



**Statement of Corporate Intent  
2020-21**

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## 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 2021.

### *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.

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.

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**Requirement A: Long term objectives of EA Networks**

*Our overall objective:*

*Sustainably provide infrastructure products and related services to our local community at the same time while adding value beyond the simple connection through innovation and customer focus*

*Our Objective for our electricity distribution network:*

*To sustainably build, operate, and maintain a resilient electricity network that is fit for purpose. The reliability of the network meets the needs of consumers/shareholders and is delivered in the most economically efficient manner balancing cost and quality of supply.*

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
- Supply 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, water infrastructure 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  $\leq 40\%$  debt as a percentage of total assets, compared to the regulator's standard debt assumption of 58%

Measure of success – shareholders' funds as a percentage of total assets  $\geq 60\%$  within our 10-year asset management planning horizon.

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

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**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](http://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.

**Safety**

Broadly speaking operating a safe and secure network can be broken down into two headings; public safety and worker 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**

Annual report from the auditors identifying that EA Networks is compliant with and remains compliant with NZS 7901

A regular Statutory Declaration that EA Networks has a current audit certificate

**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 continually strive to ensure best practice in H&S practise. To ensure best practise the Board will develop and approve resources, procedures and processes as required.*

**Compliance with legalisation**

EA has legislation, 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. Our aim is to take all reasonable endeavour to comply with material acts, and standards.

**Measurement of success**

*We will meet the needs of our consumers/shareholders.*

**Reliability of the electricity network?**

We aim to supply a reliable network to meet the needs of our consumers. Due to the nature of our 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**

Shareholders approve of EA Networks financial performance.

**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 shareholders expectations.

**Measurement of success**

To achieve a return on total assets, before interest payments, rebates, customer discounts and taxation of at least 5.5%, (EA Networks regulated allowable revenue for its electricity business).

**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**

To have electricity line charges below the industry median, at a level that is sustainable for EA Networks.

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## **Consumer Discount**

The consumer discount is paid to all consumers.

The Board is anticipating keeping future consumer discount at a minimum of \$3M in total.

### 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 a distribution by way of rebates, dividends, or other distribution to shareholders.

### **Requirement G: The procedures to be followed before the Company or any subsidiary of the Company subscribe for, purchases or otherwise acquires 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

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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***

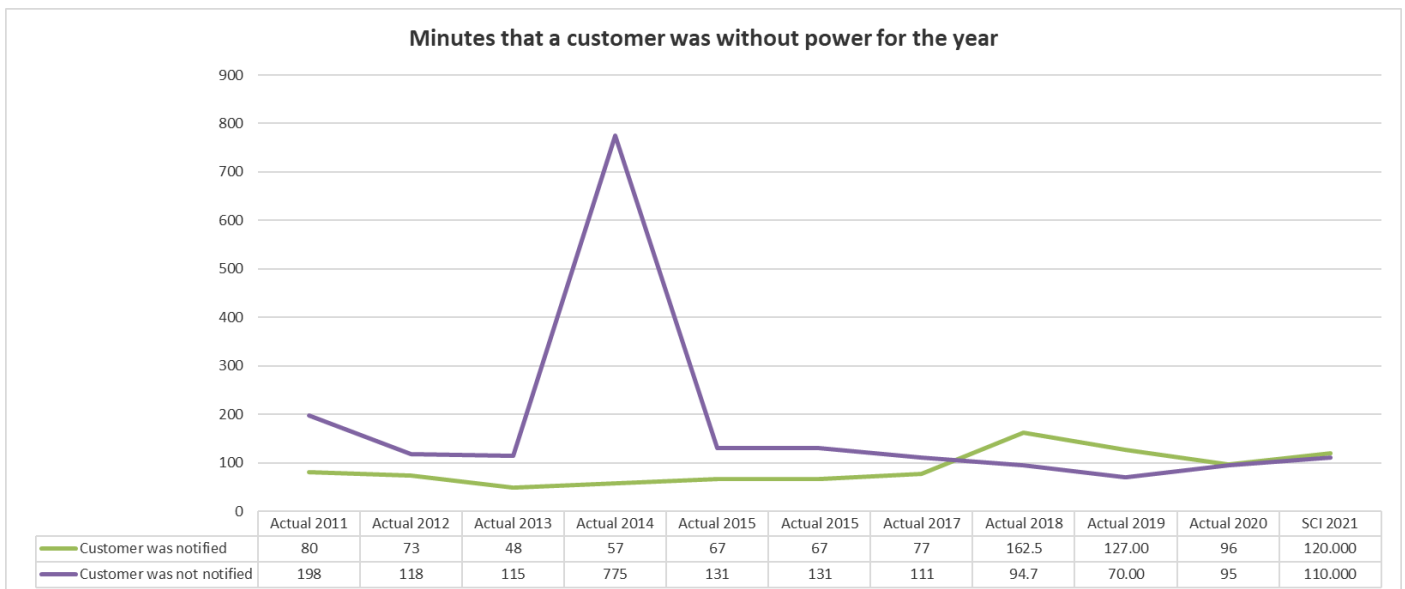
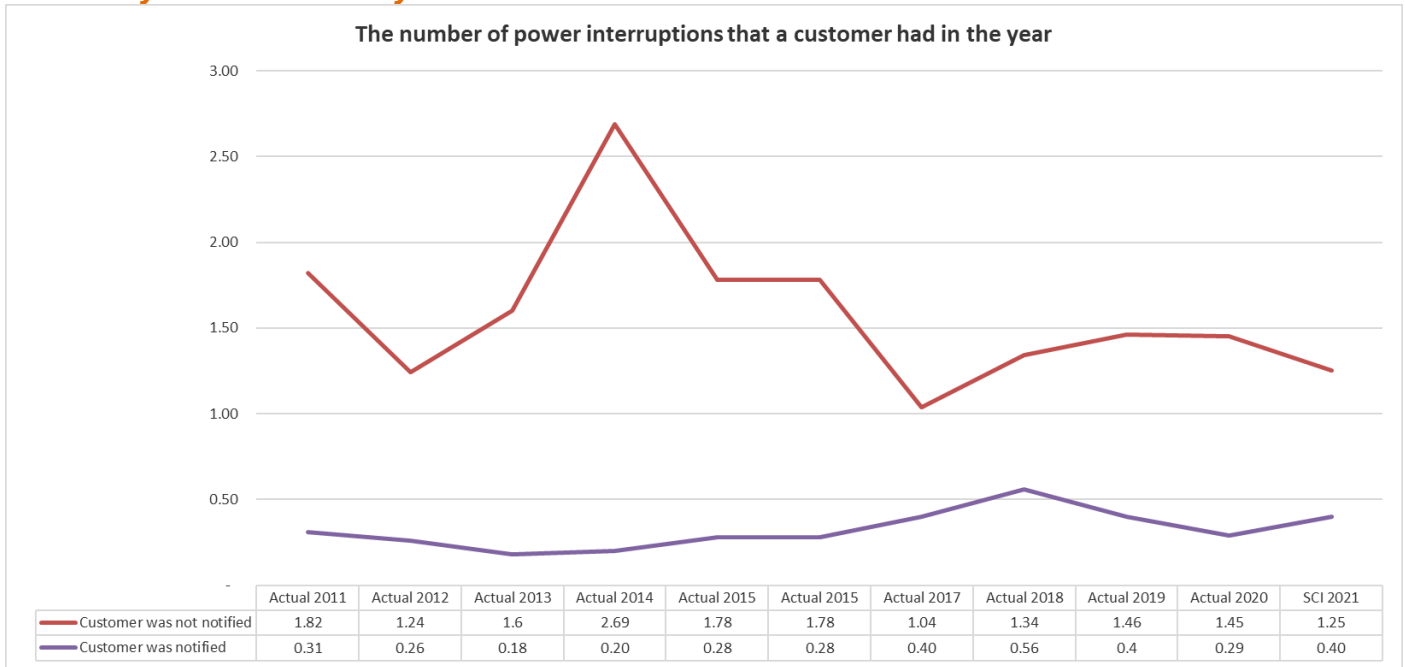
Directors will publish an unaudited six months report to shareholders in a 'free' newspaper delivered to properties in the Ashburton district, meeting the requirement of section 16 of the constitution. This will also be available on the EA Networks website.

### ***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.

**Reliability of the electricity network.**





## 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.

**Line Charges:** The price that a residential consumer who consumes 9,000kWh per year pays annually for line charges (including transmission pass-thru)

**Operating expenses:** Items which are included in 'operating expenses' in the statement of comprehensive income in the financial report.

**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.

**Shareholders Committee:** The elected and appointed shareholders' representatives.

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

**Statement of financial position:** The statement contained in the audited yearend 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	unaudited	unaudited
Item	Measure	2019-2020	2018-2019	2017-2018
<b>Requirements C The ratio of shareholders' funds to total assets</b>				
Shareholders' funds	shareholders' funds as a percentage of total assets $\geq 60\%$ within our 10-year asset management planning horizon. Shareholders' funds for the actual year above 42% of total assets (meaning debt is less than 58%)	Yes	Yes	Yes
This ratio shows how much of the company's assets are owned by shareholders				
<b>Requirements E Performance targets and other measures by which the performance of the company may be judged (excluding network reliability)</b>				
Public safety unqualified audit report	Annual report from the auditors identifying that EA Networks is compliance and remains compliant with NZS7901. A statutory declaration that EA Networks has current audit certificate.	Yes	Yes	Yes
Workers safety	The Board will continually strive to ensure best practice in H&S practise. To ensure best practise the Board will develop approve resources as required.	Yes	Yes	Yes
Compliance with legislation	We will meet the needs of our consumers/shareholders.	No	Yes	Yes
External financial reporting	Shareholders approve of EA Networks financial performance.	Yes	Yes	Yes
Financial Performance measures	To achieve a return on total assets, before interest payments, rebates, customer discounts and taxation of at least 5.5%, (EA Networks regulated allowable revenue for its electricity business).	Yes	Yes	Yes
Electricity tariff to domestic consumers	To have electricity 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
<b>Requirements F Return to shareholders</b>				
Return to shareholders	No measure			