencies and business growth. In light of these issues, we will:

- assess and adopt emerging technologies and innovations as appropriate to our business
- assess and respond to emerging technologies and innovations that affect our customers. For example: current discussion especially centres on electric vehicles (EVs), in-home photovoltaics (PV), in-home battery storage systems and in-home and in-business energy management systems – but there will be many more new technologies and innovations.

Our risk management

We will aim to identify and manage our key risks, consistent with good industry practice and the risk management standard AS/NZS 31000. Our risk appetite is 'cautious' (relatively risk averse), consistent with our key lifelines role and our context – including:

- virtually everything depends on electricity in the modern world – and this will continue for the long-term
- our customers and community especially depend on us following high impact low probability (HILP) events – especially natural disasters such as major quakes and storms
- our region is in a high risk quake zone, has cold winters, has limited heating alternatives due to clean air restrictions and covers 8,000 sq km of diverse terrain that has changeable environments
- we are a lifelines utility, and other lifelines utilities depend on us
- electricity distribution networks have inherent hazards and risks by their very nature
- we must comply with the Health and Safety at Work Act, the Electricity Act and the Electricity (Safety) Regulations
- our industry is highly regulated
- we are publicly accountable to our customers, our community, our shareholders and industry regulators
- our shareholders are public entities that are accountable to our community.

We have more information about our key risks, and our risk management processes and plans, in our ten-year network AMP.

Our social responsibility

Our ultimate council shareholders use our dividends in the manner specified in their respective plans and budgets. We consider that achieving an appropriate risk-adjusted return on capital invested is in our customers' and our community's long term interests.

We will act in a socially responsible way and as a good corporate citizen – with empathy for our community. In some of our key decisions, we will actively consult with key stakeholders as appropriate.

Our commitment to sustainability

Sustainability includes consideration of environmental, community and financial factors.

Our sustainability objectives are to:

- provide a fit-for-purpose and sustainable electricity delivery service in the long-term interests of our community
- set meaningful sustainability targets in our SOI and report on our performance against those targets in our annual reports
- focus on initiatives where we will have the greatest sustainability impacts.

We make our greatest sustainability contribution by connecting our customers with New Zealand's renewable, low-carbon electricity generation. We will focus on where we can have the greatest sustainability impacts for our community. We will:

- provide a resilient, reliable, safe and sustainable electricity delivery service
- encourage our customers to shift their electricity use away from peak demand times via our demand side initiatives. Over the long-term, our demand side initiatives[2] reduce the amount of network we need to build
- encourage the uptake of electric vehicles. This is one of New Zealand's best carbon reducing opportunities, with over 30% of New Zealand's non-agricultural greenhouse gas emissions currently caused by road transport. We are installing public EV charging stations throughout our network region. In collaboration with partners, we installed more than 20 in FY18, and our target is to have at least 35 installed by the end of FY19
- enable our customers to adopt other innovative technologies – this includes facilitating more two-way power flows between customers and our distribution network.

[2] Our demand side initiatives include:

- we have cost-reflective network pricing, which helps our larger business customers to make efficient decisions about which form of energy to use and when to use it
- we manage residential hot water heating to reduce system peaks. In this way, hot water cylinders act as virtual batteries that help shift customer demand away from peak periods
- we co-operate with other electricity distributors on upper South Island load management to help reduce transmission peaks.

The New Zealand Government has committed to reduce the nation's net carbon emissions via the 2016 Paris Agreement, and in late 2017 the Christchurch City Council set an objective to achieve carbon-neutral status for its operations by the year 2030. In support of those initiatives, appendix 6 has our target to measure our carbon footprint for our operations and identify options to reduce it.

For most residents, insulation is the best investment they can make to achieve an energy efficient, warm and healthy home. Community Energy Action is a local charitable trust that provides free or subsidised insulation, efficient heating, recycled curtains, independent energy advice and helps to make local homes warmer. We have sponsored and supported CEA for over 20 years and we plan to continue to do so for the foreseeable future.

Our people

We will aim to attract, retain, develop and motivate high calibre employees at all levels – to support our principal objective, to operate as a successful business. We are a socially responsible and equal opportunities employer.

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 publically available via the annual report. We regularly compare our employee remuneration against relevant market data. In general, we aim to meet the market, subject to employee performance.

All individual employment agreement terms and conditions are subject to *one-up* approval. For example, the board approves the chief executive's employment terms and conditions and the board remuneration committee approves those of the direct reports to the chief executive. Three collective employment agreements cover around 45% of the group's employees. The board negotiates the chief executive officer's remuneration, after taking independent expert advice on relevant market data. The board reviews the chief executive officer's remuneration annually.

We aim to provide a work environment that enables professional and personal growth for our employees and we recognise our responsibility to ensure our people can do their jobs effectively. To ensure that we have skilled employees, we will continue with our initiatives that focus on recruitment, training, retention and succession.

Diversity refers to characteristics that make people different from each other – including gender, gender identity, age, ethnicity, disability, beliefs, sexual orientation, family responsibilities, work style and experience, socio-economic background, thinking style and personality type. Diversity exists within our current and potential employees and in our customers, partners, suppliers and other stakeholders. *Inclusion* means providing a work environment where everyone feels they are able to fully participate at work and where each person is valued for their unique perspectives, skills and experiences.

We will develop and foster an inclusive environment where diversity is valued and embraced. Our objectives are to:

- ensure that our processes and practices are free from bias
- treat people with fairness and respect
- foster a culture where discrimination is unacceptable
- hire and promote the best person for the job, regardless of their background
- nurture and develop the relevant skills, diverse experience and attributes of our people.

Our commitment to health and safety

Health and safety is everyone's responsibility. We will aim to have safe worksites and a safe network – for our employees, contractors, visitors, our customers and the public. We will take a risk-based approach to health and safety. We will aim to have a fit-for-purpose health and safety management system, one with effective and robust:

- objectives and performance targets
- board and management reporting
- incident investigation, applying any lessons learnt
- identification and risk management of critical safety risks
- investment to achieve our health and safety objectives
- continuous improvement
- compliance with legislation.

Our compliance with relevant legislation

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

C Our governance

The board

The company's shareholders appoint the directors to govern and direct the company's activities. The board is the overall and final body responsible for the proper direction and control of the company's activities and decision-making. The board's responsibilities include the overall objectives, stewardship, management, performance and reporting of the company.

Statement of intent (SOI)

In accordance with section 39 of the Energy Companies Act 1992 and the company's constitution, the board submits a draft SOI to its shareholders in February each year. After due consultation with the company's shareholders and after considering comments from those shareholders, the board approves the final SOI and delivers it to the company's shareholders. A copy is also placed on our website.

Board operation

The board is committed to best practice governance, as is appropriate for a community-owned lifelines utility.

The operation of the board is governed by the company's constitution and the board's code of conduct. The code clarifies how the board and directors shall undertake their responsibilities.

The board chairman has a leadership role in the conduct of the board and its relationship with shareholders and other major stakeholders. The chairman maintains a close professional relationship with the company's chief executive officer, and through him, the senior management team. New directors undertake an induction process to familiarise them with matters related to the company.

Conflicts of interest

The board has adopted a conflicts of interest policy. The policy requires all directors and employees to:

- act with integrity, honesty, transparency, openness and in good faith
- comply with the law, apply good judgment and proactively identify, disclose and manage conflicts of interest.

The company maintains an interests register that is reviewed at the start of every scheduled board meeting.

Policies

The board reviews the company's key policies at regular intervals.

Board performance and review

The board regularly reviews its performance and the performance of the chief executive officer. The reviews aim to identify opportunities and set plans for performance development and improvement.

Board meetings and committees

The board meets approximately ten times per year. Additional meetings are convened as and when required. The board's annual work programme is set by the board before the start of each calendar year. The board receives formal agenda papers and regular reports, generally a week in advance of meetings. Senior managers are regularly involved in board discussions. Directors also have other opportunities to obtain information and seek independent expert advice.

The board delegates some responsibilities and tasks to board committees. However, the board retains the ultimate responsibility and accountability for any committee's actions or inactions. All directors receive agenda papers for committee meetings and all directors have the right to attend committee meetings.

The board's two standing committees are:

- the audit committee liaises with the company's independent auditor and it reviews the quality and reliability of internal controls and financial information used by 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 executive officer and senior management team respectively.

Liability insurance and indemnity

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

Loans to directors

The company and group do not make loans to directors.

Legislative compliance

The board receives 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 the company engages independent experts for advice on some issues.

Auditor

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

D Our capital structure and our dividends

We will aim to manage our capital structure so that we have sufficient financial flexibility to cope with and recover from future catastrophic events. Cost-effective insurance for underground cables and overhead lines (or a significant drop in network revenues following a catastrophic event) is not available. Because of this, we should have relatively conservative debt gearing. We will aim to ensure that we retain at least a strong capacity to pay our debts when they fall due – this implies retaining an implicit Standard and Poor's credit rating of at least A-minus.

We forecast that we will retain prudent financial flexibility, even if another catastrophic event similar to the 2011 quake occurs.

We will pay dividends to our shareholders after taking into account the company's current and forecast financial position and performance, the company's current and forecast investment and funding requirements ,and the solvency test, pursuant to section 53 of the Companies Act 1993.

Our forecast dividends are close to the maximum that we forecast can be paid as fully-imputed dividends. We will pay our ordinary imputed dividends in two equal instalments – in June and December.

E Acquisitions and divestments

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with our objectives. When the board considers a transaction to be significant to the company's business operations, we will consult with our shareholders.

Major transactions as defined by the Companies Act 1993, will be subject to shareholders' approval by special resolution. However, when we are considering a significant acquisition or disposal of assets or securities, we will consult with our shareholders with as much lead-time as is commercially practicable in the prevailing circumstances. 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.

F Our relationships with our shareholders and with the wider CCC/SDC group

We will 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.

It may be possible to develop commercial opportunities with the wider CCC/SDC group to benefit Orion. We will aim to collaborate with the wider group to explore such opportunities and develop new business opportunities as appropriate.

Local authorities sometimes ask us to undertake projects that are inconsistent with our normal commercial objectives. We will seek to recover the full cost of these projects from the local authorities who request them. It is difficult to forecast the extent of these transactions over the next three years.

Our council shareholders have agreed that it is their responsibility to determine the priorities for discretionary undergrounding projects and to pay for such work on an agreed basis. This is a commercially sound arrangement which puts the correct incentives on the parties and is appropriate for shareholders and Orion. Virtually all new urban extensions to our network are underground, in compliance with the City Plan. In rural areas, it is often up to the developer to decide whether reticulation is underground or overhead. A portion of our system reinforcement, safety and improvement projects will continue to include undergrounding of overhead reticulation.

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.

No material intercompany transactions are forecast to take place with our shareholders, or the wider CCC 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.

The CCC has set six strategic priorities for improvement over the next three years and beyond as follows:

- active and connected communities
- a vibrant, prosperous and sustainable 21st century city
- climate change leadership
- informed and proactive approaches to natural hazard risks
- public and shared transport
- safe and sustainable water and waterways.

Our core business and our initiatives in this SOI support the council's six strategic priorities.

G How we will report to our shareholders

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

We will submit an annual report to our shareholders. Our annual report will include:

- our audited financial statements
- our performance relative to the targets we set in our SOI
- our governance relative to the Financial Market Authority's eight principles of good governance[3]
- other information to enable an informed assessment of the group's performance and financial position.

We will submit interim reports to our shareholders. These reports will contain unaudited information similar in content to our annual report and they will comply with financial reporting standard NZ IAS 34 – Interim Financial Reporting.

Our accounting policies will comply with applicable NZ IFRS standards and interpretations and will be consistent with the accounting policies adopted by the Christchurch City Council group. The accounting policies we applied to prepare the financial forecasts in this SOI are the same accounting policies we applied to prepare our audited financial statements for the year ended 31 March 2017 – oriongroup.co.nz/corporate/corporate-publications/annual-reports/. Our actual accounting policies during the three year period of this SOI may change as a result of changes to NZ IFRS standards and interpretations.

We will update and publish our ten-year network asset management plan before 1 April each year.

H The commercial value of our shareholders' investment

We estimate that the commercial value of our 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.

[3] The FMA's eight principles cover: ethical standards, board composition and performance, board committees, reporting and disclosure, remuneration, risk management, auditors, and shareholder relations and stakeholder interests.

Appendix 1 Our financial performance targets

		FY19	FY20	FY21
Network delivery revenue	$m	260.5	247.3	237.4
Profit after tax	$m	50.4	42.8	33.5
Fully imputed dividends	$m	53.0	47.0	41.0
Profit after tax to average equity	%	7.5	6.4	5.1
Debt to debt plus equity	%	31	32	34
Equity to total assets	%	56	55	54

Our forecast profits in FY20 and FY21 are affected by the following factors. The Commerce Commission will reset our post-CPP[4] delivery price limits as follows:

- in FY20 – by rolling over our FY19 price limits, minus claw-back[5], plus a consumer price index (CPI) adjustment. The claw-back removal causes a forecast revenue reduction in FY20 of $7m post-tax
- in FY21 – via the Commission's full building blocks price reset methodology. This methodology will include an allowance for an appropriate cost of capital, and our forecast profit for FY21 assumes current (Feb 2018) market interest rates for that reset. This causes a further forecast revenue reduction in FY21 of $11m post-tax. Market interest rates change over time, and so the cost of capital the Commission uses for our FY21 price reset may differ from what we have assumed in our FY21 profit forecast above.

The following are the NZ IFRS definitions for the above terms:

Profit after tax	As defined under NZ IAS1
Debt	Net interest bearing debt
Equity	Shareholders' equity, including accumulated reserves
Total assets	The carrying value of all assets.

Our key assumptions for our financial performance targets above are:

- our financial targets are for the consolidated group
- our financial targets are in nominal terms and include forecast inflation
- our future network prices will comply with the Commerce Commission's price limits
- 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 2018
- no major investments/divestments
- no future natural disasters or materially adverse decisions by regulatory agencies
- no future asset revaluations.

[4] FY19 is the final year of our CPP period.

[5] Claw-back is how the Commission allows us to recover our pre-FY15 (pre-CPP period) quake costs.

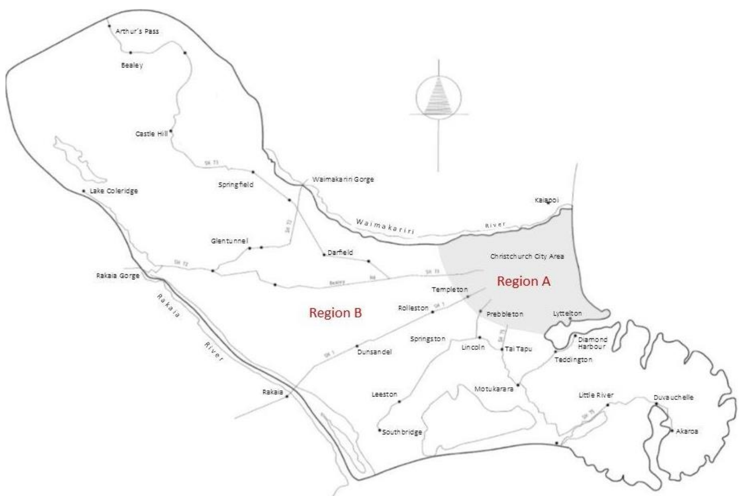
Appendix 2 Our network reliability targets

	Approximate customer connections 31 March 2018	Targets FY19 to FY21	Actual FY18	Actual FY17	Industry weighted average FY17
Orion network:			*	*	*
Duration of supply interruptions in minutes per connected customer – SAIDI					
- region A	170,000	22	29	34	
- region B	31,000	357	354	355	
- overall	201,000	73	79	80	233
Number of supply interruptions per connected customer – SAIFI					
- region A	170,000	0.6	0.6	0.4	
- region B	31,000	2.3	3.1	2.9	
- overall	201,000	0.9	1.0	0.8	2.0

* These columns are stated gross – before the Commerce Commission’s normalisation (see note 2 below).

Notes:

1. Natural disasters and other catastrophic events can cause significant numbers and/or durations of network supply interruptions. The future occurrence and/or severity of these major events cannot be predicted.
2. The Commerce Commission sets performance limits for our overall network reliability, pursuant to our customised price-quality path (CPP). The Commission assesses our performance against those limits, after ‘normalising’ for the impacts of ‘major events’. Our targets above are consistent with our CPP network reliability limits, but they don’t allow for major events. After applying the Commission’s normalisation methodology, we achieved our CPP network reliability limits in FY15, FY16, FY17 and FY18[6].
3. SAIDI and SAIFI are standard industry measures for network reliability – they include planned and unplanned interruptions, but they exclude interruptions that are caused by electricity generators or Transpower, or are caused by the low voltage (400V) network, or last for less than one minute.
4. As Christchurch has spread west post-quake, it has become difficult to define a split between urban and rural. We have therefore changed to two regions. *Region A* is largely supplied from Transpower’s Islington and Bromley grid exit points. *Region B* is largely supplied from other grid exit points.
5. In late 2019, the Commission will reset our network reliability limits for FY21 to FY25. As part of that process, we will make submissions to the Commission with the aim that our reset limits are achievable and in the long-term interests of our customers.



6 Subject to audit confirmation for FY18.

Appendix 3 Our network development targets

1. Work with the CCC, government agencies and property developers to support the CBD rebuild

Target date: Ongoing

We work with these parties on an ongoing basis. Each development needs to be individually assessed. Our aims are to provide great customer service, to minimise network outages and to protect the integrity of our network.

2. Install a new 11kV feed to Lyttelton

Target date: 31 March 2019

The Lyttelton port is an important lifelines facility for the city and region, so it is important that our feed to the area is resilient and reliable. In order to ensure that outcome:

- we upgraded our existing 11kV overhead line feed to Lyttelton in FY18
- we plan to install a separate 11kV cable feed to Lyttelton in FY19.

We are working with the tunnel owner, NZTA, to ensure that its requirements for this project are met.

3. Replace the 33kV outdoor circuit breakers at our Islington zone substation

Target date: 31 March 2019

We will replace these with indoor circuit breakers in a purpose-built switch room. This project is part of our ongoing asset lifecycle management and upgrades of local spur assets that we have acquired from Transpower since 2012. The outdoor breakers are nearing end-of-life.

4. Install a second transformer at our Waimakariri zone substation

Target date: 31 March 2019

This project aims to support continued load growth in the north of Christchurch, this includes maintaining our security of supply standards.

Appendix 4 Our environmental targets

1. Comply with applicable environmental legislation

Target date: Ongoing

We are committed to being environmentally responsible, consistent with our principal objective to operate as a successful business. The board reviews our overarching environmental policy at least annually and we publish it on our website.

Our most significant impacts, or potential environmental impacts, are:

- our carbon footprint
- sulphur hexafluoride (SF_6) gas losses to the atmosphere from our network equipment
- uncontained oil spills from our network transformers.

Our targets for these three key issues are below.

2. Measure our carbon footprint for our operations and identify options to reduce it

Target date: 31 March 2019

In order to reduce our carbon footprint, we need to understand what causes it.

3. Continue to undertake and encourage demand side management (DSM)

Target date: Ongoing

Our DSM initiatives aim to reduce network peaks so as to reduce electrical losses, prevent over investment in network assets and reduce the need for fossil fuel generation during peak demand periods.

Key elements of our DSM initiatives are:

- our cost-reflective network pricing – which aims to reflect the costs of providing our network delivery service. Our pricing helps our customers to make efficient decisions about which form of energy to use and when to use it, which contributes to overall economic welfare and long-term carbon savings
- our residential hot water cylinder load management – which helps us shift demand away from peak demand periods
- our collaboration with other electricity distributors on the upper South Island centralised load management control system – which helps to reduce transmission system peaks.

4. Keep annual SF_6 gas losses below 0.8% per year

Target date: Ongoing

Most of our 66kV circuit breakers use SF_6 gas as the interruption medium. We haven't yet found a viable vacuum option for this voltage. In our memorandum of understanding with the Ministry for the Environment, we commit to keeping annual SF_6 gas losses below 1% of the total contained in our network equipment. We have documented procedures to assist us to achieve that commitment.

5. Keep non-contained oil spills to nil

Target date: Ongoing

We have installed oil containment bunding at our zone substations that have oil-filled transformers. We also have documented oil spill mitigation procedures to quickly and effectively deal with incidents should they occur.

6. Continue to sponsor Community Energy Action (CEA)

Target date: Ongoing

We have sponsored and supported CEA since its inception in 1994.

CEA aims to

- provide advice and education to our local community
- provide leadership and advocacy within our community and on a national level
- ensure relevant energy efficiency solutions are available to all households in our community.

We currently make financial sponsorship grants to CEA of $200,000 per year and we will continue that level of financial sponsorship in FY19. More than 20,000 local homes have benefited from CEA's services.

7. Have at least 35 public electric vehicle (EV) charge stations installed around our region

Target date: 31 March 2019

New Zealand's electricity generation is largely renewable, so it makes sense to facilitate the take-up of EVs and hybrid vehicles in our region.

Our research tells us that the vast majority of EV charging will be done at home. Research also tells us that EV 'range anxiety' is an impediment to customers converting to EVs. In order to reduce range anxiety, we and our partners have so far installed:

- 18 charge stations at our head office site that the public may use free of charge during weekday work hours
- 25 public charge stations around our region – our target is to expand this to 35 by 31 March 2019.

We will continue to collaborate with our partners to install public chargers around our region. Our charger sites are easy to locate on the popular EV app – *plugshare*.

8. Convert 30% of Orion's operation passenger vehicle fleet to electric drive capability

Target date: 31 March 2019

We are on track to achieve this target, with 27% of our operational passenger fleet already converted.

Appendix 5 Our health and safety targets

1. No serious safety events involving our employees or our contractors

Target date: Ongoing

This target covers Orion and Connetics. A serious event is defined as a notifiable event, as per section 25 of the Health and Safety at Work Act 2015. We are focused on continuous improvement of our safety management systems, especially preventing serious safety events.

2. No serious events involving members of the public

Target date: Ongoing

This target excludes car versus pole accidents, because it is not possible to ensure the completeness and accuracy of car versus pole accident data.

3. Promote our local public safety education and awareness programme in the safe use of electricity

Target date: Ongoing

Our public safety programme covers issues such as tree owner responsibilities near overhead lines, close approach to lines with irrigators and other operators of plant, scaffolding near lines, householder maintenance near lines, digging near underground cables, moving high loads such as houses or large boats and safety and security near electrical equipment. We especially target contractors and their principals because they are exposed to significant hazards in the field – especially those involved in the wider post-quake rebuild.

We deliver our messages through our website, community shows, presentations to targeted groups and through regular media outlets such as local newspapers and radio.

WorkSafe has a mandatory code of practice for working within four metres of overhead networks and there are industry best practice guides for working near underground networks and transport of high loads. Our written consent is required to allow such work to be undertaken near our network.

Appendix 6 Our community and employment targets

1. Achieve voluntary annual staff turnover of less than 5% for Orion and less than 10% for Connetics

Target date: Ongoing

These targets exclude the impacts of employees leaving for reasons of retirement, redundancy or on completion of a fixed term (or casual) employment contract or disciplinary related.

Employee turnover was:

- Orion – 3% in FY17 (current forecast 5% in FY18)
- Connetics – 7% in FY17 (current forecast 15% in FY18).

2. Ensure sustainable network asset management competence via our Orion engineering development programme

Target date: Ongoing

Our programme continues to successfully develop and place talented and motivated people into key positions in our business. We advertise internally and externally for candidates. Successful candidates are selected on merit.

Engineering trainees are trained and gain work experience in the business, with a view to placing them in areas where there are current or forecast skill shortages and/or succession opportunities. Trainees usually complete the programme in three to four years, and are then offered roles in the company.

As at 31 December 2017, six employees were in the Orion engineering development programme.

3. Ensure sustainable contracting skills competence via our Connetics apprentice scheme

Target date: Ongoing

Connetics will continue with this scheme to ensure that our key contracting subsidiary company sustainably develops and improves its industry competencies.

As at 31 December 2017, Connetics employed 31 apprentices.

4. Support the Ara Trades programme

Target date: Ongoing

Ara Institute of Canterbury has a simulated subdivision at its Sullivan Avenue site, where trades trainees can be trained in real life situations. The facility is fully operational for electricity distribution – including overhead lines, underground cables and substations – and it's an important part of our competence training for our employees, for our contractors and for the industry.

5. Undertake diversity and inclusion training for all Orion employees

Target date: 31 October 2018

Our objectives are to achieve an inclusive culture and environment, where diversity is valued and embraced. In this regard, it is vital that we engage with our people so that we all understand what we want to achieve and why. Following this initial engagement stage, we envisage that we will set further targets for this area.