

## Minutes of the Nineteenth Annual Meeting of Beneficiaries

<b>Held at</b>	The Ellerslie Event Centre, 80-100 Ascot Avenue, Remuera, Auckland
<b>Date &amp; Time</b>	Thursday, 29 October 2020 at 7.00 pm
<b>Present</b>	William Cairns (Chairman), Michael Buczkowski (Deputy Chairman), Alastair Bell, Paul Hutchison and Karen Sherry  42 Beneficiaries registered their attendance
<b>Staff in attendance</b>	Helen Keir (Chief Operating Officer) and Jane Davies (Executive Assistant)

Entrust Chairman, Mr Cairns, opened the meeting at 7.03 pm and introduced Trustees.

### **APOLOGIES**

Apologies were received and noted.

Mr Cairns extended a warm welcome to all Entrust beneficiaries, Vector Directors, Simon Mackenzie CEO of Vector, members of the Vector Executive Team, Entrust's auditors, accountants, and legal advisors.

### **MINUTES**

The minutes of the Eighteenth Annual Meeting of Beneficiaries held on 24 October 2019 and confirmed by the Trustees on 10 December 2019, were tabled and received.

### **YEAR IN REVIEW – ADDRESS FROM THE CHAIRMAN**

Looking at the year in review to 30 June 2020, the Chairman noted the unique challenges which had required Entrust to operate for several months under lockdown conditions. Pandemic planning was put in place to ensure that the 2020 dividend was not delayed and all dividend work was completed without disruption. While in lockdown, Entrust meetings were conducted by conference call and work continued successfully.

### **Financial performance**

The Trust received \$125.1 million income in FY19-20. This comprised \$123.9 million from Vector in dividends and \$1.2 million in interest from funds on deposit.

Entrust continues to hold 751 million shares in Vector, on behalf of beneficiaries.

For the year ended 30 June 2020, the total expenditure incurred by the Trust was \$3.3 million, which was down from \$3.9 million expenditure in the last financial year due to tight management of costs.

An Unqualified Audit Certificate was issued on 3 September 2020.

## **The Entrust Dividend**

In September 2019 a dividend of \$360 was paid to around 336,000 beneficiaries. Although it is not the period being reported on, the September 2020 dividend of \$280 was paid to 340,500 beneficiaries, an increase of 5000 beneficiaries, the biggest number ever.

The reduction in the 2020 dividend, is primarily due to a decision made by Vector to reduce imputation credits on dividends from 28% to 10.5%. Entrust therefore has to pay significantly more tax on the dividend received from Vector which resulted in a lower dividend to beneficiaries than in previous years. While Vector's dividend has remained the same as last year, the reduction in Entrust dividend is due to Vector's change in dividend policy.

However, the dividend distribution remains the largest in New Zealand and injects nearly \$120 million into the Auckland economy. There is no question that the Entrust dividend really does matter to the people of Auckland.

Next year, Entrust will have to manage the dividend differently as banks have advised they will not be accepting cheques from mid 2021. Other than those beneficiaries who want their dividend paid as a credit on their power bill, we are exploring alternative options and digital solutions to streamline the dividend process for those who prefer to receive their dividend as a direct credit. There will be considerable additional cost to correctly gather and input banking details for every other beneficiary as we have to be certain that all rightful beneficiaries receive their dividend.

## **Energy Solutions programme**

As majority owner of Vector, Entrust has an agreement that commits the company to spend \$10.5 million every year on projects in the Entrust district. This fund is now called the Energy Solutions Programme and it includes undergrounding as well as new technology initiatives.

## **Undergrounding**

This year's major undergrounding project has been in Mt Albert, in the Carrington and New North areas, with work expected to be completed in mid 2021.

In the last financial year undergrounding projects were completed in:

- Mt Albert: Carrington Road and New North Road neighbourhood
- Powell Street, Avondale
- Ngahue Drive, Stonefields
- Norwich Street, Eden Terrace
- Bella Vista Road, Herne Bay
- Ruskin Street, Parnell
- Selwyn Street, Onehunga

Regular updates regarding the undergrounding projects are given on our Entrust Facebook page to keep our beneficiaries informed throughout the year.

## **Vector's activity over the past year**

*Mr Cairns introduced Simon Mackenzie from Vector.*

Simon Mackenzie, Vector's Chief Executive Officer, provided an overview of key activities and future challenges for the company.

This year, the impacts of Covid 19 on Vector's electricity business in both New Zealand and Australia were significant. Classification as an essential service in both countries required reconfigured field services, maintenance and capital activities as well as enabling all staff to work from home over months of fluctuating lockdown levels.

Mr Mackenzie reported that the five-yearly regulatory reset determined by the Commerce Commission came into effect on 1 April 2020 establishing a new allowable weighted average cost of capital that can be earned by distributors. As had been signaled to the market since 2017, Vector had reviewed its dividend policy, resulting in the change to imputation credits. With the support of Entrust and other electricity distributors, Vector will continue to work with the Commerce Commission to address identified inflation forecast errors that will reduce the revenue the company is able to recover under the reset.

In closing, Mr Mackenzie said that from a strategic perspective Vector has begun to focus on digital solutions through collaboration such as the Vector Amazon Web Services (AWS) Strategic Alliance.

### **Acknowledgments**

The Chairman acknowledged the commitment of Trustees, the Entrust team and the assistance of Entrust's advisors.

### **APPOINTMENT OF AUDITORS**

**As recommended by the Trustees, it was resolved that Grant Thornton is re-appointed auditors of Entrust for the ensuing year.**

**Moved:** Guy King

**Seconded:** Bryan Mockridge

**Carried**

The Chairman advised that at last year's Annual Meeting Grant Thornton was appointed and their auditing fees for the 2019/2020 year were \$48,205.00.

### **FIXING OF THE REMUNERATION OF THE AUDITOR**

**It was resolved that, in accordance with Section 101(3) of the Electricity Industry Act 2010, the Trustees be authorised to fix the fees and expenses of the auditors for the ensuing year.**

**Moved:** John Baker

**Seconded:** Roger Burton

**Carried**

### **FORUM**

The Chairman opened the meeting to comments and questions from the floor.

#### **Question 1:**

A beneficiary, John Blundell from the University of Auckland, asked Vector's Chief Executive Officer, Simon Mackenzie, about the performance of the HRV business and whether he had confidence in the investment advice he was receiving from his staff in relation to the E-Co business.

Mr Mackenzie responded by saying that trading conditions over the Covid lockdown had adversely impacted the HRV/E-Co business. Changes to management of this business had been made and lessons learned with regards to operating in the market. He advised that Vector was focused on growth in areas of core competency including metering, regulated businesses, expansion of the LPG business and in collaboration such as AWS.

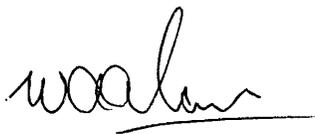
#### **Question 2:**

A beneficiary, Guy King, asked Mr Mackenzie about the potential for the battery business.

Mr Mackenzie replied that while there is scope for large scale battery and solar solutions, from a consumer perspective it is a high cost area and currently only attractive to early adopters.

He explained that Vector was focused on viable large-scale industrial battery solutions in areas such as Glen Innes, Warkworth/Snells Beach and a micro-grid at Kawakawa Bay with resources also deployed into the Pacific.

There being no further questions, the meeting closed at 7.38 pm.

A handwritten signature in black ink, appearing to be 'W. A. L.', written over a horizontal line.

Confirmed: .....

8 December 2020

Date: .....