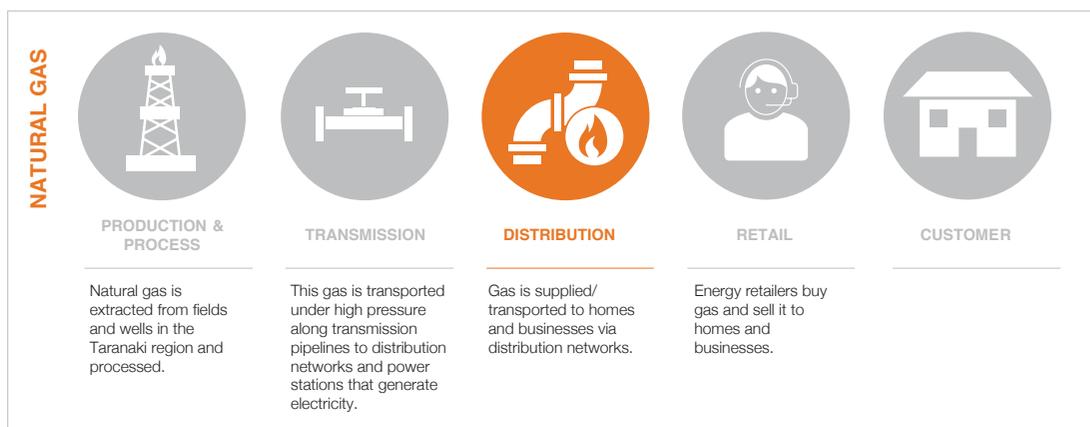




**POWERCO
AT A GLANCE**



1. ISO 14001 is an internationally accepted standard that provides the framework to put an effective environmental management system in place within an organisation.

2. GRESB: For the past three years, Powerco has participated in the GRESB Survey (Global Real Estate Sustainability Benchmark). This is a global benchmarking of environmental, social and governance performance across companies in North America, Europe and Australasia. For each of the three years, Powerco has ranked first in the Network Utilities category. In the most recent survey, Powerco was also sixth overall out of the 280 companies that participated. Each year Powerco has completed the survey, it has improved its score. (2016: 66, 2017: 82, 2018: 88).

Message from the CEO

Welcome to this snapshot of Powerco's electricity and gas distribution business.

We want to give you an overview of our company, our position in the New Zealand energy industry and our priorities in the short-to-medium term, and our vision for the future of energy.

Powerco's core business is to ensure electricity and gas are delivered to our customers safely, reliably and efficiently. Keeping the lights on and the gas flowing to around 1.1 million customers across 452,000 homes, businesses and organisations is a responsibility we take seriously.

To continue to do this it is essential we invest in our assets to ensure they are in appropriate condition and have sufficient capacity to meet the needs of our customers in the long term. The challenge is achieving the right balance of investing now for an energy future that will look very different than it does today.

We recognise society is facing an unprecedented challenge regarding a warming environment.

- We are committed to helping New Zealand achieve its carbon reduction standards
- We are committed to acting in an environmentally responsible manner in all our investment decisions and operational practices – as witnessed by our recent ISO 14001¹ certification and our high GRESB² score

We are committed to developing more sustainable energy outcomes and we challenge ourselves on how best to incorporate good environmental, social and governance practices into everything we do.

The role of energy companies in decarbonising the economy is a worldwide focus. For Powerco, this begins with being the platform that supports new technologies and the connection of new renewable sources of energy. We are preparing today to ensure we have the capability and resilience within our people and systems to successfully evolve and adapt to industry changes, whatever the future brings. You can read more about our vision for the future of our electricity and gas businesses from page 8 onwards.

No matter what the future holds, safety is, and always will be, our top priority. We continually look for ways to improve our sites and assets so we keep our employees, field staff, contractors, customers and communities safe.

Our customers and communities are at the heart of everything we do. We strive every day to be better and deliver the best quality outcomes we can for our customers and stakeholders. We do all this to continue to achieve our vision of being 'your reliable partner, delivering New Zealand's energy future'.



Nigel Barbour
Chief Executive

For more information about Powerco, visit powerco.co.nz

Our Business

Powerco is a leading New Zealand electricity and gas infrastructure business providing distribution services to around 1.1 million* customers across 452,000* connections throughout the North Island.

Powerco is New Zealand's largest electricity utility by the area we serve. Our electricity networks are in Western Bay of Plenty, Thames, Coromandel, Eastern and Southern Waikato, Taranaki, Whanganui, Rangitikei, Manawatu and Wairarapa.

Powerco is New Zealand's largest gas distribution utility. Our gas pipeline networks are in Taranaki, Hutt Valley, Porirua, Wellington, Horowhenua, Manawatu and Hawke's Bay.

\$2.5b
total assets

342,300*
electricity connections
servicing 856,000* customers

110,000*
gas connections servicing
275,000* customers

36,000+
kilometres of combined
network length

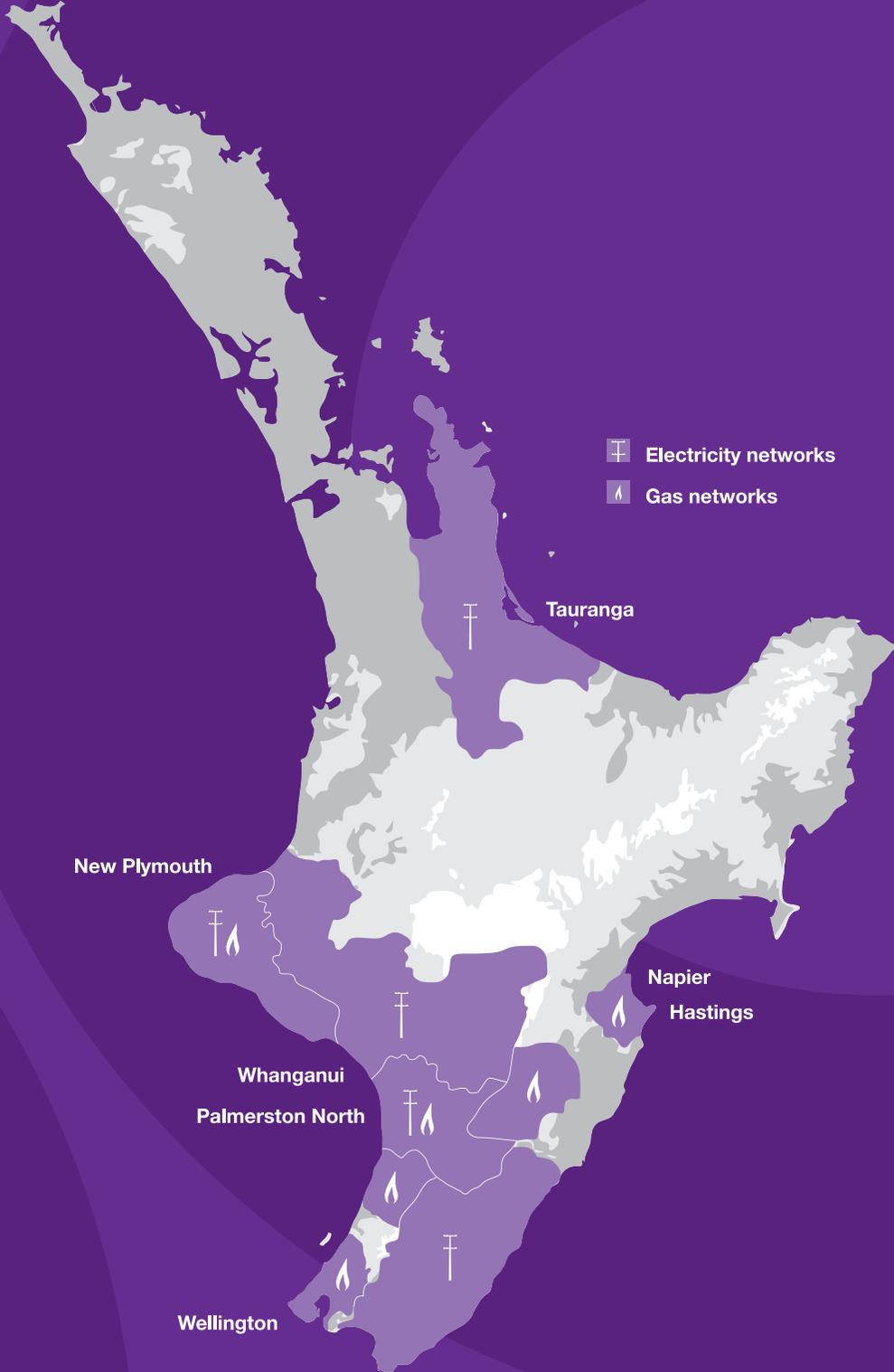
5,086*
GWh of electricity conveyed
for FY18

8,961,000*
GJ of gas conveyed for FY19

95%
customer satisfaction

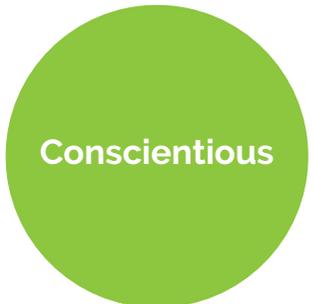
30%
carbon emission reduction
from FY18

*approximate FY19 figures



Our People and Values

Values are an important part of shaping how we act at Powerco. They define the types of behaviours and actions that contribute to the success of the company. The values and behaviours are discussed with employees as part of their review and development.

 <p>Safe</p> <p>We are committed to keeping people safe.</p>	 <p>Trustworthy</p> <p>We act with integrity. We are honest, consistent and ethical. We trust each other and our external partners and work to be trusted in return.</p>	 <p>Collaborative</p> <p>We work together with our partners, contribute our capabilities and provide timely support and consideration to achieve our collective goals.</p>
 <p>Conscientious</p> <p>We are proactive, hardworking, diligent and thoughtful. We are mindful of the needs of others and of the environment. We take ownership for our actions.</p>	 <p>Intelligent</p> <p>We make informed decisions for the best outcome. We continually seek improvement and innovative solutions from our suppliers and ourselves.</p>	 <p>Accountable</p> <p>We lead. We take ownership of our decisions and responsibility for our actions. We are proactive in identifying and resolving problems.</p>

Board of directors

 <p>John Loughlin Chair</p>	 <p>Michael Bessell Alternate</p>	 <p>Paul Callow</p>	 <p>Michael Cummings</p>
 <p>Angela Karl Alternate</p>	 <p>Leisel Moorhead</p>	 <p>Stasha Prnjatovic</p>	

Executive management team

 <p>Nigel Barbour</p>	 <p>Brigitte Colombo</p>	 <p>Stuart Dickson</p>	 <p>Stuart Marshall</p>	 <p>Eric Pellicer</p>
 <p>Julie McAvoy</p>	 <p>Ian Skipworth</p>	 <p>Chris Taylor</p>	 <p>Ryno Verster</p>	

24 hrs
Training average per person

7.18%
Voluntary employee turnover




427
Fulltime equivalent employees

39% female

61% male

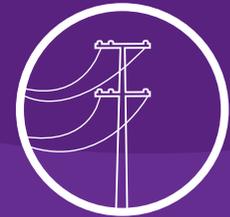



Delivering results – Electricity distribution



Year one saw Powerco investing:

\$187 million (\$180 million target) – a 22% increase on FY18



We replaced:

3,616 power poles (3,585 target) – a 25% increase on FY18
136km conductor (148km target) – a 50% increase on FY18



We reduced:

Our defective equipment backlog by 33%



We kept the power on:

99.95% of the time for year one

Powerco's business is to ensure electricity is delivered to our customers safely, reliably and efficiently – investing wisely for our customers' energy needs, both now and into the future.

CPP investment programme

The end of FY19 was a milestone for Powerco as it marked the completion of the first year of its five-year Customised Price-quality Path (CPP) investment programme.

The CPP, approved by the New Zealand Commerce Commission, allows Powerco to spend \$1.27 billion over five years to ensure the safety, security and resilience of the electricity network, allow for growth and prepare for the future demands of customers. Our investment plan includes 17 major network development projects, replacing an average of 270km of conductor each year and managing a 152% increase in tree cutting and trimming sites each year (8,300).

Added to these CPP year one highlights, Powerco commissioned two major growth projects in the Tauranga area and undertook new maintenance programmes such as Pole Top Photography and LiDAR (Light Detection and Ranging).

Rising to the challenge

Delivering our electricity CPP commitments is a significant challenge. Not only do we face a much-increased volume of network investment and maintenance work, we are also committed to improving our asset management capability.

Our focus has been on meeting these challenges. Progress includes:

- Reorganising our Asset Management and Service Delivery teams to ensure we have the best internal structure to plan and deliver our work
- Increasing the capacity of our workforce, particularly planners, designers and project managers
- Establishing new support functions, such as programme management, asset analytics and investment optimisation.
- Increasing the number of major service providers we use for network renewal and maintenance services, and work with them to increase their resources to deliver the higher work volumes.

- Finishing the construction of our new Network Operations Centre (NOC), which is designed to meet the demands of an expanding network, substantially increased construction and maintenance volumes, and growing network complexity.

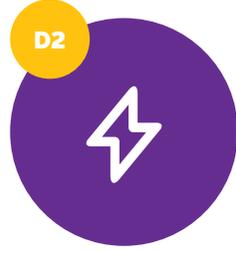
We are also improving our end-to-end capital expenditure delivery approach. This is moving the delivery of projects away from using an annual works plan to a rolling model with prioritisation on an individual project basis. Benefits of this include the way we coordinate and communicate the impact of planned electricity outages to customers, as well as managing workflow to allow our service providers to plan and deliver works at the lowest cost.

Electricity - Our future



D1

Decarbonisation



D2

Decentralisation



D3

Digitalisation

Achieving the balance of investing now for an unknown future

Electricity distribution networks are built to serve the long-term interests of communities and customers.

While there is much debate and deliberation about changes coming in the energy environment, the majority of our customers continue to use centrally-generated electricity from sources such as wind farms, hydro-electric power stations and thermal plants. We think this will continue to be the backbone of how the majority of people support their energy needs in the foreseeable future.

It is therefore essential we continue to invest in our assets to ensure they are in appropriate condition and of sufficient capacity to meet the future needs of customers.

Decarbonising the economy

The role of energy companies in decarbonising the economy is a worldwide focus. For Powerco, this begins with our network being the platform that supports new technologies and connection of new renewable sources of energy.

Our network evolution strategy reflects this and aims to ensure we play a part through supporting our customers and the wider New Zealand economy and environment. In particular, it recognises the challenges brought by the 3Ds of the energy industry:

1D. Decarbonisation

Decarbonisation is the challenge to reduce CO2 emissions to fight climate change.

2D. Decentralisation

Decentralisation is the shift from central generation electricity to distributed devices that generate, store or consume electricity.

3D. Digitalisation

Digitalisation is the increase in digitally enabled sensors, data and analysis available to customers, the market and asset owners.

Open-access network

We can all see society is facing the challenge of dealing with climate change and the impact of energy use on the environment.

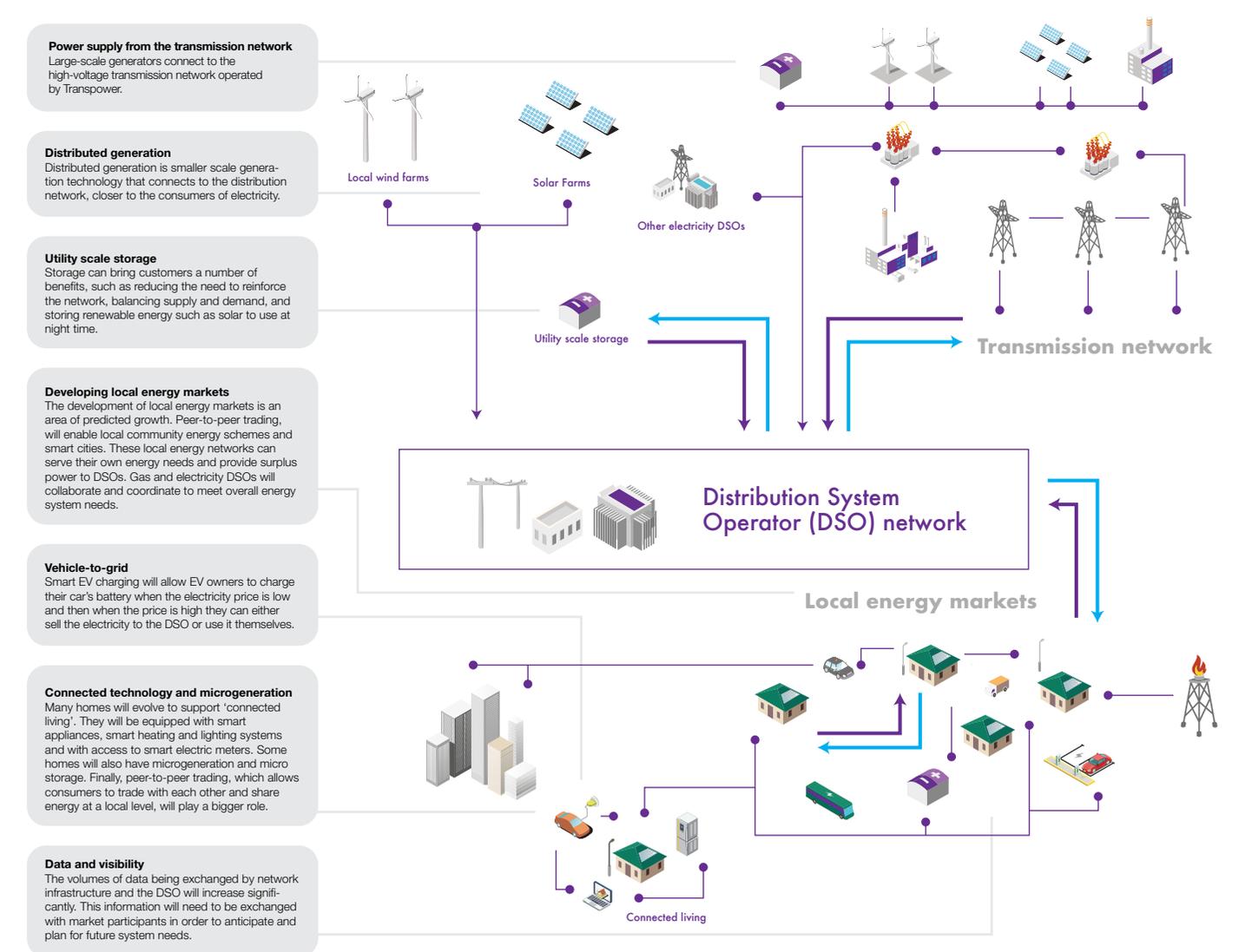
In a fortunate convergence of improving technology and cost-efficiency, people have:

- More choice and the power to exercise their values
- An increasing ability to achieve significant reductions in their energy use

A key contributor to this is the ability to cost effectively generate electricity locally, through renewable methods such as solar panels or small wind generators. This not only reduces electricity taken from the grid, but also holds potential for exporting excess energy. This truly motivates people to take power into their own hands and exercise their choices for the future.

Network of tomorrow

To support this, we plan to ensure our network is open access, ensuring that the network has the capacity to cope with our customers' evolving energy needs, while remaining safe, stable and efficient. We will achieve this through applying suitable developing technology, much improved visibility of power flows, increased network automation and improved data and analytics. This may mean evolving to a Distribution System Operator over time.



Delivering results

Gas distribution



We invested:

\$15.5 million on network assets



We delivered:

Stage 3 of the 5 stage \$12 million upgrade in central Wellington



We connected:

2,500 new gas customers



We kept gas flowing:

Only 8 unplanned outage events

Our gas network covers: Wellington, including Hutt Valley and Porirua, Taranaki, Manawatu, Horowhenua, and Hawke's Bay.

Our gas assets supply about 110,000 connections – that's around 37% of total gas connections in New Zealand – and comprise more than 6,300km of mains and service pipes. Our network is the second largest in New Zealand in terms of length and number of customers connected.

As long-term stewards of these assets, our aim is to manage the network to deliver a safe, reliable and secure gas distribution service at a price that represents value for money. Our objective is to deliver exceptional service to our customers, and this influences everything we do, from our overall attitude, to our priorities, and day-to-day activities.

Keeping the Capital's gas flowing

Project Gotham, the largest single project undertaken by Powerco's gas team, is a \$12 million central Wellington upgrade, covering more than 1,400 customer gas connections.

This project will not only increase customer capacity allowing for growth, but provide a more reliable and secure gas network in the Capital by raising the pressure in the central business district to 25kPa.

The aim is to complete the upgrade by the end of 2020, and has so far been delivered with no injury and damage to other infrastructure.

New connections and zero-carbon policies

Powerco's natural gas brand, The Gas Hub, makes it easy for consumers to connect to gas by coordinating the installation process from beginning to end.

The Gas Hub encourages consumers to switch to gas by marketing information about the benefits of gas as a fuel choice and providing cost calculators to allow customers to make comparisons against other fuel sources, such as electricity. Its success has led us to connect about 2,500 customers (including reconnections) during FY19.

We regularly survey our customers to understand their satisfaction with our services and this year achieved an NPS of 52, which is an indicator of strong satisfaction.

Zero-carbon policies

Powerco believes that natural gas networks in New Zealand play, and will continue to play, an important role in our energy mix. It is an integral part of the country's energy security, is affordable, and has the potential to lower greenhouse gas emissions when displacing coal and other hydrocarbon fuels.

The Government's current undertaking to move towards a net zero-carbon economy will not affect the development of the gas networks in the short term. In line with our long-term approach to asset management, we are investigating and readying our assets for alternative uses, including conveying biomethane and hydrogen.

Net Promoter Score



Gas - Our future

With the global conversation on climate change and decarbonisation, many people wonder if there is a future for gas in New Zealand. We say yes.

Achieving 100% renewable energy is an aspirational goal. When you look at the big picture, we believe a balanced approach to our energy mix is needed. Ultimately, we want Kiwis to feel confident in choosing gas for their home and confident they are contributing to a cleaner, greener New Zealand. We are excited about what the future holds for gas and see how natural gas can play a role as we transition to our lower carbon future.

There's plenty of natural gas available to power Kiwi homes and businesses well into the future despite the freeze on new off-shore exploration permits. With around 15 producing gas fields and 31 active exploration permits across New Zealand, we're confident that the gas isn't running out anytime soon.

Collectively, Kiwis using natural gas to power their homes produce less than 1% of New Zealand's total greenhouse gas emissions.

Natural gas has an important role in ensuring New Zealand has a reliable, affordable and resilient energy sector as we transition to a low-emissions economy. Globally, natural gas is contributing to a reduction in carbon emissions by displacing coal. Natural gas is, by far, the cleanest burning fossil fuel, with CO2

emissions at less than half those of coal. New technologies are being explored to help us move to cleaner gas energy alternatives, with lower, or possibly even no carbon emissions, as well as using natural gas more efficiently.

These include exploring the potential for hydrogen gas (0% carbon emissions). Hydrogen could be delivered through existing gas pipelines with minimal additional infrastructure, either blended with natural gas or 100% hydrogen. Biogas, another potentially transformational development, takes decomposing organic material including landfill, and agricultural and forestry waste, and converts it to biogas.

A balanced approach to New Zealand's energy use provides an affordable, reliable and sustainable future.



Our vision of a future gas home





POWERCO