



Orion New Zealand Limited

Statement of intent

For FY17, FY18 and FY19

Approved by the Orion board
31 March 2016

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A Introduction

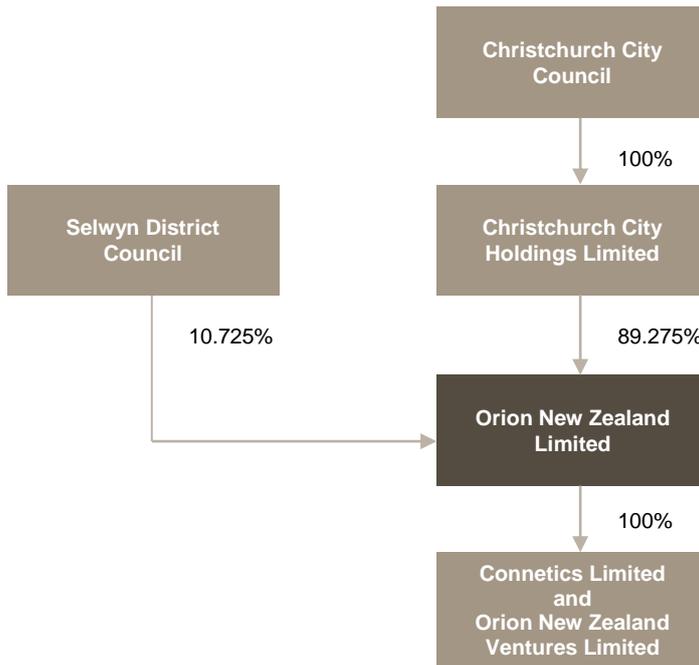
This statement of intent (SOI) sets out Orion New Zealand Limited's (Orion's) overall intentions and objectives. This SOI also covers our wholly-owned subsidiary companies, Connetics Limited and Orion New Zealand Ventures Limited.

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.

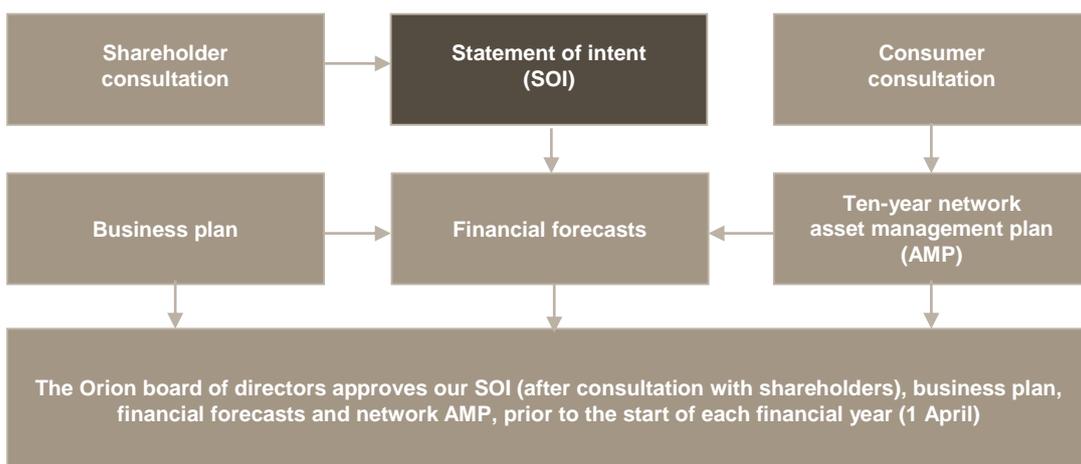
We review and update our SOI at least annually, in consultation with our shareholders.

This SOI covers FY17, FY18 and 19. Our financial years are denoted with the "FY" prefix – for example, FY17 means the year ended 31 March 2017.

Our group structure is as follows:



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



B The nature and scope of our activities

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

- a 'liveable' city and region
- strong communities
- a healthy environment
- a prosperous economy.

We will continue to support our community's aspirations through:

- good governance and stewardship
- a safe, resilient and reliable network
- good environmental practice
- community and stakeholder engagement
- good customer service
- innovation.

Our objectives and initiatives in this SOI highlight the ways that we will do this.

We will undertake activities to:

- plan, construct and maintain a safe, resilient, reliable and efficient electricity distribution network in the Christchurch and central Canterbury region
- provide commercial services that are ancillary to our electricity distribution service
- recover our prudent and efficient costs
- provide efficient processes that support competition among electricity retailers and generators
- seek investment/acquisition opportunities in the infrastructure and energy sectors
- manage, grow and if appropriate, realise our other subsidiary and associate company interests.

C Our objectives

Our network resilience and reliability

A resilient and reliable supply of energy is critical to consumers and our community. We connect our customers with New Zealand's largely clean renewable electricity generation – including hydro, geothermal and wind generation.

Network resilience refers to the ability of an electricity network to maintain and restore supply to consumers, particularly following high impact, low probability (HILP) events. Network reliability refers to the extent that an electricity network provides consumers with an uninterrupted supply of electricity. Network security refers to the ability of an electricity network to maintain and restore supply, following one or more faults on the network. Network architecture refers to how we design our network at different voltage levels.

We will aim to maintain, upgrade and expand our electricity distribution network to comply with our network security of supply standard, and our network resilience and reliability objectives and targets – as published in our network AMP. We review and update our AMP every year and we publish it on our website – usually in March. Our AMP is publicly available on request.

We will aim to ensure that we add new network capacity to match actual and forecast market demand in a timely, prudent and efficient manner. We will continue our innovative demand side initiatives – such as cost reflective network price signals and load interruption agreements with consumers.

We will aim to restore our network's resilience and reliability to near pre-quake levels by FY19. We're making good progress on this, and we will continue to invest to achieve our aim.

We reviewed and reconfirmed our network security of supply standard in FY13. We also reviewed our urban network architecture. In this review, we reconfirmed our objective to over time build more network resilience and interconnection in our high voltage 66kV sub-transmission system rather than our 11kV system.

When HILP events occur, our approach includes:

- urgent restoration of supply where practicable and safe
- repairs where economic
- temporary alternatives where repairs or replacements cannot occur quickly
- replacement where repairs are not economic or where repairs cannot occur quickly
- planned projects brought forward to restore network capacity, resilience and reliability to areas where our network has been damaged and to where the wider rebuild occurs.

We will aim to ensure that our contingency plans and practices are relevant and robust.

We will continue to work with Transpower to provide our region with prudent and cost effective transmission services – including the provision of adequate grid capacity and resilience, consistent with good industry practice and the long-term interests of consumers.

Our role in the region's wider recovery and rebuild

We will aim to provide an electricity distribution network delivery service that meets the long term interests of consumers and our community. Our principal roles are to:

- restore network resilience and reliability
- invest to meet future connection and electricity demand growth
- co-operate with property developers, local authorities and other agencies to ensure timely provision of network services
- make it easy for consumers to connect and reconnect to our network
- make it easy for electricity generators to connect to our network – including on-site and distributed electricity generation, such as solar and wind generation
- make it easy for consumers to adopt new technologies – such as electric vehicles and battery storage.

Our commercial objectives

We will aim to operate as a successful and sustainable business and provide our shareholders with appropriate risk-adjusted returns on their investment. To achieve this, we will aim to:

- achieve our performance targets referred to in section F
- understand and meet consumers' needs in terms of network safety, resilience and reliability
- innovate and continually improve the efficiency and effectiveness of our operations
- be agile in adapting to and adopting emerging technologies
- continually improve our customer engagement and customer service
- prudently and efficiently invest in the network
- recover our prudent and efficient costs, including a fair risk-adjusted cost of capital
- prudently and efficiently identify and manage our key risks
- align our network delivery service agreements with the requirements of relevant industry legislation and regulation
- undertake new investments in the infrastructure and energy sectors which (taken as a whole) over their life 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 distribution service, on a commercial basis
- if appropriate, realise investments over time.

Our costs

We will seek innovative ways to reduce our capital and operating costs.

For example, we signal the long-term economic costs of providing our network services to consumers in our network

delivery prices. These signals aim to incentivise consumers 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, where appropriate, competitively tender substantive network works and procurement.

We are responsible for a key community infrastructure asset – the local electricity distribution network. It's important that we provide consumers with a safe, resilient, reliable and efficient network delivery service. This requires a long term view, and prudent and timely investment. We believe that the long term economic costs for consumers of lower levels of network resilience and reliability outweigh the short term benefits of related cost savings.

Our network prices and our customised price-quality path (CPP)

Our electricity distribution network charges make up around a quarter of a typical household and business power bill in Christchurch and central Canterbury.

We will aim to ensure that our network prices reflect our prudent and efficient costs, including a fair risk-adjusted return on our investment. Full economic cost recovery retains our incentives to continue to invest in the capacity, resilience and reliability of the network, in the long term interests of consumers.

The Commerce Commission released its final CPP determination on 29 November 2013. The CPP determination set our network reliability limits and our maximum network prices for the five years ending 31 March 2019.

We will aim to comply with the Commission's CPP determination. We will aim to pass on Transpower's charges for electricity transmission to our network customers (principally electricity retailers).

Emerging technologies

Emerging technologies are an increasing focus for us. Current discussion centres on electric vehicles (EVs), in-home photovoltaics, in-home batteries and in-home energy management systems – but there will be many more new technologies and innovations. These innovations will lead to changing customer demand and opportunities for further network efficiencies. In light of these issues, we:

- are continuously assessing emerging technologies, while engaging with industry experts and stakeholders
- reviewing our network planning assumptions in light of emerging technologies
- are a founding and active member of the Christchurch electric vehicle forum
- are working with partners to install public charging stations throughout our network area in FY17
- have purchased seven Mitsubishi Outlander hybrids and a Nissan Leaf EV for our operational fleet, as a trial to assess their wider suitability for our fleet.

Our risk management

We will aim to understand the context, likelihood and potential consequences of our key risks, and we will aim to manage our key risks, consistent with the risk management standard AS/NZS 31000. There is more information about our key risks, and our risk management processes and plans, in section 6 of our ten-year network AMP.

Our social responsibility and community interest

Our key role is to ensure that our electricity distribution network matches consumers' expectations for network safety, capacity, resilience and reliability as prudently and efficiently as possible.

The benefits to the public of community ownership result from the dividends paid by the company to our shareholders. Our ultimate council shareholders use those dividends in the manner specified in their respective plans and budgets. We consider that achieving a fair risk-adjusted return on capital is socially responsible and is in consumers' and our community's long term interests.

We will aim to 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 consumers and key stakeholders.

Our people

We will aim to be a good, socially responsible employer. Our ability to recruit, develop and retain competent, motivated and committed employees and contractors is essential to our efficiency and effectiveness. We are an equal opportunity employer.

We will 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.

Health and safety

Health and safety is everyone's responsibility.

We aim to have safe worksites and a safe network – for our employees, contractors, visitors, consumers and the public. Electricity has specific health and safety legislative and regulatory requirements. We take a risk-based approach to health and safety. We also aim to have a fit-for-purpose health and safety management system, one with effective and robust:

- 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
- culture of continuous improvement
- compliance with legislation.

The environment

We are committed to working towards a sustainable environment. We publish our environmental sustainability policies on our website. We review our policies at least annually.

Our interaction with regulatory agencies

Regulatory agencies develop and administer several key regional and city planning documents. We aim to co-operate with and meet the objectives of relevant regulatory agencies, and comply with all applicable planning requirements, where practicable. Key regulatory planning documents include:

The Christchurch City Council (CCC)

The City Plan

The Greater Christchurch Urban Development Strategy

The Christchurch Economic Development Strategy

The Christchurch Economic Recovery Strategy

The Safer Christchurch Strategy

The Road Safety Strategy

The Christchurch Transport Strategic Plan

The Sustainable Energy Strategy

The Selwyn District Council (SDC)

The Selwyn District Plan

Environment Canterbury (Ecan)

The Regional Policy Statement

The Canterbury Water Management Strategy

The Canterbury Regional Transport Strategy

Land and Water Regional Plan

The Canterbury Earthquake Recovery Authority (CERA)
and Regenerate Christchurch

The Recovery Strategy for Greater Christchurch

The Christchurch Central Recovery Plan

The Land Use Recovery Plan

An Accessible City

Undergrounding

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.

Compliance

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

D 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 within the company. The board's responsibilities include areas of stewardship such as:

- commercial performance
- business plans and budgets
- company policies
- financial and dividend policies
- management oversight and development
- delegations of authority
- identification and management of business risks
- identification and management of business opportunities
- internal control systems
- integrity of management information systems
- relationships with stakeholders and external parties
- compliance with relevant law
- reports to shareholders.

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 the company's public website.

Board membership

Pursuant to the company's constitution:

- one Orion director is appointed by the Selwyn District Council
- all other Orion directors are appointed by Christchurch City Holdings Limited.

The board chairman is elected by the board.

Board operation

The operation of the board is governed by the company's constitution and the board's code of conduct.

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.

Code of conduct

The board has adopted a code of conduct. The code clarifies how the board and directors shall undertake their responsibilities, including:

- the role and fundamental obligations of the board and directors
- the terms of reference and operation of board committees
- independence and conflicts of interest, including any conflicts with management
- board procedures
- the role of the chairman
- interaction with the chief executive officer and the senior management team
- reliance on information and independent advice
- confidentiality of company information
- shareholder participation
- board and director performance review and development.

The board reviews the code of conduct every year to reflect good practice.

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

The board meets approximately 10 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.

Board committees

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 as follows:

- the audit committee liaises with the company's independent auditor, Audit New Zealand on behalf of the Auditor-General, 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

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.

Loans to directors

The company and group do not make loans to directors.

Conflicts of interest

The board operates a formal directors' interests register and this register is reviewed at the start of every board meeting for any necessary updates. Directors are required to:

- not have any significant conflict of interest and/or the appearance of a conflict of interest that is potentially detrimental to the company
- declare any interest immediately to the board and refrain from voting on an issue or a transaction in which they have an interest
- disclose to the board all business relationships relevant to the company
- if requested by any other director, withdraw from any meeting where discussion of an issue or transaction will occur in which they have an interest
- comply with sections 139 to 149 of the Companies Act 1993
- not generally provide business or professional services of an ongoing nature to the company.

Employees are also required to not become involved in any activity that may affect or compromise their ability to perform their duties, or may be in conflict with the interests of the company. If employees become aware that they (or their family members or associates) have a potential conflict of interest, they are required to advise their manager.

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.

Investments in other companies

The board receives regular updates on, and monitors the performance of each investee company.

Policies

The board formally reviews the company's key policies, and any recommendations for changes from management, at least annually.

Auditor

Pursuant to section 45 of the Energy Companies Act 1992 and section 15 of the Public Audit Act 2001, Audit New Zealand on behalf of the Auditor-General is the auditor of the company.

E Our performance targets

Our performance targets are shown in Appendices 1 to 6 of this SOI.

F Our dividends

We will pay dividends to our shareholders after taking into account:

- the company's current and forecast financial position and profitability
- the company's current and forecast investment and funding requirements
- the solvency test, pursuant to section 53 of the Companies Act 1993.

We will pay our ordinary imputed dividends in two equal instalments – in June and December.

Our forecast dividends are close to the maximum that we forecast can be paid as fully imputed dividends.

G Our capital structure

We will aim to manage the company's 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 these uninsurable risks, Orion should have relatively conservative debt

gearing. We will aim to ensure that the company retains at least a strong capacity to pay its debts when they fall due – this implies retaining an implicit Standard and Poor's credit rating of at least A-minus.

We forecast that our debt gearing will rise for the next two financial years due to:

- our relatively high levels of network investment to restore network resilience and reliability by FY19
- our dividend policy.

Despite the forecast rise in debt gearing, we forecast that the company will retain sufficient financial flexibility, even if another catastrophic event similar in magnitude to the 22 February 2011 earthquake occurs.

CCHL intends to undertake a review of Orion's capital structure. We will assist with CCHL's review.

H Our accounting policies

Our accounting policies will be consistent with the Financial Reporting Act 1993 and the policies adopted by the Christchurch City Council group. Our accounting policies will comply with applicable NZ IFRS standards and interpretations. NZ IFRS standards and interpretations are subject to change and therefore our accounting policies are also subject to change during the three year period of this SOI.

Subject to those possible changes, our accounting policies will be consistent with those published in our most recent annual report – oriongroup.co.nz/corporate/corporate-publications/annual-reports/, except that cash capital contributions will be offset against the associated capital expenditure rather than the previous policy of recognising these contributions as revenue.

I How we'll report to 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.

We will submit an annual report to our shareholders. Our annual report will include our audited financial statements (including performance statements) and other information as necessary to permit an informed assessment of the group's performance and financial position during the reporting period.

We will submit quarterly 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 reports to shareholders will outline our performance in terms of:

- financial
- network development
- network reliability
- environment
- health and safety
- community and employment.

We will update and publish our ten-year network AMP before 1 April each year.

We will aim to operate on a 'no surprises' basis in respect of significant shareholder-related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

We will provide information requested by the shareholders in accordance with the requirements of the Energy Companies Act 1992 and the company's constitution. The books, records and accounts maintained by, or on behalf of, the company will be made available in accordance with the Companies Act 1993 and the Energy Companies Act 1992.

J 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 long-term commercial objectives. When our subscription, acquisition or divestment is considered by directors to be significant to the company's business operations, we will consult with our shareholders.

Major transactions as defined in section 129(2) of the Companies Act 1993, will be subject to shareholders' approval by special resolution. Notwithstanding the above, 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.

K Intercompany transactions

No material intercompany transactions are forecast to take place with our shareholders, or the wider Christchurch City Council group, during the three years covered by this SOI, except:

- payment of dividends
- services provided or received on an arms length commercial basis
- services received that are covered by local authority rates.

L Compensation we'll seek from local authorities

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's difficult to forecast the extent of these transactions over the next three years – the requests will most likely relate to discretionary conversions of overhead reticulation to underground, and to network reconfiguration to accommodate the wider post-quake rebuild.

M Our commercial relationships within the CCC/SDC group

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

N We'll co-operate if a shareholder decides to sell shares in Orion

If a shareholder decides to sell shares in Orion, we'll co-operate and work with that shareholder and its advisors, subject to our obligations at law.

O How we'll support growth in the regional economy

Our key role is to prudently manage our electricity distribution network, in the long-term interests of our shareholders and consumers. Delivering on our key role means that local individuals and businesses can continue to invest for growth, confident that their electricity will go on and stay on when they 'flick the switch'.

We will continue to support energy efficiency initiatives, especially those that enhance economic efficiency and growth.

P The commercial value of the 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 latest available audited financial statements. This value is reassessed annually when we prepare our audited financial statements.

Appendix 1 Our financial performance targets

	FY17	FY18	FY19
Profit after tax (\$m)	47.5	47.6	51.0
Profit after tax to average equity (%)	7.3	7.3	7.9
Fully imputed dividends (\$m)	52	52	53
Debt to debt plus equity (%)	29	32	32
Equity to debt plus equity (%)	71	68	68
Equity to total assets (%)	57	56	55

The following are definitions of the above terms:

<i>Profit after tax</i>	As defined under NZ IAS1
<i>Debt</i>	Net interest bearing debt
<i>Equity</i>	Shareholders' equity, including accumulated reserves
<i>Total assets</i>	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 future cost inflation
- our future network prices will comply with the Commerce Commission's CPP determination
- all 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 2016
- no major investments/divestments
- no future natural disasters
- no future decisions by the Government or regulatory agencies that would have a materially adverse financial impact on the company
- no future asset revaluations.

Appendix 2 Our network reliability targets

	Approx no of customer connections 31 March 2016	Target FY19	Target FY18	Target FY17	Current forecast FY16	Actual FY15	Industry average FY15
Orion network:					*	*	*
Duration of supply interruptions in minutes per year per connected customer – SAIDI							
- urban	165,000	21	24	27	38	69	
- rural	29,000	368	430	475	599	468	
- overall	194,000	73	82	91	120	126	292
Number of supply interruptions per year per connected customer – SAIFI							
- urban	165,000	0.6	0.7	0.8	0.6	0.6	
- rural	29,000	2.7	2.9	3.4	4.9	4.3	
- overall	194,000	0.9	1.0	1.2	1.2	1.2	1.9

Notes:

1. Major storms, natural disasters and other catastrophic events can cause significant numbers and significant durations of network supply interruptions. We can't predict the occurrence and severity of these types of major events.
2. The Commerce Commission sets limits for and assesses the industry's network reliability performance. The Commission's network reliability limits are for overall networks, with no urban/rural split. The overall network reliability targets for FY16 above are the same as our customised price-quality path (CPP) network reliability limits for FY16.
3. The Commission assesses the industry's actual performance relative to those limits, after 'normalising' for the impacts of major events.
4. The columns marked with an asterisk (*) above are stated gross – that is, before applying the Commission's normalisation methodology for the impacts of major events.
5. We achieved our network reliability CPP limits in FY15, after applying the Commission's normalisation methodology. We forecast that we will achieve our network reliability CPP limits in FY16, after applying the Commission's normalisation methodology.
6. Our FY17, FY18 and FY19 targets above are consistent with our CPP network reliability limits.
7. As Christchurch 'spreads west' in the post-quake rebuild, it becomes more difficult to define an appropriate split between urban and rural.
8. The industry averages are weighted averages for all 29 New Zealand electricity distribution networks – a mixture of rural and urban networks. The company's network includes a significant rural component.
9. SAIDI and SAIFI measures are standard industry measures for network reliability:
 - SAIDI: system average interruption duration index – the average duration of interruptions to supply that each consumer experiences
 - SAIFI: system average interruption frequency index – the average number of interruptions that each consumer experiences.

Appendix 3 Our network development targets

1. Complete the 66kV sub-transmission 'northern loop'

Target date: 31 May 2016

We're aiming to complete this series of projects before winter 2016. Our new 66kV underground cables will link our Waimakariri, Papanui and Rawhiti zone substations. Completing the northern loop will be a major milestone for us because it will largely complete our interconnected urban 66kV sub-transmission network – and so ensure long-term capacity and resilience for our whole urban network.

2. Continue to work with the Christchurch City Council (CCC) and other Government agencies to re-establish power and network resilience to the central business district (CBD) according to agreed priorities and timeframes

Target date: Ongoing

We work with CCC, Government agencies and property developers on an ongoing basis.

Our 66kV and 11kV underground cable assets in the CBD sustained relatively little damage from the quakes and we aim to provide a resilient and reliable network to CBD businesses and residents in the years ahead. Each new development in the CBD needs to be individually assessed.

The CCC and Government agencies may also require new network configurations in the CBD as they further develop and implement aspects of the CBD blueprint and rebuild.

We are working with the authorities, building owners and demolition contractors in order to minimise network outages and to protect and recover our network assets as appropriate.

3. Continue to support the key regional quake recovery planning documents

Target date: Ongoing

Our key role here is to restore network resilience and reliability and to plan for future customer load growth and new connections. Our key network planning and accountability document is our ten-year network asset management plan (AMP). We will aim to ensure that our AMP remains up to date and consistent with good industry practice, while taking approved regional recovery documents fully into account.

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.

We believe that our most significant impacts, or potential environmental impacts, are:

- our carbon footprint
- sulphur hexafluoride (SF₆) 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. Continue to undertake and encourage demand side management (DSM)

Target date: Ongoing

Over 90% of our annual carbon footprint comes from electrical losses, a natural phenomenon caused by the heating of an electricity distribution network as electricity passes through it, and from the carbon embedded in network assets. Electrical losses increase considerably when network assets are highly loaded, especially during peak demand periods. It therefore makes sense to 'smooth out' (reduce) peaks via DSM initiatives where practicable.

Our DSM initiatives also aim to prevent overinvestment in network assets.

Our network pricing aims to reflect the economic costs of providing our network delivery service. Our pricing helps consumers 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.

We also assist local businesses to install peak load lopping diesel generation, and we continue to co-operate with other electricity distributors on the upper South Island centralised load management control system.

We will continue with our DSM initiatives.

3. Keep annual SF₆ gas losses below 1% per year

Target date: Ongoing

Most of our 66kV circuit breakers use SF₆ 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 SF₆ gas losses below 1% of the total contained in our network equipment. We have documented procedures to assist us to achieve that commitment.

4. Keep non-contained transformer 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.

5. Continue to support and sponsor Community Energy Action (CEA)

Target date: Ongoing

We have sponsored and supported CEA since its inception in 1994. For several years, we have made financial sponsorship grants to CEA of \$150,000 per year. We're continuing that financial sponsorship in 2016. We'll also continue to assist CEA with other day to day operational issues. More than 20,000 local homes have benefited from CEA's services.

6. Work with partners to establish a publicly available electric vehicle (EV) charging network in our region

Target date: 31 March 2017

New Zealand's electricity generation is largely renewable, especially so for our network area, so it makes sense to facilitate the take-up of EVs and hybrid vehicles in our region. We'll aim for at least five charge stations to be fast-charge – able to do a full EV battery charge in around half an hour.

We have several EV chargers for our fleet on our head office site at Wairakei Road, and one will be available for public use.

7. Continue to support the Christchurch City Council's sustainable energy strategy

Target date: Ongoing

We will continue to seek ways to reduce peak loads on our network and increase our network load factor.

We will enable the safe and efficient connection of a range of distributed electricity generation, including renewables.

We have been the principal sponsor of the first two EVelocity events, where local high school teams design, build and race electric vehicles at a local track. We're continuing our sponsorship of this event in 2016.

Appendix 5 Our health and safety targets

1. No serious safety events impacting our employees and contractors

Target date: Ongoing

This target covers Orion and its contractors (including Connetics). A serious event includes notifiable injuries, illness or incidents as per the Health and Safety at Work Act 2015.

2. No accidents (excluding car versus pole traffic accidents) involving members of the public

Target date: Ongoing

This covers all accidents on our network. This target excludes car versus pole accidents, because it's not possible to ensure the completeness and accuracy of car versus pole accident data.

3. Continue with 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 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.

Our messages are delivered through a series of community shows, presentations to targeted groups and through regular media outlets such as local newspapers and radio. We especially target contractors and their principals because they are exposed to significant electricity distribution network hazards in the field – this includes contractors involved in the wider post-quake rebuild.

The Ministry of Business Innovation and Employment has published a mandatory code of practice for working within four metres of our overhead network. Orion's written consent is required to allow such work to be undertaken near our network. There is an industry best practice guide for working near our underground network.

We will continue to:

- develop and grow constructive relationships with contractors, their principals and other interested parties to promote safety around our electricity network assets
- advertise safety messages via local radio, print and rural A&P shows
- process safe approach consent applications.

Appendix 6 Our community and employment targets

1. Follow up on the results of our employee survey

Target date: 31 December 2016

We undertake this survey every second year – with the latest undertaken in late 2015. Our survey measures employees' perceptions of current workplace culture attributes. We have commenced working through the results with our work teams.

2. 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:

- 3% in FY15 for Orion (current forecast 3% in FY16)
- 7% in FY15 for Connetics (current forecast 7% in FY16).

3. Continue with our Orion engineering development programme

Target date: Ongoing

As at 31 December 2015, we employed five employees in our engineering development programme.

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.

We will continue to appoint new trainees each year.

4. Continue to develop 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 2015, Connetics employed 28 apprentices.

5. Continue to support the CPIT Trades Innovation Centre

Target date: Ongoing

The Christchurch Polytechnic Institute of Technology (CPIT) 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.