

For FY25, FY26 and FY27
The Orion Group

Statement of Intent





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Front cover: Tīrama Mai, the Christchurch City Council's festival of lights to celebrate Puaka Matariki, which is proudly powered by The Orion Group.
This page: Te Kaio Tumbledown Bay.

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Our purpose is to power a cleaner and brighter future with our community.

Introduction

This Statement of Intent (SOI) is submitted by the Board of Directors of Orion, in accordance with section 39 of the Energy Companies Act 1992 (the Act). It sets out the Board's overall intentions and objectives for Orion New Zealand Limited and its subsidiary companies (The Orion Group) for the year commencing 1 April 2024 and the following two financial years. The companies that comprise The Orion Group are listed in the Appendix.

At Orion, we're owned by the community we serve: the people of central Waitaha Canterbury.

That means we have a responsibility. To those people, but also to our environment and to the future generations who will call this region their home. Because a clean, reliable and fair energy system is key to the wellbeing and prosperity of any community.

That sense of responsibility and our deep ties to central Waitaha Canterbury are at the heart of our organisation. It's the reason we've been at the forefront of electricity safety, reliability and resilience in Aotearoa New Zealand for more than 125 years. It's why we're inspired to care more, work harder and think bigger for our customers.

And we love what we do. We love being of service and making a difference. We use our expertise to connect homes, businesses and people to a reliable, safe and innovative energy supply. From urban to rural, we're here to usher in the best possible future for all of us.

Yes, the future is always on our mind. Whether it's building human networks that foster learning and innovation or being the driving force behind a transition to a net-zero energy future, we aspire to be a catalyst for change. We want to make sure that everyone has easy access to clean energy now and tomorrow.

You'll find us at the forefront of facilitating our region's decarbonisation efforts. Our distribution system connects our community to Aotearoa New Zealand's most renewable energy sources, supporting our region to reduce environmental impacts, and prepare to integrate future energy options.

We encourage everyone to join us in embracing innovation. Because fresh thinking and new technologies are helping us provide more choice and control over the type of energy we all use – and when we use it.

Creating a better tomorrow is all about working 'together'. Progress thrives when people and ideas converge. That's why our purpose is to power a cleaner and brighter future with our community.

The next page outlines our strategy and five-year match fit focus areas.

Our Group Strategy

Purpose	Powering a cleaner and brighter future with our community
Impact	Driving prosperity for our region through balancing energy affordability, energy security and sustainability

Our Group strategy begins with our purpose – powering a cleaner and brighter future with our community – and talks to the impacts we want to make on regional prosperity through energy equity, sustainability, and energy security.

Our priority for the next five years is to get ‘match fit.’ This means our network will be ready for the increased demand as electricity plays a crucial role in decarbonising Aotearoa New Zealand. This SOI covers years two to four of our ‘match fit’ strategy and the following pages expand on this. Our five focus areas are:

- Fit for purpose capital structure
- Creating the preferred workplace
- Being a force for good in the communities we serve, enabling the equitable transition to a net zero, resilient future
- Facilitating decarbonisation and hosting capacity at lowest cost
- Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost.

Fit for purpose capital structure

Capital structure refers to the combination of debt and equity used by Orion to finance its operations and growth. Debt comes in the form of loans while equity may come in the form of owners’ contributions and retained earnings.

An appropriate capital structure is intended to enable Orion to manage financial sustainability over the long term and enable investment to fulfil our Purpose. It should provide appropriate flexibility to manage the business, regulatory environment and adjust in response to unexpected shocks whilst also delivering an appropriate level of certainty to our key shareholders.



Integrated reporting capital:
Assets & Financial

Creating the preferred workplace

Creating the preferred workplace is all about putting our people at the heart of everything we do through attracting, developing, and retaining a skilled and motivated team that feels included and reflects the diverse communities that we serve.

Actively looking for opportunities to better use our people’s skill and expertise and minimise their involvement in inefficient workflows.



Integrated reporting capital:
Know-how & People

Being a force for good in the communities we serve, enabling the equitable transition to a net zero, resilient future

Being a force for good refers to enabling the equitable transition to a net zero, resilient future. We will achieve this by being vigilant about our changing external environment and effectively manage emerging strategic threats and opportunities. Collaborating with local authorities and stakeholders on regional climate and energy plans.

Develop authentic, respectful and collaborative relationships with Ngāi Tahu and rūnanga. Play a proactive role, working with other trusted organisations, to understand and support our community households and commercial and industrial customers to close the “knowledge gap” on how they can move to a more energy efficient and greener way of living and working and reduce the environmental impact of our operations.



Integrated reporting capitals:
Know-how, Community & Environment

Facilitating decarbonisation & hosting capacity at lowest cost

Facilitating decarbonisation at lowest cost refers to maximising the use of the existing network with smart technologies and better data so that we can understand network demand and maximise ways to utilise our existing network. These insights help us to make decisions about how to build and when and how we work with customers to enable participation through flexibility. We want to be part of the solution not a blocker to the path to decarbonisation.



Integrated reporting capitals:
Assets & Know-how

Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost

As an intergenerational asset manager our duty is to make long-term investments for our community. This focus area will be accomplished by prioritising cost-effectiveness and efficiency through integrated systems, designing and building a network fit for the future and continuously innovating.



Integrated reporting capitals:
Know-how & People

Value Creation Model

Our Value Creation Model shows how we create, preserve and erode value. This helps us ensure the focus areas in our strategy create value for our stakeholders and business.

Powering a cleaner and brighter future with our community

Driving prosperity for our region through balancing energy affordability, energy security and sustainability

Inputs

Assets

Our built network and value chain, network management systems



Know-how

Technical knowledge and skills to build and design, asset management planning and technologies



Community

Reputation and goodwill, relationships with our community, regional partnerships for decarbonisation



Environment

Land for operations, SF6 use, delivering renewable and non-renewable electricity



People

Our diverse workforce, technical skills and capabilities



Financial

Shareholder equity and debt facilities
Regulated income from our customers
Innovating distribution pricing



What We Do



Connect people and power



Enable electricity distribution



Build and manage our network



Act to be future ready



Care for our people and community

Outputs

➔ **Designed, built and maintained electrical infrastructure, for our region and across Aotearoa**

➔ **A network that enables a safe, reliable and consistent supply of electricity to our customers**

➔ **Communicating with our customers and community to minimise the impact of disruptions**

➔ **Industry leadership and contribution**

➔ **Environmental and social impact of our activities in our community**

➔ **Employee value proposition and engagement**

➔ **Financial returns to our shareholders**

Outcomes for our Focus Areas

Facilitating decarbonisation and hosting capacity at lowest cost



- Using smart technologies and data to maximise our existing network
- Enabling participation through flexibility

Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost



- Prioritising cost-effectiveness and efficiency
- Designing and building a future-fit network through continual innovation

Being a force for good in the community we serve, enabling the net zero transition



- Managing emerging strategic threats and opportunities
- Holding authentic, respectful and collaborative relationships with Ngāi Tahu and papatipu rūnanga
- Collaborating on climate and energy plans

Creating the preferred workplace



- Utilising our people's skills and expertise
- Attracting, developing and retaining an inclusive team

Fit for purpose capital structure



- Fit for purpose capital structure
- Certainty to our shareholders and flexibility to respond to unexpected shocks

Fit for purpose capital structure

Key performance measures	Targets		
	FY25	FY26*	FY27*
Profit after tax (\$m) (including capital contributions)	16.5	24.3	35.8
Profit after tax (\$m) (excluding capital contributions)	12.0	19.5	30.7
Earnings before interest, tax, depreciation and amortisation (\$m)	114	144	172
Dividends (\$m)	25	30	35
Total Shareholder Return (%)	5.3%	6.3%	6.9%
Return on equity (PAT incl capital contributions/ Average Equity) (%)	1.9%	2.7%	3.9%
Debt over EBITDA	5.9x	5.6x	5.7x
Debt over Regulated Asset Base (%)	40%	43%	47%

* FY26 and FY27 are subject to DPP4 reset

The key outcomes in this focus area:

Target capital structure

While not formally rated, Orion seeks to maintain a capital structure consistent with achieving a minimum supported issuer indicative credit rating of A- (Standard and Poor's) and a standalone (unsupported) indicative credit rating of BBB.

The benefits associated with this level of rating/financial strength include:

- Availability of debt from both domestic and international debt markets
- Flexible longer term (10yr +) funding arrangements can be arranged
- Competitive debt pricing.

Dividends

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

Our distribution strategy is based on these key principles:

- Long-term sustainability is a priority
- Distribution growth matches operating cash flow growth
- Decisions on distributions are influenced by current financial conditions
- Market and regulatory conditions are considered.

The Board has considered our forecast capital and operating expenditure, and financial forecasts over the medium term and the implications for dividends and our target capital structure. All dividends will be subject to Board comfort with determining factors noted above at the time of declaration.

The Board considers dividends will be payable as follows:

- FY25 Dividend of \$25m, paid in two equal instalments in June 2024 and December 2024
- FY26 Dividend of \$30m, paid in two equal instalments in June 2025 and December 2025
- FY27 Dividend of \$35m, paid in two equal instalments in June 2026 and December 2026.

Our dividend profile is based on our current regulatory Default Price-quality Path (DPP) which finishes in FY25. Our SOI dividend forecasts are based on sustainable dividend growth but are subject to changes in our DPP from FY26 onwards.

We will advise shareholders on a "no surprises" basis in the event of any substantial investment (either because of the quantum or the nature of the investment), or material changes in regulatory settings which requires a significant increase in corporate debt, and/or has a subsequent material impact on dividends.

Regulatory financial impacts

Orion is price/quality regulated via a revenue cap and as such Orion's revenue line is regulated/set by the Commerce Commission. This revenue setting process is done in 5-year blocks and FY25 is the last year of the current 5-year block (April 2020 to March 2025). The Commerce Commission is in the process of resetting our revenue along with quality targets (along with the other price/quality regulated Electricity Distribution Business (EDBs) for the period from 1 April 2025. This process won't be concluded until late calendar year 2024/early calendar year 2025 and as such our financial forecasts from 1 April 2025 are highly uncertain.

In building up our forecast numbers for the upcoming regulatory period (5-year block) of April 2026 to March 2030, we have modelled assuming that Orion's revenue is reset in accordance with the Default Price-quality Path (DPP) mechanism that applies to all EDBs unless an EDB's revenue and quality standards are set via a Customised Price-quality Path (CPP). The option of applying for a CPP is under active consideration by Orion Board and Management to improve outcomes for stakeholders. If a CPP is applied for – this is a multi-year multi-million-dollar application process and will mean that at least 1 or 2 years of the default pricing applies until Orion's revenue and quality standards are reset via a CPP.

Return on capital

The economic regulatory framework limits the return Orion can generate from the electricity network to a prescribed regulated weighted average cost of capital (WACC), set by the Commerce Commission every five years. The Commerce Commission sets the allowed return on capital, and inflation-indexes our Regulated Asset Base (RAB) annually. Therefore, total return is split between a cash return (in the form of profit) and an annual increase in the value of RAB (in the form of inflation-based indexation).

Creating the preferred workplace

Key performance measures		Targets		
		FY25	FY26	FY27
Engagement Score		> 66% positive	> 67% positive	> 68% positive
Voluntary Turnover		< 14%	< 14%	< 14%
Gender				
Improve gender balance at all levels (people leaders and staff)	Orion	34:40:26 (female: male: any gender)	36:40:24 (female: male: any gender)	38:40:22 (female: male: any gender)
Reduce gender pay gap	Orion	< 14.9%	< 13.9%	<12.9%
	Connetics	Publish gender pay gap		
Health and safety				
Events that did or could have resulted in serious injury to employees (notified events)		≤4	≤4	≤4
Events that did or could have resulted in serious injury to service providers (notified events)		≤4	≤4	≤4
Events that did or could have resulted in serious injury to the public, excluding car versus pole incidents		≤1	≤1	≤1

The key outcomes in this focus area:

Our People focuses on understanding our future capability needs and developing our talent profile to meet the needs of tomorrow's workforce. We need to attract and source the right people to enable our future growth.

Our Place focuses on creating an environment that supports employee wellbeing and lifts performance by ensuring our workforce reflects the diverse communities we serve and embraces our differences. Activity is primarily aligned around our Diversity and Inclusiveness Programme.

Our Performance focuses on driving sustainable performance over time by ensuring our people have the confidence and capability to seek opportunities to improve performance. We are working on continuous improvement programmes that find opportunities to improve efficiency, create team readiness for change and ensure any improvements are sustainable.

Te Whāriki

This platform has helped to enrich our perspective on diversity and broaden our approach to how we work. By facilitating connections, Te Whāriki provides opportunities for our people to develop beyond their role and for The Orion Group to access knowledge and talent from a wider pool of people.

Gender pay gap

The Orion Group is committed to fair and equitable pay for all people and roles. In order to understand our pay equity, we have analysed the overall pay gap (average median pay for males versus average median pay for females). We have conducted an analysis on the drivers of our gender pay gap and have comprehensive action plans in place to close the gap at both Orion and Connetics. Orion has externally reported the gap on both their Careers website and on the New Zealand pay gap registry (mindthegap.co.nz).

Engagement and partnerships with other ethnicities

Enhancing our ethnic diversity is one of our DEI targets. Orion has gathered demographic data to better understand how representative we are of our communities. To support this mahi, The Orion Group is continuing to support the employee-led Inclusion Council (Orion) and Wellbeing Rōpū (Connetics) as well as developing attraction strategies customised to the demographic make-up of future New Zealanders.

Living wage

The Orion Group is dedicated to CCHL's commitment to paying above living wage, including any adjustments to the living wage. The Orion Group pays all employees on or above the living wage, except some apprentices while they are working towards their initial competencies and youth participating in work experience programmes.

Executive remuneration

We continue to be conscious of our community context and shareholding structure in setting remuneration for senior executives, which is closely managed by the Board and made publicly available via our Annual Report. We regularly compare our employee remuneration against relevant market data. In general, we aim to meet the Energy and Private markets.

In FY22, following an external review of remuneration frameworks across The Orion Group, both Connetics and Orion have adopted a series of recommendations to ensure a fair and equitable remuneration system. The review confirmed that Orion's remuneration practices and job evaluation methodology are sound; the Group is working towards improving the current practices to better reward high performance.

Health, safety and wellbeing

Our approach to the health, safety and wellbeing of our people focuses on senior leadership commitment and engagement, critical risk management and improving our systems and processes.

We continue a review of our critical risks and have commenced a dedicated programme to ensure our risk controls are fit for purpose and monitoring to capture new and emerging risks. Our critical risks include eight inherent risks. Connetics also has an additional 10 that cover situational high impact, low probability risks.

Being a force for good in the communities we serve, enabling the net zero transition

Key performance measures (to be reported year-end)	Targets		
	FY25	FY26	FY27
Collaborative local energy planning			
Key stakeholder agreement that Orion is considered a trusted core partner in the development of collaborative climate/energy strategies and plans (on a scale of 1 to 10)	6/10		
Empowering our customers and communities			
Our customers agree that Orion is prepared for a very different future for electricity	42%	44%	46%
Reducing the environmental impact of our operations			
Group operational carbon emissions	2456	2292	2112
Planting of native forest in partnership with Wairewa Rūnanga	45,000 seedlings planted	45,000 seedlings planted	45,000 seedlings planted

The key outcomes in this focus area:

Collaborative local energy planning

We have created future energy scenarios for the Orion area and significantly improved our regional energy modelling capabilities. This enables us to examine potential energy futures, including energy generation and demand in our network area up to 2050. This work is essential for guiding our network investment plans in the face of uncertainties, understanding transition-related changes and opportunities, and prioritising innovation. In FY25 we plan to engage with stakeholders, especially local authorities and major customers, to review and validate our energy scenario framework and assumptions. The collaborative effort will be a critical next step in promoting more coordinated energy transition planning throughout Orion's area.

Empowering our customers and communities

Households and communities: we will build on our recent work and relationships, including with Community Energy Action, Ōtautahi Community Housing Trust and Ecobulb, and our growing capability in data-driven consumer insights, to maximise the reach and impact of our support for households and communities, with a particular focus on supporting energy equity and community resilience. We will further develop and leverage our newly created Home Energy Living Lab as an environment to explore, develop and test solutions and services.

Industrial and commercial customers: we will continue to develop our advisory services for commercial and industrial customers, with a particular focus on industrial customers seeking to decarbonise their operations through conversion of coal and gas fired boilers to lower carbon alternatives, and those seeking to develop renewable generation within the region.

Reducing the environmental impact of our operations

This captures our culture of being responsible stewards of the assets and energy resources we manage. We recognise that our operations have environmental and social impacts and to be an authentic decarbonisation partner we must decouple our operations from carbon emissions. On that basis we have set a carbon reduction target aligned with keeping warming within 1.5 degrees and will track our progress towards it.

In addition, we are working with local landowners and Rūnanga to establish up to 300ha of indigenous forest in our network area. This will support biodiversity and have the additional benefit of creating carbon units that The Orion Group can use to inset its operational emissions. Orion will look for further partnership opportunities including with Selwyn District Council.

Facilitating decarbonisation and hosting capacity at lowest cost

Key performance measures	Targets		
	FY25	FY26	FY27
Network transformation			
RAB/Maximum System Coincident Demand. Note: better performance is that less RAB/MW of system coincident demand	In top 25% of EDBs	In top 25% of EDBs	In top 25% of EDBs
Number of installed monitors on transformers over 200kVa	200	200	Complete
Accuracy of operational/day ahead load forecast used for network peak demand management	>=85%	>=90%	>=92.5%
Maximising flexibility			
400kW flexibility in Lincoln trial	400kW	500kW	X

The key outcomes in this focus area:

Network transformation

Through our Network Transformation Programme, we are addressing the challenge and opportunity decarbonisation presents. Our programme's focus is ensuring we transition to a dynamic, energy-sharing, "smart" network that facilitates customer participation and integration of a range of renewable energy sources, electric vehicles, energy storage, and low carbon technologies (LCT), in a cost-effective way through optimising the network and leveraging spare capacity.

Maximising flexibility

The transition towards net-zero emissions is driving a need for more demand side flexibility to support the integration of intermittent renewables and improve utilisation of electricity networks. Existing approaches to flexibility, such as ripple relays and peak period pricing, are crucial to system security and help manage cost to customers. Orion is also exploring new approaches, such as flexibility services and innovating distribution pricing.

We are actively working with customers and stakeholders across the energy sector through a range of initiatives, both strategic and practical. Specific projects include our Lincoln flexibility trial to defer capital investment through flexibility services and Resi-flex, which aims to encourage residential flexibility by stimulating innovative customer offerings, such as smart tariffs.

Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost

Key performance measures	Targets		
	FY25	FY26	FY27
Network performance			
SAIDI – planned	39.68	39.68*	39.68*
SAIDI – unplanned	84.71	84.71*	84.71*
SAIDI – total minutes per customer	124.39	124.39*	124.39*
SAIFI – planned	0.1496	0.1496*	0.1496*
SAIFI – unplanned	1.0336	1.0336*	1.0336*
SAIFI – total number of interruptions per customer	1.1832	1.1832*	1.1832*
Resilience of our rural and urban network			
Hoon Hay zone substation upgrade and replacement of oil filled 66kV cables from Milton to Hoon Hay	Started	Underway	Complete
Replacement of oil filled 66kV cables from Halswell to Hoon Hay	Started	Underway	Complete
Integrated view of our assets and processes			
Integrated Asset Management programme deliverable	Business case complete	X	X
Customer experience of our network			
Overall performance – customers are satisfied with Orion as a lines company	8.3/10	8.3/10	8.3/10

*FY26 is subject to DPP4 reset and our quality targets are unknown at this stage

The key outcomes in this focus area:

Network performance

As a regulated business the Commerce Commission sets performance measures for our network reliability. SAIDI measures supply interruptions per customer by minutes and SAIFI measures supply interruption by number of outages. Our SAIDI and SAIFI measures are set for each Default Price-quality Period (DPP). The Commerce Commission sets the measures on the past performance of our network. Our Asset Management Plan (AMP) sets out our capital expenditure programme of work for the next ten years and is pivotal for allowances under the Commerce Commission DPP settings.

Resilience of our rural and urban network

Our region's greatest natural disaster risk is a major earthquake. This would test our network in different ways to 2011. To increase the network's resilience, we have planned to replace our oil filled 66kV cables over the next 10 years. We began this replacement in FY22, and it is a key risk mitigation for a potential Alpine Fault event (AF8). The architecture adopted also supports our future aspirations to power a cleaner and brighter future with our community.

Building an integrated view of our assets and processes

We are significantly shifting our approach to asset management through better use of data and technology. A fully integrated view will deliver efficient management of our assets. Over the next period, the Integrated Asset Management programme will focus on implementing a modern asset management platform, reviewing the end-to-end asset management value chain and associated processes. Key to this is the capturing and use of asset data and improving field force support through mobility.

Customer experience of our network

We value our customers and want to make their experience with us even better. Over the next period, our developing Customer Relationship Management system, use of the Snap Send Solve app, and refreshed Orion website will contribute to this. We'll also boost engagement through awareness campaigns, sharing stories via our Community Updates and digital channels, and implementing a Stakeholder and Community Engagement Plan. Our customers appreciate our focus on safety, reliability, and resilience, and most are satisfied with our current performance.

Governance

Board

Our shareholders appoint the directors to govern Orion New Zealand Limited. The Orion Board appoints the directors of Connetics Limited. The Orion Board is the overall and final body responsible for the direction and control of the activities and decision-making of both companies.

The boards' responsibilities include the overall strategy, objectives, stewardship, performance and reporting of the relevant entities and Group.

Board operation

Our boards are committed to best practice governance. Our boards' operations are subject to the companies' constitutions and the Board Charter. The Charter sets out how the boards and directors shall undertake their responsibilities.

The Orion Chair leads the Board and its relationship with shareholders and other major stakeholders. The Chair maintains a close professional relationship with the Group Chief Executive and leadership teams. New directors undertake an induction process to familiarise them with matters related to the company.

Policies

The boards review the companies' key policies at regular intervals. We develop new policies as needed to provide clarity and guidance to our people on changes in an evolving work and social environment.

Board performance and review

The boards regularly review their performance and the performance of the Group Chief Executive. The reviews identify opportunities and set plans for performance development and improvement. Orion maintains a regularly reviewed Orion directors' skills matrix with the skills and areas of expertise Orion needs mapped against our strategy and current capabilities.

Board meetings and committees

Each board meets approximately eight times per year. Additional meetings are convened as and when required. The boards' annual work programmes are set by each board before the start of each calendar year. The boards receive formal agenda papers and regular reports, generally a week in advance of meetings. The Integrated Leadership Team (ILT) and other business leaders in the Group are regularly involved in board discussions. Directors also have other opportunities to obtain information and may seek independent expert advice.

The boards delegate some responsibilities and tasks to board committees, but the boards retain the ultimate responsibility and accountability for any committee's actions or inactions. Subject to any conflict issues, all directors receive agenda papers for committee meetings and all directors may attend committee meetings.

The Orion Board has two standing committees:

- **Audit Risk Committee:** liaises with the company's independent external auditor and reviews the effectiveness of internal controls, financial and regulatory information, and climate reporting.
- **People and Culture Committee:** reviews the company's remuneration policies and practices. It reviews and sets the remuneration of the company's Chief Executives and ILT as well as providing guidance and feedback on succession planning, talent development, inclusion and diversity and other people and culture policies and practices.

Audit Risk and People and Culture activity is reported to the Connetics full Board.

Liability insurance and indemnity

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

Loans to directors or employees

The Group does not make loans to directors or employees.

Statement of Intent (SOI)

This SOI is prepared in accordance with section 39 of the Energy Companies Act 1992 and the Group's constitution.

Risk management

The Orion Group provides a flexible and purpose-built approach to the application of risk management and is consistent with ISO31000:2018 Risk Management Guideline. Our risk management processes and tools are embedded within our business operations, to drive consistent and accountable decision-making through an Enterprise Risk Management (ERM) approach. This ensures we have a complete, integrated, Group-wide focus on managing our strategic and operational risks and enables the Group to make clear decisions around opportunities. Our risk management approach is reviewed by the full Orion Board and reported to the Orion Board at least twice yearly.

Legislative compliance

To ensure we deliver on our Purpose we need to balance what is in the best interest of our community while managing our compliance under relevant legislation and regulation.

Auditor

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

Procurement practices

Where practical we are working with suppliers to move to 'All of Government' (AOG) contracts to gain efficiencies and lower rates.

Stakeholder engagement

We undertake annual stakeholder engagement surveys to engage with our community on their needs and how we are performing. This work is an integral part of our strategy and ensures we have the community's voice at the heart of everything we do. We are currently developing our Stakeholder Engagement Plan which will go to the Board in FY25.

Governance Continued

How we will report to our shareholders

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

- our audited financial statements
- our performance relative to the targets we set in our SOL
- how we are delivering on our Group Purpose and Strategy
- climate reporting
- other information to enable an informed assessment of the Group's governance.

We will deliver half-year reports to our shareholders that will contain unaudited information similar in content to our Annual Report and will comply with financial reporting standard NZ IAS 34 – Interim Financial Reporting. We will provide regular updates to our shareholders on our performance, which may include updates on financial, strategic, risk and operational issues.

Board and Management will meet regularly with shareholders to provide briefings and context on our five-year plan. We will also have a yearly investor day presentation to share progress with shareholders on our strategy and focus areas.

We will continue to support and co-operate with shareholders sharing information to assist with forecasting and shareholder strategic reporting.

Our accounting policies comply with applicable NZ IFRS standards and interpretations and will be consistent with the accounting policies adopted by the Christchurch City Council consolidated Group. We have applied the same accounting policies when preparing our financial forecasts in this SOL that we applied for our audited financial statements for the year ended 31 March 2023, [FY23 Annual Report](#). Our actual accounting policies may change because of changes to NZ IFRS standards and interpretations.

Acquisitions and divestments

We will only consider acquiring securities in a company or organisation, or divesting part of an existing business, where consistent with The Orion Group Strategy and Purpose. When we consider a transaction to be significant, we will consult with our shareholders with as much lead-time as is commercially practicable in the prevailing circumstances.

Major transactions as defined by the Companies Act 1993, will be subject to shareholders' approval by special resolution. Where we decide to incorporate or subscribe for shares in subsidiaries to undertake our commercial activities, we will ensure effective management.

Board control of any subsidiary is exercised by our Directors and Management. No material intercompany transactions are forecast to take place with our shareholders, or the wider CCC and SDC group, during the three years covered by this SOL, except the payment of dividends, services provided or received on an arms-length commercial basis and services received that are covered by local authority rates. We will advise shareholders of any additional material intercompany transactions which take place with our shareholders or the wider CCC and SDC group.

We operate on a "no surprises" basis with shareholders in respect of significant matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

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



Appendix

Notes and definitions

Financial

- Our financial targets are for the consolidated Orion Group and are in nominal terms – they include forecast inflation/escalation.
- Our key assumptions for our financial targets are:
 - our future electricity distribution revenues will be within the limits the Commerce Commission has set for Orion
 - our transmission charges from Transpower will be 'passed through' to customers
 - our future opex and capex will largely reflect the work programme in our 2024 Asset Management Plan, subject to any impacts of COVID-19 on our supply chain and resources
 - no future major investments/divestments
 - no future natural disasters, material adverse events or materially adverse decisions by regulatory agencies.

Reliability

- SAIDI and SAIFI are standard industry measures for network reliability:
 - SAIDI refers to our system average duration: the minutes of supply interruptions per customer
 - SAIFI refers to our system average frequency: the number of supply interruptions per customer
- Both measures exclude interruptions that are caused by electricity generators or Transpower, are caused by our low voltage (400V) network or last for less than one minute.
- The Commerce Commission sets performance limits for our network reliability as part of the Commerce Act (Part 4) price-quality control regime. Our annual targets are consistent with our performance limits for FY21 to FY25.
- The Commission assesses our actual unplanned network reliability against our limits each year after 'normalising' for the impacts of major events by 'capping' the measured impact of each major event. We will report our annual performance against our network reliability limits, after normalising for 'major events' using the Commerce Commission's methodology.

Group corporate emissions

Our total Group carbon emissions for our current benchmark year of 2020 were 17,203 tCO₂e. 81 per cent of these are associated with electrical losses, directly linked to how New Zealand generates its electricity. We take steps to limit losses, for example by reducing peak load, but there are no viable solutions to eliminate them yet.

What we consider to be our Group corporate emissions are relatively small by comparison, comprising 3,276 tonnes per annum in 2020, reducing to 2,112 tonnes in FY27, with a goal to reduce to 2,456 tonnes in FY24. They include direct emissions, such as petrol or diesel used by the Group, as well as some indirect emissions, such as landfill gas and air travel by employees.

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

Health and Safety

Events that did or could have resulted in serious injury are events defined in section 25 of the Health and Safety at Work Act 2015 as Notifiable Events.

Our Group Structure

