

TRUSTEES' REPORT

On the operations and financial affairs of the

HAWKE'S BAY POWER CONSUMERS' TRUST

For the year ended 31 March 2021

ANNUAL REPORT TO CONSUMERS

THE TRUST

The Trust, set up in 1993, holds all the shares in Unison Networks Limited, on behalf of consumers who are connected to Unison's electricity lines network in Hawke's Bay – generally the areas of the Hastings District Council and the Napier City Council.

The Trust has five Trustees who are elected every three years. The current Trustees are Diana Kirton (Chair), Barbara Arnott, Kirsten Westwood, David Pearson and Jeff Farnworth.

This is an annual report on the operations and financial results of the Hawke's Bay Power Consumers' Trust for the year ended 31 March 2021. Trading activities of Unison Networks Limited, are summarised later in this report.

WHAT THE TRUST DOES

The Trustees role is to hold the shares for the benefit of its consumer-owners and also to ensure the value of their investment is protected and enhanced. They monitor the operational and financial performance of the Company by measuring results against the Company's business plan and Statement of Corporate Intent progressively during the year. In this way they are alert to any variations to the outcomes that have been agreed with the Board.

Key tasks of the Trust are to:

- Act in the best interests of the consumers, as owners, and exercise their rights as shareholders.
- Appoint Unison's Board of Directors and monitor their performance and the performance of the Company.
- Determine annually the amount of Trust funds to be paid to consumer-owners as a dividend or in other ways.
- Approve Unison's annual business goals and financial objectives.
- Manage and account for the financial affairs of the Trust.
- Hold a public meeting each year to report on the operations and financial performance of the Trust.
- Review the ownership of Unison's shares every five years, through a public consultative process. The next ownership review will be held in 2023.

TRUST ACTIVITIES SINCE 2020 ANNUAL PUBLIC MEETING

Dividend Distribution

In 2019 Trustees pursued the option of distributing the annual dividend by direct credit to bank accounts. Following widespread engagement with Hawke's Bay power consumers, 67% of users opted for the direct credit system for the 2020 distribution. With the phasing out of cheques as a payment method the challenge for the Trustees now is to sign up 100% of consumers for the 2021 distribution. An extensive marketing campaign will be undertaken over the next few months with this goal in mind.

Communications

The Trust communicates matters of interest to consumers through local media, the Trust website and at the annual public meeting. The Trust's own website can be accessed at: www.hbpct.co.nz

Home insulation contribution

The Trust contributed \$287,971 to home insulation projects funded by EECA over the past financial year. This has allowed for the insulation of approximately 500 homes in the last financial year. These homes have mainly been in the higher decile areas though a proportion of the funding is available for the general population of Hawke's Bay power consumers.

Apart from the obvious health benefits of a warm house, this initiative supports consumers to better manage their energy use and consumption.

Consumer Dividends \$15 million in 2020

In 2020 the Trust received a dividend payment from Unison of \$15.8 million, exclusive of imputation credits. In August 2020 Trustees distributed \$15 million dividend to consumer-owners. Just over 60,000 dividend payments were paid to by either cheque or direct credit to consumers. Each payment was for \$230, with tax credits attached – to a maximum of three payments per consumer.

Working with Directors

During the year Trustees have been updated on Company activities, key risks and future developments of the Company. They have held meetings with the Chair of the Board in relation to the SCI, as well as occasional meetings with the wider group of Directors. The strong relationship between Trustees and Directors continues.

A challenging but successful year for Unison in 2021: More dividends for consumers

Unison Networks has managed to have another successful year to 31 March 2021 despite some of the challenges the company has faced. In particular were the implementation of the Commerce Commission's reset of the cost of capital, as well as the impact of the Covid-19 pandemic on operations. These events both had a financial impact on the company, however we are pleased to announce there will be another dividend distribution to consumers later this year.

\$203 Million to Consumers in 22 years

The direct financial benefits consumers have had from Trust ownership since 1999 will be around \$203 million. Trust ownership has also brought other benefits through increased investment in the safety and security of the network, ongoing and major improvements in reliability of supply and energy efficiency and safety initiatives.

Compliance with Guidelines for access to information by beneficiaries

The Guidelines, which all electricity trusts are required to adopt, provide for Trust beneficiaries to have access to information, to attend public meetings of the Trust, and to have access to a complaints process for dealing with refusals to supply information or allow access to public meetings. Details of the Guidelines are on our website.

COMPANY PERFORMANCE 2020-2021

Compliance: *The 2020-2021 trading results were impacted by the global uncertainty caused by Covid 19 and by the Commerce Commission's regulated reset. Despite these influences the overall financial performance for the year was more favourable than expected. Total group revenue was \$240 million, \$13 million down on the previous year and operating expenditure was \$7 million lower at \$153 million. There was a favourable movement on financial instruments of \$6.2 million resulting in a net profit before tax increasing by \$5 million to \$46.9 million.*

Shareholder values showed an increase of \$18 million or 4% increasing to \$464 million. All network performance targets were met during the year.

Ratio of Consolidated Shareholders' Funds to Total Assets

- The minimum target ratio of consolidated shareholders' funds to total assets is set at not less than 40%.
- Target goal for 2021 – 51%

Compliance: *The minimum target ratio was achieved and the target goal was slightly ahead of target. The actual ratio met was 52%.*

Performance Targets

Unison's 2021 Statement of Corporate Intent sets targets for both financial and network performance.

Compliance: *The Company met all its financial performance targets and achieved its network performance targets. The Trustees are satisfied with the trading results and the network performance.*

Statement of Corporate Intent 2021 Targets Actual Results 2021

FINANCIAL

Earnings before interest, taxation, depreciation, amortisation and financial instruments as a percentage of average assets employed 10.1% 10.2%

Earnings before interest, taxation and financial instruments as a percentage of average assets employed 5.8% 6.1%

Total line operating costs per consumer \$357 \$357

Statement of Corporate Intent
2021 Targets Actual Results
2021

NETWORK PERFORMANCE

SAIDI – System Average Interruption Index (Minutes)	<75.8	44.67
SAIFI – System Average Interruption Frequency Index	<1.57	1.13

HEALTH AND SAFETY PERFORMANCE

• Medical Treatment Injuries	Nil	Nil
• Number of Public Accidents	Nil	2

COMPLIANCE WITH OTHER MATTERS

The Statement of Corporate Intent also details matters relating to the Company's scope of activities, dividend distributions, accounting policies, information to be provided to shareholders and administrative matters relating to procedures and communications with the Trust, as the sole shareholder. We are satisfied that in all these matters the Company has complied with the Statement of Corporate Intent.

Additional information on Unison's performance for the year ended 31 March 2021 can be found in the company's Annual Report or on Unison's website at www.unison.co.nz, or obtained from Unison direct.

DIRECTORS

The strength of the functional relationship Trustees have with the Unison Chair and Board of Directors is appreciated. Chair Philip Hocquard has been readily available to meet with the Trust Chair and respond to questions Trustees have posed to Directors. Mr Hocquard has also attended Trust meetings when required, as have individual Directors from time to time.

Trustees value the honest and open relationship that has developed with Directors over the past years.

LOOKING AHEAD

The Company is responding very capably in changing times and conditions within the electricity sector and there will be ongoing challenges and opportunities ahead. Trustees will continue to support initiatives that improve Unison's business to the extent necessary to meet the needs of consumers and which also enhance the value returns to the shareholders.

TRUST ELECTIONS

Trustee elections are required to be held every 3 years. The Trustees have recently undertaken a public consultative procedure to extend the current term to four years. The reasoning behind this is to then have an election cycle that does not coincide with either the Local Body or the National elections. Public submissions were called and a public meeting was held on 21 June this year confirming that the current term will be four years with the next election on 1 October 2024.

THANKS

We commend and thank the Chief Executive and all employees for their achievements and ongoing commitment to the performance and success of Unison Networks Limited. We value the assistance and support that has been given to us.

Our special thanks to the Trust Secretary, Stephen Dine, and his team at Brown Webb Richardson, for the courtesies and help readily given to us.

TRUSTEES' CONTRIBUTIONS

The current Trustees are working well as a team and enjoying open discussion around key issues. I thank each of them for their contributions on behalf of consumers over the past year.

**DIANA KIRTON
CHAIR**

On behalf of the Trustees – David Pearson, Jeff Farnworth, Barbara Arnott and Kirsten Westwood.

MORE TRUST INFORMATION

Detailed information about the Trust and its work is accessible on the internet, under www.hbpct.co.nz, or can be viewed or is available from the Trust's offices, c/- Brown Webb Richardson, 111E Avenue Road, Hastings and also at Unison's offices, corner Omaha Road and Oak Avenue, Hastings.