

TRUSTEES' REPORT

On the operations and financial affairs of the

HAWKE'S BAY POWER CONSUMERS' TRUST

For the year ended 31 March 2022

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), Kirsten Westwood (Deputy Chair), Barbara Arnott, 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 2022. 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 Hawke's Bay power 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 2021 ANNUAL PUBLIC MEETING

Dividend Distribution

With direct credit now being the only means of receiving the annual dividend, it is pleasing to report that 95.2% of power consumers are now registered for direct credit payments. Trustees will continue to strive for 100% using the communication networks that have been established over the past two years. The registration portal remains open at www.hbpct.co.nz for further registrations.

Communications

Over the last three years the Hawke's Bay Power Consumers' Trust (HBPCT) direct credit campaigns have allowed trustees to gather the email addresses of a large proportion of our power consumers. The Trust can now communicate with power consumers and distribute newsletters from time to time without incurring the increasing cost of regular mail.

All power consumers wishing to receive these communications will be encouraged to opt in to receiving communications from the Trust. This opportunity will arise when they are asked to check their direct credit details prior to distributing the annual dividend.

Home insulation contribution

The HBPCT has contributed towards home insulation projects supported by the Energy Efficiency and Conservation Authority (EECA) since 2009. This has seen 1000's of homes in the Napier/Hastings area receive funding towards home assessment and insulation costs.

At a national level EECA has increased its contribution and project reach with the aim of achieving a higher level of healthy homes throughout New Zealand. The Trust is pleased to see this increased commitment from central government over recent years and has decided to discontinue the Trust financial support for these projects. This will allow the Trust to retain these funds for general distribution to all power consumers

Consumer Dividends \$15 million in 2021

In 2021 the Trust received a dividend payment from Unison of \$15.8 million, exclusive of imputation credits. In November 2021 Trustees distributed a \$15 million dividend to consumer-owners. Just over 60,000 dividend payments were direct credited into HB power consumers' bank accounts. Each payment was for \$230, with tax credits attached – to a maximum of three payments per consumer.

Working with Directors

Trustees have retained a strong relationship with directors throughout the year. The Trust receive monthly updates on company activities and are regularly informed of key risks and future developments of the company.

A challenging but successful year for Unison in 2022: More dividends for consumers

Unison Networks has managed the challenges of the past two years very well. The need for the regulated arm of the business to comply with the Commerce Commission's requirements has placed more emphasis on the non-regulated subsidiaries owned by Unison to return a profit. Managing this balance has been crucial to ensure a continued return to the shareholder in form of a dividend.

The Trust is pleased to announce there will be another dividend distribution to consumers later this year.

Trust Ownership

The direct financial benefits consumers have had from Trust ownership since 1999 now stands at around \$218 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, 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 the Trust website: <https://www.hbpct.co.nz/reports-and-information/>

COMPANY PERFORMANCE 2021-2022

Compliance: *The 2021-2022 trading results were again affected by the issues caused by Covid 19 and its impact on supply chains and lost productivity. Despite these influences the overall financial performance for the year was only marginally behind the prior years result. Total group revenue was \$264 million, \$21 million up on the previous year, however operating expenditure was \$25 million higher at \$178 million. There was a favourable movement on financial instruments of \$8.3 million resulting in the net profit before tax decreasing by \$2.5 million to \$44.4 million.*

Shareholder values showed an increase of \$35 million or 7.5% increasing to \$499 million.

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 2022 – 51%

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

Performance Targets

Unison's 2022 Statement of Corporate Intent sets targets for both financial and network performance.

Compliance: *The Company did not meet all its financial performance targets or its network performance targets. The Trustees are however, given the trading environment, satisfied with the trading results and the network performance.*

Statement of Corporate Intent 2022 Targets Actual Results 2022

FINANCIAL

Earnings before interest, taxation, depreciation, amortisation and financial instruments as a percentage of average assets employed 9.9% 9.3%

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

5.7%

5.3%

Total line operating costs per consumer

\$362

\$375

Statement of Corporate Intent 2022 Targets Actual Results 2022

NETWORK PERFORMANCE

SAIDI – System Average Interruption Index (Minutes)

<66.69

69.88

SAIFI – System Average Interruption Frequency Index

<1.52

1.46

HEALTH AND SAFETY PERFORMANCE

- Medical Treatment Injuries
- Number of Public Accidents

Nil

1

Nil

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COMPLIANCE WITH OTHER MATTERS

Unison's Statement of Corporate Intent is released each year, detailing 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 2022 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

Trustees value the strength of the relationship they have with the Unison Chair and Board of Directors. Chair Phil Hocquard meets regularly with the Trust Chair and responds to questions Trustees wish to pose to Directors. He and other Directors also meet with the Trust from time to time.

Trustees have recently taken advice from the Institute of Directors and developed a new Director Rotation Policy. This ensures that the Unison Board comprises the best Directors available serving appropriate terms with a rotation that ensures appropriate knowledge and experience retention.

This policy promotes the principle that in determining the composition of the Board, gender, ethnicity, age and place of residence will all be taken into consideration with the ultimate aim of appointing the best candidates available.

The full policy can be seen on the Trust website: www.hbpct.co.nz

LOOKING AHEAD

The future of the electricity sector has consumers demanding better, faster delivery of electricity, alongside more environmentally sustainable use of our natural resources. The Company is responding very capably in these changing times and conditions within the electricity sector and are well prepared to meet the ongoing challenges and opportunities ahead.

The Trust will continue to support initiatives that improve Unison's business and are necessary to meet the needs of consumers. This in turn will enhance the value of returns to shareholders.

TRUST ELECTIONS

Trustee elections are required to be held every 3 years. The next election is on 1 October 2024.

THANKS

The Trust wish to 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 over the previous year. Special thanks go to the communication team who have been hugely supportive in the transition to direct credit only payment of the dividend distribution.

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 continue to work well as a team and enjoy 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

The Trust's financial statements and audit report as well as detailed information about the Trust and its work is accessible on the Trust website: www.hbpct.co.nz. and are also available from the Trust's offices, c/- Brown Webb Richardson, 111E Avenue Road, Hastings.