

The logo for Northpower, featuring the word "Northpower" in a bold, orange, sans-serif font. The background of the entire page is a photograph of a modern water park at night. The scene is dominated by several large, white, conical structures supported by pillars, which are illuminated from within, casting a warm glow. In the foreground and middle ground, numerous water jets are spraying upwards, illuminated with vibrant red and orange lights. The ground is wet and reflective, mirroring the lights and structures. In the background, more of the park's structures are visible, some lit with blue lights, and several tall, black light poles with multiple lamps are scattered throughout the scene. The overall atmosphere is dynamic and colorful.

# Statement of Corporate Intent

FY2025-FY2027



## Northpower

- Electricity Network
- Fibre Network
- Office Locations

**Current Status** Approved by Northpower Board of Directors

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Date: 21 May 2024

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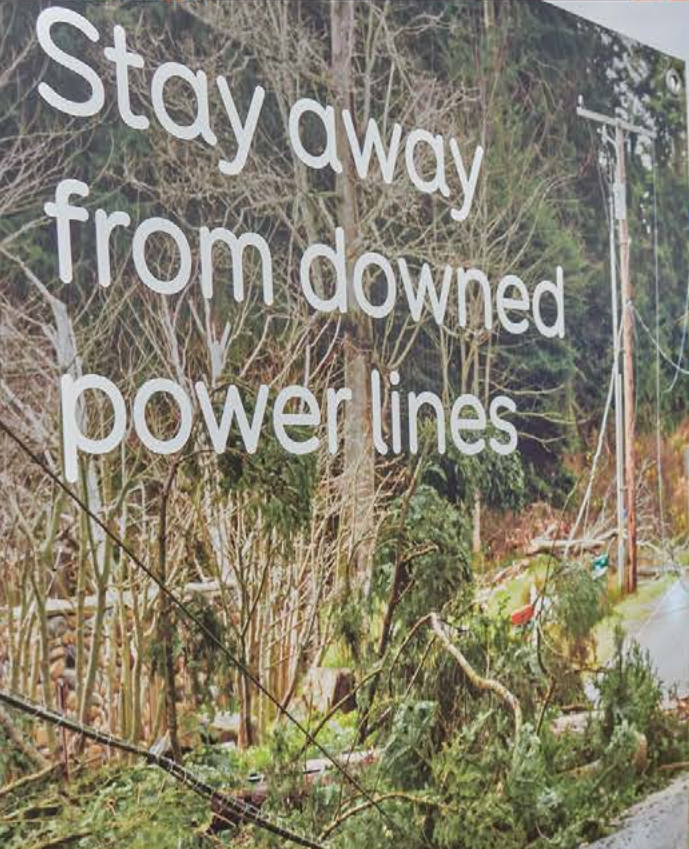


# Statement of Corporate Intent

FY2025 – FY2027

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# Foreword

## The role of the Statement of Corporate Intent

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

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

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

## Our governance commitment – doubling Northpower's impact over the next decade

The positive impact Northpower makes is defined by our Purpose; connecting communities via infrastructure, building futures via career development, and building wealth in Northland via financial distributions over time. As governors we are seeking a doubling of the impact Northpower makes in these areas over the next decade.

The impact we are targeting is an acceleration of the positive growth trajectory seen over the past 20 years. Over this time, Northpower has grown from an electricity distribution company to a diversified group of companies operating across electricity distribution, high speed telecommunications, and energy sector construction.

A move to increase the pace of growth is timely. Northland and New Zealand are entering a critical period, one where the deployment of quality infrastructure is the key to realising our ambitions as a region and as a nation. It is important to us that Northpower reaches strongly to do its part given the groups capabilities in these areas.

Pleasingly, Northpower's recent trajectory matches this aspiration. Over the past two years alone the organisation has extended our contracting reach into Taranaki, mobilised solar construction capability, and committed to developing Northpower's first solar farm. Appropriate plans are in place to build on this momentum.

## The focus of this document – strong business performance, as a platform for growth

As the Chairs of NEPT and the Northpower Board, we are conscious of the critical role that governance plays in balancing real time performance and realising growth.

This SCI sets the standard of service and return to be realised over the next three-year period, and the targets have been set to ensure strong performance of existing businesses. This outcome is key to delivering to our community and clients in real time and providing a strong platform for continued growth.



**Hon Phil Heatley**

NEPT Chair



**Mark Trigg**

Northpower Chair



# Our Purpose

Connecting communities,  
building futures, for Northland

## Introduction

This Statement of Corporate Intent (“SCI”) sets out the background, overall intentions and objectives for Northpower Limited and its subsidiaries (“the Northpower Group” or “the Group”) for the period ending 31 March 2025.

## Our context

### Northpower Purpose

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

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

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

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

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

### Scope of activities

The scope of activities undertaken by the Group includes:

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

### Subsidiaries

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

## Our key performance indicators

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

The following Key Performance Indicators (KPIs) set out our anticipated performance for the year ending 31 March 2025, as well as a representative view of the projected financial performance of the Northpower Group over the planning period to 2027. Our KPIs seek to ensure we strike an appropriate balance between a reliable service offering, increased distributions to consumer owners over time, and building the value of Northpower's business holding to enable long term value creation and release over the long term.

### Financial KPIs

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

Northpower Group	2024-2025	2025-2026	2026-2027
Net Profit After Tax/Shareholders' Funds (pre- distribution) <sup>1</sup>	≥7.5%	≥7.5%	≥7.5%
Debt/Capital Ratio (Net Debt)/(Net Debt + Equity)	≤40%	≤40%	≤40%
Debt Coverage Ratio (Net Debt)/(EBITDA)	≤4.25x	≤4.25x	≤4.25x
Distribution (posted discount plus dividend)	\$16.4m	\$17.4m	\$18.4m

### Non-financial KPIs

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

Safety	2024-2025	2025-2026	2026-2027
Total Recordable Injury Frequency Rate <sup>2</sup>	≤6	≤6	≤6
Permanent disability and/or fatality	0	0	0
High Potential Event Frequency Rate <sup>3</sup>	5	4.5	4

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

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

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



Northpower Electricity Network		2024-2025 <sup>4</sup>	2025-2026 <sup>4</sup>	2026-2027 <sup>4</sup>
Network interruptions (SAIDI minutes) <sup>5</sup>	- planned	≤162.05	≤162.05	≤162.05
	- unplanned	≤93.31	≤93.31	≤93.31
Network interruptions (SAIFI minutes) <sup>6</sup>	- planned	≤0.7231	≤0.7231	≤0.7231
	- unplanned	≤2.2843	≤2.2843	≤2.2843
Average number of faults per 100 km <sup>7</sup>		≤10	≤10	≤10
Customer satisfaction <sup>8</sup>	- residential	≥85%	≥85%	≥85%
	- commercial	≥85%	≥85%	≥85%

Fibre Network		2024-2025	2025-2026	2026-2027
Provisioning (percentage met by agreed date) <sup>9</sup>	- simple	≥95%	≥95%	≥95%
	- complex	≥95%	≥95%	≥95%
Faults per 100 connections <sup>10</sup>		≤3	≤3	≤3
Network availability (average unplanned downtime)	- Layer 1	≤36 min	≤36 min	≤36 min
	- Layer 2	≤6 min	≤6 min	≤6 min
Installation quality satisfaction <sup>11</sup> (score out of 10)		≥9	≥9	≥9

4 Electricity performance targets for SAIDI and SAIFI are based on the DPP3 settings for non-exempt EDBs, as if Northpower was price/quality regulated under Part 4 of the Commerce Act. For 2025-26 and 2026-27 the SAIDI and SAIFI figures will be updated to align with the new Default Price-Quality Path (DPP4) settings.

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

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

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

8 Customer satisfaction is measured via an annual survey and measures overall satisfaction with the services we provide.

9 Provisioning met by agreed date as a rolling 12-month average.

10 Faults per 100 connections as a total sum of 12 months.

11 Service level performance (residential) measures the percentage of customers connected within target timeframes.

## Policy and procedure statements

### Accounting policies

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

### Dividend policy

The Group will distribute to its shareholder all funds surplus to the investment and operating requirements of the Group. The estimated dividend to the shareholder in FY25 is \$0.7m, subject to the solvency requirements of the Companies Act 1993, the maintenance of the minimum debt to capital ratio specified and meeting the investment needs of the Group. In addition, consumers will receive a posted discount estimated at \$15.7m for FY25, providing a total distribution of \$16.4m by way of dividend to the shareholder and posted discount to consumers.

### Debt/capital ratio policy

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

Debt will comprise of the Group's total debt.

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

### Significant transaction policy

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

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

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

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

### Half yearly report

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

### Annual report

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

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

### Related party transactions

Sales and purchases from related parties are made on commercial arm’s length terms. Northpower does not propose any transactions with any related party, except as set out below. The following support services will be provided to Northpower Fibre Limited, including the following as required:

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

## **Additional information to be provided**

### **Annual planning**

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

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

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

### **Quarterly reports**

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

### **Information on growth initiatives**

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

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

### **Further information**

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

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

These briefings will include summary information on any substantially significant health and safety issues, substantially significant changing technology or substantially significant regulatory issues.

