



**Statement of Corporate Intent
2023-24**

Purpose of this section of the SCI

In accordance with clause 17.13 of the company's constitution, the Statement of Corporate Intent (SCI) communicates to the Shareholders Committee and other interested parties the medium and long-term objectives of EA Networks and how Directors will address the objectives within the 12-month period ended 31 March 2024.

Constitution requirements of the SCI

The company constitution requires the Board to prepare a Statement of Corporate Intent (SCI) and deliver it to the Shareholders Committee, normally, within 60 working days of the end of the financial year. The Shareholders' Committee is required to review the SCI, discuss the performance of the Company with the Directors of the Company against the SCI and communicate the performance of the company to the Shareholders. Directors approve the SCI after discussion with the Shareholders Committee.

Clause 2 of the constitution requires the SCI to incorporate the following: -

- a) The objectives of the Company.
- b) The nature and scope of the activities to be undertaken.
- c) The ratio of consolidated Shareholders' funds to total assets, and definitions of those terms.
- d) The accounting policies.
- e) The performance targets and other measures by which the performance of the Company may be judged in relation to its objectives.
- f) An estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed by way of rebates, dividends, or other distributions to the Shareholders.
- g) The procedures to be followed before the Company or any subsidiary of the Company subscribes for, purchases, or otherwise acquires shares in any company or other organisation.
- h) The Board's estimate of the commercial value of the Shareholders' investment in the Company; and the manner in which, and the times at which, the value is to be reassessed.
- i) Such other matters as are agreed between the Shareholders Committee and the Board.

Requirement A: Long term objectives of EA Networks

Our Purpose:

Delivering critical infrastructure and energy solutions to empower community prosperity

Our Mission :

To be recognised for excellence as the provider of reliable, affordable, high-quality network infrastructure and energy solutions that deliver economic growth and wellbeing to our community

Additional detail in terms of how we view our long-term objectives is found in the Background Information that supports the SCI.

Requirement B: Current nature and scope of EA commercial activities

All commercial activities of the Company are governed by section 2.9 of the Company's constitution, which requires the company to carry on:

- The provision of a network and ancillary services for the supply of electricity
- Supplying service to Shareholders
- Supply or providing the Shareholders with goods or services, or both
- Entering into any other commercial transactions with the Shareholders
- Supplying or providing goods or services or both, that are ancillary to, or that otherwise facilitate, the carrying on by the Company of a co-operative activity.

Additionally, the company is permitted to carry out any other co-operative activity permitted under the Co-operative Companies Act. In the following 12 months the Directors of the Company may, if they consider it appropriate maximise any opportunities whilst operating within the key areas of the Company's electricity distribution, fibre and contracting operations.

Requirement C: The ratio of Shareholders' funds plus any subordinated shareholder debt to total assets.

Our corporate structure limits our ability to raise funds from Shareholders. Any investment in new business opportunities and the networks needs are to be funded from external borrowing and retained earnings. To allow this investment to occur we plan to maintain a prudent level of debt as a percentage of total assets with a planning horizon target of less than or equal to 40% debt as a percentage of total assets, compared to the regulator's standard debt assumption of 58% of total assets.

Measure of success – Shareholders' funds as a percentage of total assets greater than or equal to 60% within our 10-year asset management planning horizon.

Shareholders' funds above 42% of total assets (meaning debt is less than 58%)

Requirement D: The accounting policies

The accounting policies relating to the SCI year, comply with NZ IFRS and are detailed in our annual report, downloadable from www.eanetworks.co.nz

Requirement E: The performance targets and other measures by which the performance of the company may be judged

Accountabilities detailed in the SCI are sourced from these key areas:

- Safety
- Compliance with legalisation
- Electricity reliability network
- External financial reporting
- Financial performance measures
- Electricity tariff to domestic consumers
- Consumer Discount
- Quality of service

The SCI accountabilities have been reviewed and agreed between Staff, Management, Directors, the Shareholders Committee and Shareholders.

Health and Safety

Broadly speaking operating a safe and secure network can be broken down into two headings: public safety and employee and contractor safety.

Public Safety

Our aim is to have a Public Safety Management System (PSMS) that complies with the provisions of 'NZS 7901 Electricity and Gas Industries - Safety Management Systems for Public Safety' regarded as the gold standard in PSMS. To ensure compliance with NZ 7901 our PSMS is audited annually and reviewed against best practice.

Measurement of success

Positive assurance resulting from the NZS7901 external auditor.

Worker safety

EA Networks Directors have a responsibility to exercise due diligence to ensure that the organisation complies with its Health and Safety duties and obligations. Our measure of success is aimed at giving the Shareholders' Committee assurance that Directors are discharging their responsibilities.

Measurement of success

The Board will maintain a Health and Safety Charter. The charter will set out its role in leading Health and Safety and the role of individual Directors.

The Board will maintain a Health and Safety sub-committee that operate under the Health and Safety Charter.

Directors will set targets for Management that provide clear direction, focus and clarity of expectation. The targets will be measurable, challenging and realistic including lead and lag indicators, with a greater weighting on lead indicators that focus on prevention.

Compliance with legalisation

EA has legislation, regulation, standards and district plans with which it must comply. Non-compliance with legalisation may result in a simple infringement notice, e.g. a speeding ticket, or significant reputational damage. We take all reasonable endeavours to meet our obligations.

As previously reported, our annual price-setting compliance statement issued in March 2020 was non-compliant. An amended annual price-setting compliance statement was prepared as the result of an instruction from the Commerce Commission. Our investigation found that human error was the reason that the pass-through allowable balance and the IRIS incentive allowance were missed out of the forecast allowable revenue. Customers affected by these errors were refunded in full.

We have taken this matter very seriously and put in place new internal and external (independent) checking and review procedures to mitigate the risk of this occurring again.

Measurement of success

No material compliance and legislation issue have occurred in the year.

Reliability of the electricity network

We aim to supply a reliable network to meet the needs of our consumers. Due to the nature of any electricity distribution network, there will be outages. The number of times and length of outages will vary between urban and rural customers.

Measurement of success

To meet the performance targets, set out in the Asset Management Plan

External financial reporting

We prepare and present to Shareholders an Annual and half year financial report.

Measurement of success

At EA Networks' AGM shareholders approve the Financial Report.

Financial performance measures

Consumers and Shareholders are the same entity. They pay for utilising our electricity distribution services at the same time as receiving the benefits of ownership. To this end our financial focus is on meeting service levels in the most economically efficient manner possible. In this way we can ensure low consumer prices at the same time as satisfying Shareholder's expectations.

Measurement of success

To achieve a long term target which approximates the expected long term allowable regulatory returns.

Electricity tariff to domestic consumers

As a co-operative we aim to keep our charges down. To this end, our measure of success reflects our desire to have low charges.

Measurement of success

We are currently re-evaluating the measure of success to cover all tariff groups.

Consumer Discount

The consumer discount is paid to all consumers.

The Board has authorised a consumer discount of \$3.0M for the 2023/24 year in total. This is approximately 7% of Line Charges and typically represents 2% of a customer bill.

Measurement of success

The payment of a consumer discount, which allows the business to be sustainable in the long run.

Requirement F: An estimation of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed by way of rebates, dividends, or other distributions to the Shareholders

We are not planning to make any distribution to Shareholders.

Requirement G: The procedures to be followed before the Company or any subsidiary of the Company subscribe for, purchase or otherwise acquire shares in any company or other organisation***General processes to be followed***

As a general policy any proposed investment by the company outside of the current commercial scope of the company 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.

Major Transactions***Definition of major transaction***

A Major Transaction as defined in the Companies Act 1993, includes the acquisition of or an agreement to acquire assets equivalent in value to 50% or more of the value of the assets of the company before acquisition. Before making a recommendation concerning a major transaction Directors will evaluate:

- The benefits associated with the transactions
- The business case for the transaction
- The alignment of the major transaction with the long-term objectives

The process associated with a major transaction

If any investment proposal falls within the definition of a Major Transaction, then such proposal will be submitted to the Shareholders for approval by special resolution requiring a 75% acceptance vote.

Other significant transactions

If any investment proposal does not fall within the definition of a Major Transaction, then the Directors may exercise their authority in committing the company to such proposal. Notwithstanding the authority which may be exercised by the Directors they may, if they consider it appropriate, submit any proposal to the Shareholders for approval. Approval for any other significant transactions would be carried out by an ordinary resolution of the Board.

Requirement H: The Board's estimate of the commercial value of the Shareholders' investment in the Company; and the manner in which, and the times at which, the value is to be reassessed

To keep costs down for our Shareholders, we have not engaged a valuer to estimate the commercial value of EA Networks. In practice the Directors consider the value of the company will be at least as high as the audited book values of the Shareholders equity as recorded in the Annual Report.

Reporting

Shareholders Committee reporting

Section 16 of EA Networks constitution requires that the Shareholders Committee shall report at least twice in each annual period to the Shareholders on the performance of the Company. This report shall include an assessment of that performance against the Sustainability Plan Statement of Corporate Intent, budgets, forecasts and the principal objectives of the Company.

Six months report

Directors will publish an unaudited six-month report to Shareholders in a 'free' newspaper delivered to properties in the Ashburton district, meeting the requirement of section 16 of the constitution. This will also be available on the EA Networks website.

Annual report

Directors will, in the Statutory Annual Report to Shareholders include a report from the Shareholders Committee that will meet the requirements of section 16 of the constitution. This Annual Report will be audited.

The annual report will include a section of performance against the SCI. This section will be unaudited.

Definitions:

Area serviced by the electricity distribution network: The area serviced by the Ashburton District Council plus the Rangitata and Rakaia Gorges.

Board: The Board of EA Networks.

Co-operative company: EA Networks is a co-operative company registered under the Co-operative Companies Act 1996.

EA Networks or (the Company): Electricity Ashburton Limited trading as EA Networks.

Earnings before interest, deferred discount, taxation, and revaluation: Operating Surplus before Customer Deferred Discount, Interest and Taxation as reported in the statement of financial performance.

Financial Report: The annual audited financial results for the year ended 31 March.

Line Charges: The revenue received from a customer connected to the electricity network each year for network services (including transmission costs and other pass-through charges)

Residential Prices: The price for network services that an average residential customer who consumes 9,000kWh per annum pays for Line Charges. EA Networks utilise the Quarterly Survey of Domestic Electricity Prices (QSDEP) to benchmark this.

PSMS: Public Safety Management System.

Revenue: operating revenue reported in the statement of comprehensive income in the financial report including the posted discount

SCI: Statement of Corporate Intent.

Shareholder: A consumer who holds 100 \$1.00 rebate shares.

Shareholders Committee: The elected and appointed Shareholders' representatives.

Statement of financial performance: The statement contained in the audited year-end financial statements for the year concerned showing revenues, expenses and profit.

Statement of financial position: The statement contained in the audited year-end financial statements for the year showing assets, liabilities and Shareholders' equity.

Shareholders' funds: Total issued and paid capital, the balance of undistributed profits and all revenue and capital reserves less any minority interests.

Total assets: All the recorded tangible and intangible assets of the company, including distribution assets at their depreciated deemed cost, as defined in the company's statement of accounting policies.

Appendix 1 Trend statement (Unaudited)

Item	Measure	2022-23	2021-22	2020-2021
Requirements C The ratio of Shareholders' funds to total assets				
Shareholder's funds	Shareholder's funds as a percentage of total assets $\geq 60\%$ within our 10-year asset management planning horizon. Shareholder's funds for the actual year above 42% of total assets (meaning debt is less than 58%)	Yes	Yes	Yes
Requirements E Performance targets and other measures by which the performance of the company may be judged (excluding network reliability)				
Public safety unqualified audit report	Annual report from the auditors identifying that EA Networks complies and remains compliant with NZS7901.	Yes	Yes	Yes
Worker Safety	The Board will continually strive to ensure best practice in H&S practise. To ensure best practise the Board will develop and approve resources as required.	Yes	Yes	Yes
Compliance with legislation	We have complied with all material compliance and legislation requirements.	Yes	Yes	No
Reliability of the electricity network	Performance targets, set out in the Asset Management Plan are met.		Yes	Yes
External financial reporting	Shareholders approved the Financial Statements at the AGM.		Yes	Yes
Financial Performance measures	To achieve a long term target which approximates the expected average long term allowable regulatory returns.		Yes	Yes
Electricity tariff to domestic consumers	To have electricity Residential Prices Line Charges below the industry median, at a level that is sustainable for EA Networks.	Yes	Yes	Yes
Consumer discount	The payment of a consumer discount, which allows the business to be sustainable in the long run.	Yes	Yes	Yes
Requirements F Return to Shareholders				
Return to Shareholders	No measure			

Appendix B: Measuring success for the 2023/24 year.

Requirements C The ratio of Shareholders' funds to total assets	
Shareholder's Funds	We will use the audited Financial Report to determine the ratio. The ratio is equity and members interest divided by total assets.
Requirements E Performance targets and other measures by which the performance of the company may be judged (excluding network reliability)	
Public safety unqualified audit report	Positive assurance resulting from the NZS7901 external auditor.
Worker Safety	The Board will maintain a Health and Safety Charter. The charter will set out its role in leading Health and Safety and the role of individual Directors. The Board will maintain a Health and Safety sub-committee that operate under the Health and Safety Charter. Directors will set targets for Management that provide clear direction, focus and clarity of expectation. The targets will be measurable, challenging and realistic including lead and lag indicators, with a greater weighting on lead indicators that focus on prevention.
Compliance with legislation	No material compliance and legislation issues have occurred in the year.
Reliability of the electricity network	We will use audited regulatory disclosures to determine if the performance targets are met.
External financial reporting	At EA Networks' AGM shareholders approve the Financial Report.
Financial Performance measures	We will use the audited Financial Report to determine the ratio: Earnings before interest, rebates, customer discount and tax divided by total assets.
Consumer discount	We produce an internal 10-year-cashflow incorporating the consumer discount to demonstrate that EA Networks will continue to be financially viable after the consumer discount is paid out at the current level.
Requirements F Return to Shareholders	
Return to Shareholders	No measure.