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**Introduction**

This Statement of Corporate Intent (SCI) has been prepared in accordance with Section 39 of the Energy Companies Act. It records the intentions and objectives agreed between the Directors of Vector Limited (Vector) and the Auckland Energy Consumer Trust (the Trust) for Vector for the period ending 30 June 2006.

The Trust's primary mission, as the shareholder of Vector, is to protect its investment under the terms of the Trust Deed, and to maintain or enhance the value of its investments for the benefit of present and future beneficiaries.

**Nature and Scope of Activities**

Vector's principal business is the distribution of electricity and gas over its networks. It also has other businesses including Tangent Limited and Stream Information Limited.

Vector will pursue activities consistent with these businesses and its objectives.

**Objectives of Vector**

*Commercial*

Vector will conduct its business efficiently and profitably.

In order to achieve this Vector will:

- Seek profitable and complementary investment opportunities, and
- Actively manage risk, to limit the exposure of the company, customers and public to prudent levels.

*Customer Service*

The Directors will ensure that Vector remains 'customer driven' by:

- Surveying and interacting with customers to understand their needs and future requirements,
- Using systems and staff training to reinforce its customer service orientation,
- Giving customers quick and accurate information on supply issues.

The Company will provide a reliable supply of electricity by:

- Maintaining, upgrading and expanding its networks as necessary,
- Using the optimum balance of technology, redundancy (standby capacity), diversity and contingency planning to deliver security of supply,
- Continuously improving the contractual relationships with its service providers for the provision of network function services.

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- Advocating on industry issues relating to transmission, generation and retail energy supply to ensure that customers requirements for quality and reliability are met, and
  - Providing access to its networks on clearly defined terms and conditions which enable technologies such as distributed generation to operate on its networks.

In order to achieve these objectives Vector will:

- Monitor technological advances and be at the forefront in the adoption of new technology where appropriate,
- Continually monitor and review its network management practices,
- Monitor the security of transmission systems supplying Vector's networks.

### *Compliance*

The Directors will ensure comprehensive compliance programmes are in place to ensure Vector meets its obligations under its Constitution, all Acts of Parliament and regulations.

### *Shareholder*

Vector will:

- comply with its obligations under the Deed of Essential Operating Requirements between Vector and the Trust.

### *Employees*

Vector will endeavour to be an "employer of choice" and as a socially responsible employer it will:

- Provide its staff with opportunities for training and personal growth,
- Ensure all employees work in a safe, healthy and challenging work environment and have appropriate tools to succeed,
- Take a lead role in attracting and retaining skilled employees in the energy industry, both within Vector and its service providers.

### *Social, Community and Environmental*

Vector will operate as a responsible member of the community and will:

- Consult on issues where appropriate,
- Deliver its services safely,
- Seek to minimise losses on its networks,
- Promote the efficient use of energy and ensure that customers are aware of the benefits that can be gained from using energy efficiently, and
- Build and maintain relationships with Maori as a community stakeholder.

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**Financial Policies**

The accounting policies adopted by Vector are in accordance with generally accepted accounting practice and are detailed in the Company's annual report.

**Performance Objectives**

*Financial Performance Targets*

	2003 Actual	2004 Budget	2005 Forecast	2006 Forecast
<b>Total business</b>				
Ratio of earnings before interest and tax to total assets	6.6%	7.0%	6.7%	8.1%
Ratio of net profit after tax to shareholder funds	5.4%	4.5%	2.3%	10.0%
Ratio of consolidated shareholder funds to total assets <sup>1</sup>	30.1%	30.3%	29.3%	25.3%
Debt coverage ratio <sup>2</sup>	4.8%	4.5%	4.5%	4.4%
Cash coverage ratio <sup>2</sup>	1.9%	1.9%	1.8%	1.9%
<b>Lines business</b>				
Return on investment <sup>3</sup>	11.2%	8.2%	7.4%	7.3%
<b>Gas business</b>				
Accounting rate of profit <sup>4</sup>	13.9% <sup>5</sup>	10.4%	10.4%	14.6%

<sup>1</sup>Shareholder funds includes share capital, retained earnings, minority interest and reserves

<sup>1</sup>Total Assets is the total of all current and non-current assets

<sup>2</sup> as defined in the relevant financing documents

<sup>3</sup> as defined in the Electricity (Information Disclosure) Regulations

<sup>4</sup> as defined in the Gas (Information Disclosure) Regulations

<sup>5</sup> disclosed December 2002- excludes Wellington gas network

Vector will seek to maintain or improve upon its long term credit rating of BBB+ (Standard & Poors or equivalent).

**Dividend**

The Directors of Vector and the Trustees of the Trust consider that Vector owns high quality assets that have significant potential to increase shareholder value. It is the intention of the Company to maintain and, over time, increase dividend payments whilst exercising commercial prudence and acting in a manner consistent with Vector's Constitution, the Deed of Essential Operating Requirements and the regulatory environment.

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*Non-financial Performance Targets*

	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006
SAIDI (average minutes without supply per customer (excluding transmission faults))	69.9 minutes	66.9 minutes	65.6 minutes
Number of lost time injuries	0	0	0
Customer satisfaction as measured by Vector customer service survey	81	new measures under development	new measures under development
Vector Call centre response times to answer fault calls	80% answered within 20 seconds	80% answered within 20 seconds	80% answered within 20 seconds
Complaint resolution	95% resolved within 10 working days	95% resolved within 10 working days	95% resolved within 10 working days
Environmental	No enforcements arising from breaches of environmental controls and standards	No enforcements arising from breaches of environmental controls and standards	No enforcements arising from breaches of environmental controls and standards
Staff satisfaction	>650 out of 1000 points in the Rodski Research Employee benchmark survey	>700 out of 1000 points in the Rodski Research Employee benchmark survey	>720 out of 1000 points in the Rodski Research Employee benchmark survey
Relationship with Maori stakeholders	Under the guidance of Vector's Maori Liaison Officer, consultation with Maori on projects of significance	Under the guidance of Vector's Maori Liaison Officer, consultation with Maori on projects of significance	Under the guidance of Vector's Maori Liaison Officer, consultation with Maori on projects of significance

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### **Governance**

#### *Reporting and Information*

As a company with securities listed on the New Zealand Exchange (NZX) Vector is bound by the continuous disclosure regime of the NZX. Therefore in the disclosure of information the Directors are obliged to and will comply with the obligations of a publicly listed company.

Vector and the Trust are currently discussing an Information Sharing Protocol which will be implemented once completed.

Vector currently provides the Trust with:

- Half yearly reports on Vector's performance and achievements against the Statement of Corporate Intent;
- Regular briefings from the Chairman and Chief Executive Officer to a quorum of Trustees on material matters.