

STATEMENT OF INTENT

For the year ending 30 June 2024



TABLE OF CONTENTS

1	Introduction and Purpose of Statement of Intent	3
2	Objectives	3
3	Approach to Governance.....	4
4	Nature and Scope of Activities.....	4
5	Performance Targets and Other Measures	5
6	Financial Forecasts.....	11
7	Accounting Policies	12
8	Dividend Policy.....	12
9	Commercial Value of Shareholder's investment	13
10	Transactions with Related Parties	13
11	Information to be provided to the Shareholder	14
12	Working with the Shareholder.....	14
13	Acquisition/Divestment of Assets or Shares in any Company or Organisation	15
14	Compensation Sought	15
15	Group Facility Use.....	15
16	Other matters as agreed by the Shareholder and the Board	15

1 Introduction and Purpose of Statement of Intent

Aurora Energy Ltd ('the Company') transports electricity from the national grid to the end-use consumer ensuring the safe, reliable and efficient supply of electricity to homes, farms and businesses throughout the Otago region.

The Company is an Energy Company and a wholly owned subsidiary of Dunedin City Holdings Ltd (DCHL). Dunedin City Holdings Ltd is wholly owned by the Dunedin City Council (DCC).

This Statement of Intent (Sol) sets out the Company's planned activities and financial forecasts for the next three years. It includes performance measures and targets which will be reported against in the Company's 2024 Annual Report.

The planned activities and performance measures take shareholder comments into consideration.

2 Objectives

As a DCC Group company, Aurora Energy Ltd aims to contribute to the DCC's strategic framework and achievement of city objectives.

The Company aims to support the future growth and wellbeing of communities in the Otago region by supplying electricity when and where it is needed - safely, reliably and efficiently, and supporting customers' future energy choices by embracing the new and innovative technologies that are now emerging.

Aurora Energy has adopted a target to be net zero carbon by 2030 (**excluding electricity line losses**), as a contribution to the Council's goal of achieving net carbon neutrality city-wide by 2030. Over the 2024 financial year we will be building on our existing work to develop a roadmap to 2030. We will engage with our shareholder DCHL regarding non-controllable emissions and the potential cost of offsetting residual emissions. We will also work with the Dunedin City Council to identify alternative or complementary opportunities to contribute to the Dunedin City Council's city-wide net zero carbon goal. Aurora Energy's emissions associated with network losses are excluded from our 2030 target on the basis that they are not directly within our control. We would also note that line losses are a by-product of renewable electricity usage which will increase as businesses and communities make efforts to decarbonise.

During the year ended 30 June 2024, the Company will continue to focus on the key business initiatives detailed in its approved Customised Price-Quality Path (CPP) programme. These initiatives will build further asset management and work delivery capabilities, enhance customer experiences and continue to improve the safety and reliability performance of the network assets.

As an Energy Company, the Company has the following objectives, as defined in the Energy Companies Act 1992:

1. The principal objective of an Energy Company is to operate as a successful business; and
2. In seeking to attain its principal objective, an Energy Company shall have regard, among other things, to the desirability of ensuring the efficient use of energy.

In operating its business, the Company also has regard to the objectives of a Council Controlled Trading Organisation to:

- a) achieve the objective of its shareholder, both commercial and non-commercial, as specified in the statement of intent; and
- b) be a good employer (as per clause 36 of Schedule 7 to the Local Government Act); and
- c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- d) conduct its affairs in accordance with sound business practice.

Health, Safety and Wellbeing is integral to the manner in which Aurora Energy Ltd operates and conducts its business affairs.

The Company's strategy will be to maximise consistent long-term annual dividend returns with an expectation of providing a commercial level of return on investment to its shareholder, appropriate to the sector the Company operates in.

3 Approach to Governance

In addition to the obligations of the Energy Companies Act 1992, the Company is also subject to the requirements of the Companies Act 1993 and is governed by a Board of independent directors appointed by the Company's shareholder, Dunedin City Holdings Ltd.

The Board of independent directors operates in accordance with accepted best practice governance.

The role of a director of an Energy Company is defined in Section 37 of the Energy Companies Act 1992. This section states that all decisions relating to the operation of an Energy Company shall be made by or pursuant to the authority of the directorate of the Company in accordance with its Statement of Intent. The Board is responsible for the preparation of the Sol which requires approval from the Company's shareholder.

The Board meets on a regular basis to direct and control the company's activities. Directors are appointed by the shareholder and a Board performance evaluation framework is in place.

The Board accepts that it is responsible for the overall control system operating within the company but recognises that no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems reflect the specific risks associated with the business of the company.

The shareholder reviews and approves the Sol and three-year financial plan.

Six-monthly and annual reports of financial and operating performance are provided to the shareholder.

4 Nature and Scope of Activities

The principal activities of the Company are the ownership, development and strategic management of electricity distribution network assets in Dunedin and Central Otago. The Company is also engaged in activities aimed at supporting customers' future energy choices through the deployment of new and innovative emerging technologies.

The Company's function is to transport electricity from the national grid to the end-use consumer, ensuring a safe, reliable and efficient distribution network.

Customers include large directly billed consumers, distributed generators and New Zealand's electricity retailers.

Key suppliers include field service providers contracted to build and maintain the Company's electricity distribution network assets.

Under the Commerce Commission's Electricity Information Disclosure Requirements, the Company is required to publish, at least biennially, a 10-year Asset Management Plan. The Company's Asset Management Plan sets out the way in which it plans to ensure that long-lived assets are managed sustainably.

Aurora invites comment on its Asset Management Plan from electricity retailers (on behalf of their customers) and provides opportunity for public comments via its website.

The undertaking by the Company of any activity of a nature or scope outside of the activities outlined above would be subject to the prior approval of the shareholder.

5 Performance Targets and Other Measures

Goals	Objectives	Performance Measures
<p>OUR PEOPLE, OUR PLACE</p> <p>We're building on our core capabilities keeping people safe and creating a positive culture</p>		
Manage risks to staff and community through proactive risk management and executing a health safety and wellbeing strategy	Zero serious harm events involving members of the public	Number of serious injury events (excluding third party contacts with the network) involving members of the public Targets: 2024 0 2025 0 2026 0
	Reduce harm to employees and contractors	Total Recordable Injury Frequency Rate (TRIFR) per 200,000 hours worked by Aurora and Contractors <u>Targets:</u> <u>Aurora</u> <u>Contractors</u> 2024 0 < 3.50 2025 0 < 3.25 2026 0 < 3.25
	Develop opportunities across the business that support the overall wellness of our team	A Board-approved Health, Safety and Wellbeing Strategy is in place. The Strategy is reviewed and updated annually
	Aurora Energy Risk Register is regularly reviewed & updated, and the risk profile is managed in accordance with Board approved risk tolerance levels.	Risk Management Framework embedded as evidenced by: - Risk registers reviewed regularly and up to date, - Risk treatment plans reviewed regularly and up to date - Regular reporting to Board and Audit & Risk Committee

To be an employer of choice and to deliver a unique value proposition	To create a motivated and satisfied team and to understand and action opportunities for improvement within our team environment	Average of >75% staff satisfaction result on employee surveys completed during the year
	People and culture strategies will be documented to promote our support of equity, inclusion, and diversity.	A People and Culture Strategy, and a Diversity, Equity and Engagement Strategy is in place.
	All employees are paid the living wage or above	All direct employees are paid at the living wage or above

Goals	Objectives	Performance Measures
<p>EFFICIENT DELIVERY</p> <p>We're focused on delivery of our agreed plans and building core information and management systems</p>		
<p>To be efficient, forward- thinking and digital-enabled</p>	<p>Deliver work programme outcomes to scope, time and budget</p>	<p>Work programmes are delivered to Contractors on a rolling quarterly basis in accordance with Field Service contract terms</p> <p>Field Service Agreement 2 in place by end of FY2024</p>
	<p>Develop a digital transformation roadmap to support intelligent business transformation</p>	<p>Digital transformation roadmap approved by the Board and targets for FY2024 are met</p>
<p>To deliver electricity supplies to consumers on the Aurora network of a reliability standard that meets the service level targets in the Commerce Commission's decision on Aurora Energy's Customised Price-Quality Path released 31 March 2021.</p>	<p>SAIDI System Average Interruption Duration Index - Class B Interruptions (Planned)</p>	<p>Average minutes without electricity per consumer</p> <p>Limits for years ended 31 March:</p> <p>2024 ≤ 195.96 minutes 2025 ≤ 195.96 minutes 2026 ≤ 195.96 minutes</p>
	<p>SAIDI System Average Interruption Duration Index - Class C Interruptions (Unplanned)</p>	<p>Average minutes without electricity per consumer</p> <p>Limits for years ended 31 March:</p> <p>2024 ≤ 124.94 minutes 2025 ≤ 124.94 minutes 2026 ≤ 124.94 minutes</p>
	<p>SAIFI System Average Interruption Frequency Index - Class B Interruptions (Planned)</p>	<p>Average frequency of outages per consumer</p> <p>Limits for years ended 31 March:</p> <p>2024 ≤ 1.11 2025 ≤ 1.11 2026 ≤ 1.11</p>
	<p>SAIFI System Average Interruption Frequency Index - Class C Interruptions (Unplanned)</p>	<p>Average frequency of outages per consumer</p> <p>Limits for years ended 31 March:</p> <p>2024 ≤ 2.07 2025 ≤ 2.07 2026 ≤ 2.07</p>

Goals	Objectives	Performance Measures						
<p>OUR COMMUNITIES</p> <p>We're improving our customer and partner relationships and meeting service commitments</p>								
<p>To partner with our customers and develop a brand that is synonymous with providing value and credibility</p>	<p>Maintain community support through approved sponsorships and community initiatives</p>	<p>Sponsorship and community initiatives \$ per annum of at least:</p> <table border="0"> <tr> <td>2024</td> <td>\$10,000</td> </tr> <tr> <td>2025</td> <td>\$10,000</td> </tr> <tr> <td>2026</td> <td>\$10,000</td> </tr> </table>	2024	\$10,000	2025	\$10,000	2026	\$10,000
	2024	\$10,000						
	2025	\$10,000						
2026	\$10,000							
<p>To provide regular updates and consult with the community on the delivery of our CPP programme</p>	<p>Annual delivery reporting and regional community engagements are delivered in accordance with the approved CPP timeframe</p>							
<p>Streamline customer service processes and build key stakeholder relationships</p>	<p>Annual customer satisfaction/perception survey shows year on year improvement against key criteria</p>							

Goals	Objectives	Performance Measures
<p>SUSTAINABILITY</p> <p>We're building on our strengthened network to position the business for the future with a focus on sustainability</p>		
Develop mature & compliant asset management planning approaches and practices across the business	Implement process and capability improvements identified in CPP Asset Management Practices Development Plan (AMPDP)	Asset management development initiatives delivered in accordance with timetable in CPP AMPDP
	Effective long-term planning for Aurora Energy's asset portfolio is in place	Annual and compliant Asset Management Plan is published as per regulatory requirements.
To be leaders of 'green' energy innovation	Work collaboratively with the sector on green energy initiatives and enablement of decarbonisation	Participate in electricity distribution sector 'decarbonisation ready' collaboration groups
To have a sustainable workplace, focused on delivering value to our shareholder, customers and community	Contribute to Council's Carbon Neutrality initiatives	Continue to refine and implement our carbon emissions reduction strategy developed in 2022, and achieve and publicly report progress against our FY2024 targets
	Minimise waste and the associated negative environmental impacts	Continue to refine and implement our waste reduction strategy developed in 2022, and achieve and publicly report progress against our FY2024 targets
	Implement opportunities to transition light motor fleet to electric or hybrid vehicles where appropriate	Achieve the FY2024 targets for electrification of the company's motor fleet as set out in the Aurora Energy emissions reduction strategy
	Increase sustainability reporting and climate related disclosures in our Annual Report	Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report

Goals	Objectives	Performance Measures
LICENCE TO OPERATE		
We're ensuring sound governance and delivering growth and value to our shareholder and customers		
To ensure regulatory and legal compliance and optimised performance under regulatory settings	To deliver commercial, growth-focused value to our shareholder	Regulatory performance metrics for compliance are tracked and reported quarterly
To influence regulatory frameworks with proactive advocacy	To understand long term value optimisation for the next regulatory period	Submissions on strategic regulatory matters are lodged on a timely basis by Aurora (or via ENA) DPP versus 2 nd CPP decision framework and timeline in place by 30 June 2024

Goals	Objectives	Performance Measures
SHAREHOLDER		
We're ensuring sound governance and delivering growth and value to our shareholder and customers		
Bring to the attention of the Shareholder any strategic or operational matters where there may be conflict between the Council's community outcomes and those of the Company and seek the Shareholder's view	Consult with the Shareholder at the earliest possible time on matters where conflict may or could result	Potential conflicts notified to the Shareholder Targets: 2024 No unnotified potential conflicts 2025 No unnotified potential conflicts 2026 No unnotified potential conflicts
Keep the Shareholder informed of all substantive matters	On a "no surprises" basis, advise the Shareholder promptly of any substantive matter that has the potential to impact negatively on the Shareholder and the Company with a particular focus on the media	Substantive matters reported to the Shareholder within 24 hours Targets: 2024 All substantive matters reported within 24 hours 2025 All substantive matters reported within 24 hours 2026 All substantive matters reported within 24 hours

6 Financial Forecasts

The financial forecasts included in this section are derived from revenue and expenditure allowances approved by the Commerce Commission in its determination of the company's Customised Price-Quality Path dated 31 March 2021.

Please note that the financial forecasts included in this section were previously approved by the Aurora Energy Ltd Board in May 2022. The company's three-year financial forecast will be updated and reapproved by the Board in April/May 2023, following which this draft document will be revised prior to finalisation in June 2023.

a) The ratio of Shareholder's Funds to Total Assets and the definition of those terms

	Year ending 30/06/2024	Year ending 30/06/2025	Year ending 30/06/2026
Shareholder's Funds to Total Assets	25%	26%	27%

The ratio of Shareholder's Funds to Total Assets (equity ratio) will fluctuate depending on a variety of circumstances including asset renewal and investment cycles.

"Shareholder's Funds" are represented by the paid-up capital, reserves created by the revaluation of specific assets, and retained earnings.

"Total Assets" means the aggregate amount of all current and non-current assets.

b) Estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholder

	Year ending 30/06/2024 \$000	Year ending 30/06/2025 \$000	Year ending 30/06/2026 \$000
Dividend	0	0	TBA*

*Aurora Energy will continue to work with DCHL in relation to its dividend forecast for the year ended 30 June 2026.

c) Other financial forecasts

	Year ending 30/06/2024 \$000	Year ending 30/06/2025 \$000	Year ending 30/06/2026 \$000
EBITDA	75,299	87,598	104,073
Net profit after tax	15,922	22,020	31,655
Cash flow from operations	47,734	57,596	69,009
Capital expenditure	93,230	87,232	86,276
Term borrowings	538,227	568,363	585,709
Shareholder's funds	212,257	234,277	265,931

7 Accounting Policies

a) General Accounting Policies

The Company is a Tier-1 For-profit entity as defined by the External Reporting Board and reports in accordance with Tier 1 For-profit Accounting Standards. The Company's accounting policies are based on NZ IFRS standards and interpretations, as recognised by Chartered Accountants Australia and New Zealand.

NZ IFRS standards and interpretations are subject to change and therefore the Company's accounting policies are also subject to change during the period of the SOI.

b) Particular Accounting Policies

The particular accounting policies, which materially affect the measurement and reporting of financial performance and financial position, are consistent across the DCHL group and are fully listed in the Company's annual report.

8 Dividend Policy

As a regulated business, Aurora Energy has a responsibility to its customers to provide safe, reliable electricity infrastructure. To maintain a reliable network and cater for growth, we are planning to invest in the order of \$800 million in the network over the next decade to be funded by increased revenue, increased borrowings and reduced dividends.

Aurora Energy will determine its ability to pay dividends by assessing the company's Funds From Operations / debt ratio (FFO/debt), which assesses the company's available funds from operations (pre capital expenditure) relative to its debt. Aurora Energy will consider dividends once the company can achieve and sustain a position in the range of FFO/debt of 8.5-9%, which is consistent with comparable entities. For reference, Aurora's current FFO/debt measure is approximately 5%.

Based on current projections the Board expects to be in a position to consider the payment of a dividend in the next three or four years. At that point the Board intend to pay dividends within the range of 20-40% of the company's net surplus after tax. This range reflects the company's likely need to retain a portion of earnings to continue to rebuild its balance sheet, targeting a shareholders' funds to total assets of 30-35%.

The company will revisit these projections and dividend forecasts annually when preparing its Statement of Intent. In arriving at a dividend recommendation, Directors will consider:

- the Company's financial performance, in particular, the cash flows from operations;
- the ratio of the Company's shareholders funds to total assets (equity ratio);
- the Company's future investment plans and profitability thereof;
- the Company's ability to raise loans and the terms thereof; and
- inflationary forecasts and the Company's cost of borrowings.

Dividends will also be subject to Directors' obligations to act in accordance with their statutory duties and the company's Constitution.

The Company's dividend policy will be reviewed by the Board at least annually and the basis on which dividends are calculated may be subject to change from time to time.

9 Commercial Value of Shareholder's investment

The commercial value of the Shareholder's investment in the Company is considered by the Directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.

This will be considered annually when the Statement of Intent is completed.

10 Transactions with Related Parties

Dunedin City Council is the sole Shareholder of Dunedin City Holdings Limited.

Dunedin City Holdings Limited is the sole Shareholder of Aurora Energy Limited, City Forests Limited, Delta Utility Services Limited, Dunedin City Treasury Limited (DCTL), Dunedin Railways Ltd, Dunedin Venues Management Limited and Dunedin Stadium Property Limited.

Dunedin City Holdings Limited owns 50% of Dunedin International Airport Limited.

Transactions between the Companies, Dunedin City Council and other Dunedin City Council controlled enterprises will be on a wholly commercial basis.

Charges from Dunedin City Council and its other entities and charges to Dunedin City Council and its other entities will be made for goods and services provided as part of the normal trading activities of each Company.

Dunedin City Holdings Ltd and its subsidiaries will undertake to obtain all debt funding from DCTL, with exceptions as agreed with the Board of Dunedin City Holdings Ltd.

Related Party Transactions

Delta Utility Services Ltd	Operations and maintenance, asset construction
Dunedin City Council	Council rates for properties owned by the Company
Dunedin City Holdings Ltd	Functions appropriate between parent companies and subsidiaries
Dunedin City Treasury Ltd	Provision of debt funding to the Company generating interest payments to DCTL.

11 Information to be provided to the Shareholder

		Quarterly	Half Yearly	Annual
Key financial performance indicators		X	X	X
Statement of Financial Performance			X	X
Statement of Financial Position			X	X
Statement of Cash Flows			X	X
Statement of Service Performance against SOI targets			X	X
Statement of Movement in Equity			X	X
Notes to the Financial Statements			X	X
Directors' Report			X	X
Auditor's Report				X
Draft Statement of Intent				Prior to 1 March
Final Statement of Intent				Prior to 30 June

12 Working with the Shareholder

The company will undertake to keep the Shareholder informed of all substantive matters, in accordance with the performance targets above. The Company will work to build a culture of accountability and constructive working practices between the Company and the Shareholder. It is expected that any conflicts that may arise between the Company and the Shareholder will be resolved directly between the Company and the Shareholder, in accordance with appropriate governance practices.

13 Acquisition/Divestment of Assets or Shares in any Company or Organisation

The Company will only invest in the shares of another company or invest in an entity if the investment is considered to be likely to produce added value to the Company. In order to maximise benefit to the Shareholder, shares or assets may also be sold in response to, or in anticipation of, on-going changes in the marketplace.

If the Directors intend that the Company or its subsidiaries should acquire assets, they will obtain prior approval of the Shareholder where an investment into the new assets exceeds \$5 million, provided however that this approval requirement does not apply to expenditure set out in the Company's Asset Management Plan. For the purpose of this section, "asset(s)" includes a group of assets similar in type, cost and useful life that are purchased together and can be identified and maintained as one asset or group of assets following purchase.

If the Directors intend that the Company or its subsidiaries should subscribe for or otherwise acquire issued capital or an interest in any company or organisation (other than minimum holdings in listed companies in related industries) exceeding a total investment of \$5 million they will obtain prior approval of the Shareholder.

The approval of the Shareholder is required before disposal by the Company of any segment of its business or shares in a subsidiary or associate company where the value of the asset to be disposed of exceeds the investment delegated authority of \$5 million.

14 Compensation Sought

At the request of the Shareholder, the Company may undertake activities that are not consistent with its normal commercial objectives. Specific financial arrangements will be entered into to meet the full commercial cost of undertaking such activities.

At present, the Company does not have any activities in respect of which its Board wishes to seek compensation from any local authority.

15 Group Facility Use

The Company will undertake to operate "Group" purchasing of goods and services, unless this would cause the company to breach regulatory requirements or it is demonstrated conclusively to the Shareholder that the total combined cost of such Group purchasing to the Group and Dunedin City Council (including the costs of ceasing any such Group purchasing), is greater than any alternative identified.

16 Other matters as agreed by the Shareholder and the Board

- a) The Company is committed to open and transparent engagement with its stakeholders and customers and will maintain a publicly available and actively promoted Customer and Stakeholder Charter and Public Information Disclosure Policy consistent with its responsibilities as an Energy Company providing essential infrastructure services.
- b) The Company will not accept sponsorship or give naming rights to companies involved in activities deemed to be inconsistent with the Dunedin City Council's ethical position. For reference, those activities are: tobacco, armaments, fossil fuel extraction, gambling and pornography.