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Unison Networks Limited Ownership Review Announcement Meeting - 17 November 2023

Opening Address from the Chair Hawke's Bay Power Consumers' Trust

Welcome to this special meeting of the Hawke's Bay Power Consumers' Trust (HBPCT). Today, trustees will make their final deliberation and will resolve its decision regarding the 2023 ownership review of its shares in the lines company, Unison Networks Limited (Unison).

In compliance with Schedule 2 of the trust deed, this meeting is open to the public. We welcome members of the public to the meeting and respectfully remind you that only trustees are able to participate in the trust deliberations, discussions and decision making today.

Also in attendance are Unison directors. In accordance with Clause 4.4 of the trust deed, Unison directors and the trustees are required to meet following completion of the 5-yearly ownership review public consultative procedure.

After taking due account of the views expressed by the public through its formal submission process and the views of its company directors, trustees will decide whether to:

1. (a) retain the shares in the trust; or
2. (b) dispose of a portion of the shares and retain the remainder in the trust; or
3. (c) dispose of all the shares.

Public Consultative Procedure

The trust deed sets out the process that trustees are required to follow in conducting the ownership review. It feels a long time ago since 10 March this year, when trustees first requested Unison directors to prepare a report considering proposals and available options for the future ownership of the company's shares currently held by the HBPCT, on behalf of its consumer beneficiaries.

The report conducted by Price Waterhouse Coopers (PwC) on behalf of the company, assessed Unison's performance; considered the advantages and disadvantages of trust ownership to consumers; analysed ownership options including distribution of shares to consumers and sale of shares to the public or institutional investors; and compared these options with retention of ownership by the trust.

Unison's directors were then required to consider and report the most appropriate form of ownership, including reporting whether their conclusions were unanimous and whether they had regard to any views expressed by the public or not and a summary of the professional advice obtained in preparation of the report.

Unison directors reported on 5 September 2023. Their report was made available to the public on 15 September 2023, on the trust's website. The directors' report unanimously supported retention of trust ownership at this time. A distribution of shares was not recommended.

Directors Endorsement



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Unison directors stated in their report that to date, the trust has supported the company's initiatives, allowed the company to grow and develop, while providing the company with a consumer perspective on the balance needed between ongoing investment in the network and sharing returns with the shareholder consumers.

The directors considered that the company needs, as an owner of life-long intergenerational assets, a stable shareholder able to understand and support the intrinsic strategic value of the assets to the communities they serve.

I want to take this opportunity to acknowledge and confirm the comments of our professional directors in their assessment of the performance of current trustees.

The respective contributions of my fellow trustees have been exceptional. I can unequivocally record that all trustees have a deep understanding of the consumer's they represent, the wider community and their expectations of their electricity network. Stewardship over trust affairs, fidelity with their fiduciary duties under the trust deed are well understood. Service in the best interests of consumer shareholders, reflects trusteeship of the highest calibre.

Each trustee has made an outstanding effort in exercising good judgement, thereby contributing to the success of the company for the benefit of current consumers. At the same time, trustees have sought to safeguard ongoing inter-generational benefits for future consumers and the wider Hawke's Bay community.

I want to assure all participants in the ownership review consultative process, that trustees have approached their task with a willingness to carefully consider all options. Calling upon their deep governance and professional skills and experience, trustees will arrive at the best possible share ownership outcome.

Submissions

Following a month-long submission process, 198 submitters offered their views to trustees for consideration in making a decision on share ownership options. This compares with 21 submissions received in 2018 and 3 in 2012. Trustees are delighted with the level of awareness and response to the 2023 ownership review.

I believe this level of interest and participation reflects the trust's commitment to improved communication, implemented in 2020. This included enhancements to the trust's website, and direct communication with consumers via social and mainstream media and regular newsletters.

Our objective was to improve engagement and communication with consumers. The level of participation in the current ownership review gives us confidence we have achieved our objective.

I want to thank all submitters for participating in the ownership review. The strongly held views expressed both for and against trust ownership, reflect the value of trustees engaging with consumers in this 5-yearly review process.

There were 100 submissions in favour of retaining full trust ownership. An almost equal number of 98 submitters supported distribution of shares to consumers. Of those submitters expressing a view to distribute shares to consumers, 66 utilised the submission template provided to them by "Free the Funds".

As is provided for in the Trust Deed, submitters were offered the opportunity to speak to their submissions at a special meeting, open to the public, held on Friday 10 November 2023. Eleven submitters chose to do so.



I must touch on the review process itself, and the lessons learned. We deeply regret that an unintended administrative error in our submission process breached the privacy of submitters.

Trustees have already committed to a thorough review of the process, and to put in place improvements in any future ownership review. We acknowledge that the submission process must include better protection for submitter privacy.

Points of Clarification

It would be remiss of me not to acknowledge the Free the Funds campaign.

In particular I want to address erroneous statements widely publicised by Free the Funds, that need correcting. These statements asserted a requirement for a company valuation to be presented as part of the ownership review process.

The trust deed does not require that a company market valuation be made as part of the ownership review. In light of the repeated claim to the contrary by Free the Funds, Trustees sought a legal opinion, which confirmed this.

The task for trustees is not to consider any specific share sale proposal in the Unison ownership review but rather to consider options for the future ownership of its shares in the company, according to the requirements of the trust deed.

If the outcome of today's trustee deliberations is to proceed to dispose of shares, then a company valuation is likely to be required. Given the high cost and uncertainty of such valuations, in proceeding with any valuation prematurely, trustees could be seen as incurring unnecessary costs, thereby reducing dividend returns to consumers..

Furthermore, it was extremely concerning that Free the Funds, in support of its assertion that a market valuation was required, erroneously misrepresented the legal advice provided to a different power consumer trust under entirely different circumstances, as though it pertained to Unison Networks ownership.

The legal opinion given to this other trust, is not relevant to the Unison ownership review process. To the contrary, this legal advice related to circumstances where this other trust had made a decision to dispose of their company and were subsequently considering a sale proposal.

It was disingenuous at best, for Free the Funds to substitute the "Unison Networks" name into the text of the legal advice provided to an unrelated community trust and then to publicly attribute that advice as being relevant to the Unison ownership review.

Any reasonable person would draw a conclusion that this action by Free the Funds, is deliberately misleading of the public, power consumers and submitters to the ownership review.

Trustee Deliberation

I remind trustees we have 3 options to consider:

1. (a) retain the shares in the trust; or
2. (b) dispose of a portion of the shares and retain the remainder in the trust; or
3. (c) dispose of all the shares.



I now invite each trustee to present their thoughts following consideration of the director's report, as well as the views of the public.

Trustee Jeff Farnworth:

- Cautioned about the difference between private and Trust owned companies. Private shareholders – they require a profit.
- Electricity Distribution Businesses have to supply yearly information disclosures, and my conclusion is that Unison compares extremely well with all companies private and Trust owned, and in fact most times come out above average in most metrics.
- I've read all the (nearly 200) submissions, split about 50/50 between status quo and sell.
- However I'm assuming over 60,000 consumers who we haven't heard from are comfortable with the status quo, therefore I couldn't recommend selling.
- Highlighted that Free the Funds claims to have nearly 400 members. That represents only 0.6% of power consumers in Hawke's Bay
- I've read the PWC report and Directors' recommendations and following these reports, I cannot recommend selling.
- From the comparisons in the information disclosure compendium there's nothing that suggests private ownership is any better than Trust ownership. Again I cannot recommend selling.
- The Trust model is fulfilling its duty *and therefore my recommendation is that the company continue in trust ownership for the next five years.*

Trustee Barbara Arnott:

- Taking into account the PWC report (which clearly sets out pros and cons) the Unison Directors' recommendation, and the submissions it is not hard to come to a view on the big picture
- It was clear that for many of both advocates of distribute the shares and those who advocated retain, the ownership review process as set out in the Deed was oblique. For a few very invested distribute submitters there was a conundrum in that the Trust was following the process as set out in the Deed, but although that was what was wanted by the submitters, they weren't comfortable with it. Others talked about "review" more generally including changing from a consumer trust to a community trust and that has merit.



- Indeed a five year ownership review is a construct that might be more appropriate to occur when the need is there, rather than by dates and the Deed provides for this. Regardless, I believe a review is desirable.
- Much has been made of the Trust's fiduciary responsibilities, but the Trust has a wider responsibility in terms of ensuring that Unison performs to the best ability for consumers in terms of service, health and safety, and supply.
- Trust ownership in turn, allows the company to focus on operating excellence initiatives, rather than primarily stakeholder returns.
- Submitters followed up on this with examples of private equity ownership and the negative consequences for consumers.
- I can see that some people are thinking about ready and needed money and that is fair, but as Trustee I have to consider all consumers as a collective whole and in giving proper consideration to the merits of the submissions and based on reasonable evidence *I hold the opinion that the shares should be retained by the Trust.*

Trustee Kirsten Westwood:

- I have considered the Unison Directors' report and the PWC report. Unison Directors are unanimous in support of the current model.
- I am cognisant that alternative forms of ownership may need to be considered if circumstances change.
- HBPCT is open to alternative forms of ownership or triggers should the need arise, but it is clear that this is not needed currently.
- I have considered all written submissions and those spoken to last Friday.
- I acknowledge that some consumers have a different view to the reports and that all views are taken seriously.
- There is no clear majority view from public submissions.
- From the information received, *it is my view that Unison is an essential service, efficient and productive, and therefore ownership should remain as the status quo. HBPCT should continue to hold 100% of shares for the benefit of consumers.*

Trustee David Pearson:

- I have considered the recommendations from the Unison Directors , the PwC report, and all the submissions received – 198 in total, roughly split 50:50 in favour of and against the current ownership model.
- Those submitters who spoke to their submissions were heard, and good points were made, particularly around some of our processes. I thank all submitters for taking the time to do so.
- I believe Unison to be a well-managed and governed company who perform favourably in industry benchmarking surveys and are achieving good capital growth. Trustees receive monthly information and sometimes more regularly if there is a need.
- The Trustees regularly discuss with Unison Directors the adequacy of the dividend in context of the current trading conditions and Unison's capital requirements.
- The importance of the intergenerational retention of ownership featured strongly in the submissions for the status quo to remain, with emphasis on the public good and regional



economic benefits. This was also reinforced by the PwC assessment of company ownership and performance.

- Consequently, *I fully support the unanimous recommendation from the Unison directors for the ownership to remain with the Hawke's Bay Power Consumers Trust.*

Chair Diana Kirton:

- I have read the PwC report, the Unison Directors' report and all submissions from the public numerous times. I am impressed with the level of consideration given by many of the submitters.
- I have now heard the views of Trustees which I fully endorse
- I also note the suggestion from a supporter of trust ownership that comprehensive research into the social value that trust ownership brings be carried out in the future. This could compare the value of alternate trust models.
- For these reasons, I also support the recommendation from *Unison directors for the ownership to remain with the Hawke's Bay Power Consumers Trust.*