

The SCI was prepared on a business as usual basis, and prior to the emergence of COVID-19 emerging as a significant forecast risk. At this point, it is difficult to determine the impacts of COVID-19 on Centralines financial and operating performance over the short to medium term, with the impacts dependent on the scale, depth and timeframes for managing the event and subsequent economic recovery. Centralines is planning for a significant divergence of performance compared with a business as usual scenario.

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Centralines enables its community to prosper by distributing electricity to homes and businesses in Central Hawke's Bay. Instrumental to the region's social and economic wellbeing, Centralines' approach is to ensure one of the country's most sparsely populated regions has access to affordable and reliable electricity.

There is a natural expectation that Centralines continues to evolve to meet its stakeholders' changing needs, while at the same time embracing major changes in the strategic environment. This includes climate concerns, combined with advances in technology which look to change the way energy is produced, stored and used.

The energy value chain is in the early stages of a significant transformation – from a system that was 'centrally planned' to an 'internet of energy' – which sees consumers in control. With policy and regulation response, it will shape the scope of our regulated business while opening opportunities for new services and business models.

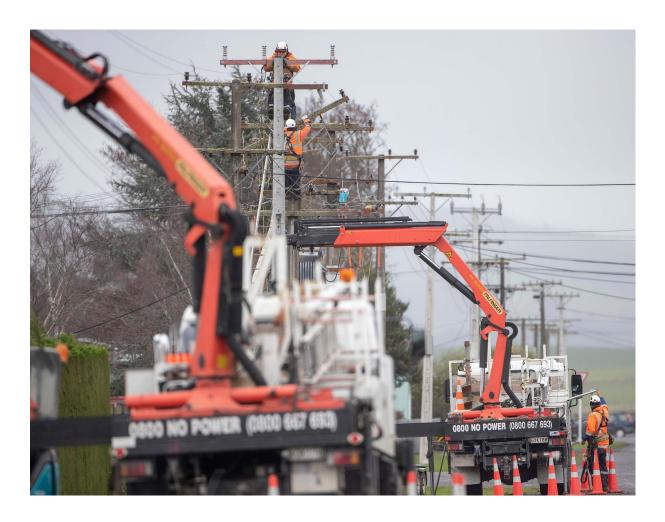
By remaining close to its customers, Centralines will continue to build insights and understanding of their changing needs. At the same time, it is crucial that Centralines engages the diverse talents of its people and the wider community to harness new ideas.

Centralines continues to play an important role in supporting the social and economic development of the Central Hawke's Bay community through the provision of career opportunities to grow its diverse and inclusive team; while simultaneously ensuring – through training and development – that its people are equipped with the skills to face the challenges and opportunities that a new energy future will bring.

A realistic view of the future needs to be developed to determine where – and in what role(s) – Centralines is going to play. Incremental changes in what Centralines does and how it invests will form part of this journey, which is not without risk.

This future will ultimately see Centralines continue to provide a valued service for its customers.





This Statement of Corporate Intent (SCI) is submitted to the CHB Consumers Power Trust (the Shareholder) by the Board of Directors of Centralines Limited (the Company). It sets out the Board's overall intentions and objectives for the Company for the financial year ending 31 March 2021, and the two succeeding financial years.

The SCI is submitted in accordance with the provisions of Sections 39 and 40 of the Energy Companies Act 1992.

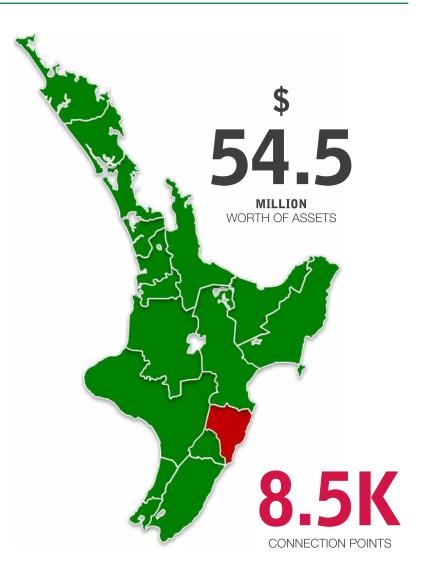
Centralines is a consumer owned company. Eight million shares have been issued and are owned by the CHB Consumers Power Trust, the beneficiaries of which are the consumers connected to Centralines' network in Central Hawke's Bay (the Company's distribution assets as defined in the Trust Deed).

This statement represents the Directors' intent to ensure the Company will operate as a successful business.



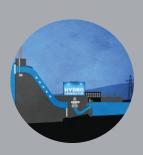
Centralines is one of 29 distribution companies in New Zealand. It distributes electricity to customers across the Central Hawke's Bay region. The Centralines' network has over \$54.5 million worth of assets, is 1,700km in length, and supplies around 8,500 connection points. Centralines is owned by the CHB Consumers Power Trust on behalf of power consumers in Central Hawke's Bay.

Centralines is responsible for electricity distributing from Transpower's national grid to electricity consumers. Electricity supply is provided to Centralines predominantly at 33kV from Transpower's grid exit points and is connected to Centralines' subtransmission network to zone substations. At zone substations, the voltage is converted to 11kV for distribution. Distribution transformers throughout network then reduce the voltage to 400V for consumer use.



Centralines is a consumer-owned and operated electricity lines business. The Centralines network has over \$54.5 million worth of assets, is 1,700km in length, and supplies around 8,500 connection points.

THE ELECTRICITY MARKET



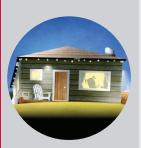
GENERATORS



TRANSMISSION



CENTRALINES/
DISTRIBUTION



CONSUMER



RETAILERThe Retailer is responsible for billing consumers





Our Purpose:

"To enable long-term prosperity for Central Hawke's Bay through dynamic energy and infrastructure solutions."

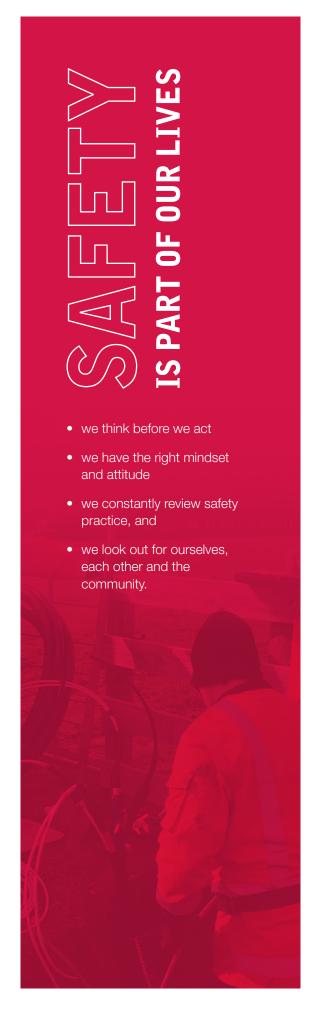
Our Vision:

"A collaborative partner that enables growth and delivers in the new energy economy."

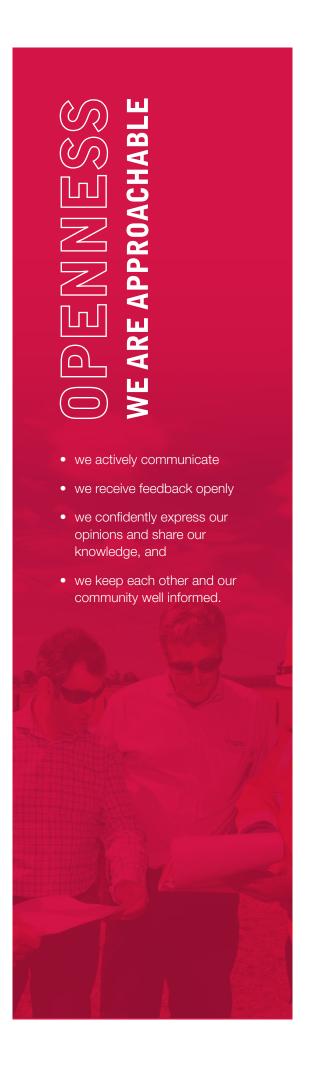
Our Values:

Centralines' staff and management team contribute their ideas and vision to create the positive energy that's behind the Company's processes, procedures and policies. We want our people to feel empowered and confident in their abilities to do their job well and go home safe to their families each day. Our 'acting out' of our company values has helped in the achievement of these goals.

Here's what's important to everyone who works at Centralines:



• we share, listen and have trust in each other we show respect and support for all team members, including contractors and the community • we complement each other's strengths and shortcomings, • we regularly plan, review and celebrate together.



• we strive for constant improvement • we are success driven • we have pride and respect for our community, and • we believe in ourselves and our workmates.

• we take pride in all our work and ourselves • we take full responsibility for our actions • we are reliable and what we say, we will do, and • we communicate directly and solve issues openly.





The Company – through a focus on service and recognition of the value of skilled staff – will strive to achieve the following objectives:

Safety and wellbeing

Centralines' objective is to create a culture where the safety and wellbeing of its people – and ultimately the wider community – is imperative, with "safety first" being the core value that forms the basis of its everyday activities to achieve an injury-free workplace, while maintaining a safe network.

Financial performance

Centralines shall deliver sustained financial performance through sound investment policy, efficient and cost effective services, and strategic growth.

People

Centralines is committed to building an organisation that people want to be a part of. We aim to develop a performance driven culture that is guided by company values. The business must ensure that it has the appropriate number of skilled and engaged employees to deliver operational success.

Network performance

Centralines aims to sustain and improve the level of network

performance to our customers while improving emergency response to electricity outages through enhanced network security and safety.

Works delivery

Centralines shall deliver its Asset Management Plan commitments to ensure the continued operation of the network meets stakeholder requirements.

Growth

Centralines is committed to exploring growth opportunities which may be incremental in nature, or greenfields, and could take a number of business structures. Opportunities will be evaluated against Centralines' investment policy and higher risk appetite related to strategic growth opportunities. Diversification of income, increased distributions and enhanced utilisation of balance sheet strength are important.

Customer service

Centralines aims to not only meet, but exceed customer expectations through the provision of an economic electricity network service to consumers, priced at sustainable levels and characterised by delivery that is on time and on budget. A customer driven approach is coupled with strong network performance to deliver high levels of customer satisfaction.

Community

Centralines aims to be a good corporate citizen by engaging with our customers and community to understand their needs and expectations, and responding appropriately.

Compliance

Through a culture of compliance, Centralines will deliver against its legal, corporate governance and community obligations.

Risk

Centralines ensures the implications of uncertainty on the business are managed through evaluating all material, strategic, operational and financial decisions against the Board approved Risk Appetite Statement. In addition, all staff at Centralines are responsible for managing day-to-day risks through a structured risk management programme.





Section 36 of the Energy Company's Act 1992 requires Centralines, as its principle objective, to operate as a successful business.

To achieve this, the Company is structured to provide the following services:

Network services

This includes the maintenance and operation of the network assets to allow retailers to convey electricity from the national power grid to an end customer's premises. The Company welcomes and encourages competition across its network subject to certain credit criteria for retailers.

Electrical contracting

This includes the undertaking of a wide range of contracting work for customers within the Centralines' area and for other electricity distribution companies.

The Company will undertake these activities in a manner consistent with:

- the safe and effective utilisation of the Company's physical assets and human resources
- the prudent management of the Company's business risks, and
- in accordance with regulatory requirements.

All activities will be carried out with the objectives of protecting and growing shareholder value.

In support of the principle objectives, the Company will:

- Ensure a positive health and safety culture which encourages compliance with the Health and Safety at Work Act 2015.
- Understand and meet our customers' existing needs in terms of network reliability and security of supply, and meet our customers' future needs in terms of fit for purpose solutions which are also cost effective and timely.
- Explore growth opportunities consistent with the company's investment policy to:
 - expand the fibre optic network
- develop regional infrastructure that can support economic growth, and
- develop and/or invest in energy/efficiency related assets (that have a nexus to Central Hawke's Bay electricity consumers).

- Encourage and facilitate distributed generation opportunities in the Central Hawke's Bay where the business case is positive.
- Ensure electricity network services are maintained and priced at sustainable levels.
- Achieve efficient operating costs.
- Maintain active participation with other lines companies and wider industry stakeholders and participants.



PERFORMANCE TARGETS AND MEASURES

The performance targets that we will use to measure our financial and service performance over the next three years (ending 31 March 2022).

	2018/2019 Actual	2019/2020 Actual	2020/ 2021	2021/ 2022	2022/ 2023
SAFETY MEASURES					
Number of Lost Time Injuries	1	1	0	0	0
Total Financial Return Measures					
(a) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts)	\$8.17M	\$7.98M	\$7.87M	\$7.35M	\$7.43M
(b) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts) as a	11.16%	11.72%	10.60%	9.75%	9.67%
percentage of Average Assets Employed					
(c) Net Profit after tax (adjusted for discounts) as a percentage of Average Shareholders' Funds	7.66%	7.79%	6.72%	4.63%	4.00%
(d) Network Operational Costs - per ICP (Excluding Transmission Costs and Depreciation)	\$499	\$507	\$524	\$520	\$531
(e) Network Operational Costs - per kilometre of line (Excluding Transmission Costs and Depreciation)	\$2,195	\$2,223	\$2,349	\$2,332	\$2,380
(f) Total Planned Electricity Network Capital Expenditure	\$4.04M	\$3.95M	\$3.78M	\$3.28M	\$4.60M
(g) Dividend (These figures include \$100,000 for the CHB Consumers Power Trust to cover the operating cost of the Trust)	\$0.16M	\$0M	\$3.2M	\$1.1M	\$1.1M
(h) Discount - paid in that year	\$1.39M	\$1.41M	\$1.45M	\$1.41M	\$1.35M
Reliability Measures					
Unplanned System Average Interruption Duration Index					
SAIDI represents the average number of unplanned minutes the customer was without power in any one year	<62.83	<62.83	<62.83	<62.83	<62.83
Unplanned System Average Interruption Frequency Index SAIFI is the average number of unplanned supply interruptions that a customer experiences in the period including maintenance but excluding transmission (Transpower)	<3.1616	<3.1616	<3.1616	<3.1616	<3.1616
Number of major faults (33kV) which result in interruptions to supply, per 100 km of line per year (as per the Electricity Distribution Information Disclosures Determination 2012)	2	2	2	2	2



7.1 Ratio of consolidated shareholders' funds to total assets

The ratio of consolidated shareholders' funds to total assets will be maintained for each year at not less than 60 percent.

"Consolidated shareholders' funds" means the total contributed capital, reserves and retained earnings at the end of the previous financial year.

"Total assets" means all the recorded tangible assets of the Company as shown in the Statement of Financial Position.

7.2 Accounting policies

Centralines accounting policies will comply with the legal requirements of the Companies Act 1993 and the Financial Reporting Act 2013, and are consistent with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). The Company's financial statements will comply with New Zealand International equivalents to Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards, as appropriate for profit oriented entities. They will also comply with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. For the purposes of complying with NZ GAAP, the Company is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Company has elected to report in accordance with NZ IFRS RDR and will apply disclosure concessions accordingly.

7.3 Information to be reported to shareholder

In addition to information required by legislation, the Company will provide sufficient information to the Trust – and where applicable to other shareholders - to enable the shareholder to assess the value and performance of the Company. This includes the following information.

Statement of Corporate Intent

Before the commencement of the financial year the Directors will deliver a draft Statement of Corporate Intent in accordance with Section 39 of the Energy Companies Act 1992 to the Shareholder. The Directors will make any modifications required, as under Sections 40 and 41 of that Act, and then deliver the SCI to the Shareholder.

Interim report

Within two months after the end of the first half of the financial year of the Company the Directors will deliver to the Shareholder an unaudited report of the Company's operations during that half year. This report will include such details as are necessary to permit an informed assessment of the Company's performance during the reporting period.

COMMITMENT TO OUR SHAREHOLDER

Annual report

Within three months after the end of the financial year of the Company the Directors will deliver to the Shareholder in accordance with Section 44 of the Energy Companies Act 1992:

Operations: A report on the operations of the Company during the financial year

Financial Statements: Audited consolidated financial statements for that financial year in respect of the Company, and

Auditors Report: The Auditors report on:

5.2.1 those financial statements, and

5.2.2 performance targets and other measures by which performance has been judged in relation to the objectives.

Every report will contain such information as is necessary to enable an informed assessment of the operations of the Company and including a comparison of the performance of the Company and its subsidiaries with any relevant SCI.

The Chairman will provide regular briefings to the Shareholder on all material matters and the Company will provide further information as the Shareholder may require in order to properly undertake its duties and to act as a diligent trustee shareholder.

7.4 Dividend policy

The Company will distribute to the shareholder following the payment of a posted discount, by way of a dividend each financial year, funds surplus to the investment and operating requirements of

the Company as determined by Directors, subject always to:

the solvency provisions of the Companies Act 1993

any banking or other funding covenants by which the Company is bound from time to time

the forecast economic conditions in which the Company is expected to be operating, and

the Company's efficient capital structure and future funding requirements.

The target dividend pay-out for the period is set out in section 6.

In measuring the Company's performance against the target dividend pay-out, the parties acknowledge that Directors shall seek to maintain a consistent dividend from year to year. Any significant variations in profitability, which may be due to one-off gains or losses in individual years, will be taken into consideration in order to minimise the volatility in dividend pay-out between years.

7.5 Extraordinary capital expenditure

Electricity network capital expenditure is commensurate with clause 3 and is not extraordinary by definition.

7.6 Projections

The financial forecasts in the SCI for the period 1 April 2019 to 31 March 2022 have been prepared for the purposes of this document and may not be appropriate for other purposes. The actual results for any period are likely to vary from the information presented.

The Commerce Commission is resetting the regulated revenue

allowance for Centralines for the five year period beginning 2020/21. At the time of preparing this SCI, Centralines has made its best efforts to estimate the impact of the regulatory reset on revenues. However, actual revenue allowances will depend on prevailing financial market conditions and assumptions that the Commerce Commission makes at the end of November, 2019. Accordingly, future revenue projections may vary from the stated SCI targets.

7.7 Discount policy

The Company's policy is to pay to the consumers each financial year a discount based on their previous 12 months electricity usage. This discount is to reward customers for their loyalty, and levels of electricity usage. The level of the discount to be paid to consumers will be determined by Directors, subject to:

the solvency provisions of the Companies Act 1993

any banking or other funding covenants by which the Company is bound from time to time

the forecast economic conditions in which the Company is expected to be operating, and

the Company's efficient capital structure and future funding requirements.

The Company will post the discount to be paid from line revenue in its published Distribution Delivery Prices for that year. The discount will be calculated using 12 months consumption data from 1 April and will be paid to consumers via their retailer within 6 months of the end of the financial year.

7.8 Acquisition procedure

No acquisition of shares or assets in another company or organisation shall be undertaken by the Company without prior shareholder approval where the value exceeds five percent of the share capital of the company (other than in the course of a re-organisation, reconstruction, merger etc as defined in Clause 9.9 of the Trust Deed).

7.9 Disposal of assets

No assets will be disposed of other than in the normal course of business without consultation with the Shareholder. Before any assets are transferred to a subsidiary company the Directors will consult with the Shareholder.

7.10 Borrowings for Core

In accordance with the long term strategic plan, the Company has committed to a capital expenditure programme. However, borrowings will not be required for core network activities within the period of forecast of this statement.

7.11 Investments

The Company will make prudent investments in accordance with the company's Risk Appetite having taken provisional advice and in accordance with the Company's Investment Policy. The Company shall keep the Trust informed of any potential or planned investments.

7.12 Reserves for investment

The company will keep the Trust updated on any reserves held for capital projects or major investments.

7.13 Extraordinary dividends

An extraordinary dividend will be discussed with the Trust, if the reserve funds referred to in Clause 7.12, are not required by Centralines in the foreseeable future.

7.14 Community contribution

The Company's policy is to sponsor community activities with annual target of at least \$150,000. The Company shall provide a list of organisations to which they provide sponsorship as part of the Board's quarterly update to the Trust.

7.15 Relationship with the shareholder

The Company will make available facilities and resources for the operation of the CHB Consumers Power Trust.

The Company will supply to the Trust within a reasonable time of receiving a written request the name and address of each consumer as defined by the Trust Deed.

The Company will meet with the Trust at not more than six monthly intervals to discuss matters of mutual interest.

Jon Nichols - Chair

Date: 29/06/2020





OUR PEOPLE | OUR POWER

CENTRALINES LIMITED

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