

2020 Annual Review



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Chairman and CEO's Report

FY20 Performance

The FY20 EBITDA results for the Pioneer group ended up 2% below budget. The Pioneer core and subsidiary generation and thermal assets ended up well above budget, supported by continued reduction in business overheads. The retail and associated market risk management activities on the other hand had a much tougher year with volatility in the spot and wholesale markets resulting in driving the overall performance of the business down on budget.

The diversification strategy for the business continues to deliver relatively stable financial results in the volatile energy market environment.

During the year we completed construction on the new Upper Fraser hydro generation scheme and the asset was sold into our Southern Generation Limited Partnership (SGLP), enabling this subsidiary to also further diversify its renewable portfolio and deliver on its strategic growth targets.

Construction continued on the new Matiri Hydro at Murchison but delays due to several factors resulted in completion of this development expecting to be delayed well into the FY22 financial year. On completion, this development will also be sold into the Southern Generation Partnership.

Re-investment in existing assets also continued under a 10-year renewal capital programme, strongly based on a condition-assessed strategy under the ISO 55000 Asset Management System.

Given a very volatile electricity market and a step change in the forward market prices, our retail investments were not able to deliver the expected growth. The forward wholesale market prices were above retail market prices, resulting in growth strategies being halted.

All key long-term customer contracts and relationships remain strong.

People

Our people, whether they are our shareholders, investment partners, board members, employed directly, on contract or through our partnerships, provides us with the ability to effectively manage a very diversified portfolio of energy assets and business activities. We are proud to be part of this exciting team of people and once again would like to thank our people for their commitment and dedication to the success of Pioneer and our partners, to the benefit of our local communities.

With our Chairman retiring after our AGM in September, as CEO I would personally like to thank Stuart for his leadership and guidance over the years. Setting up multiple partnerships and strong continued growth definitely challenged the business over the years and Stuart's ability to influence and retain relationships were invaluable. Stuart will however remain as Pioneer's appointed representative on the board of Pulse Energy and will therefore continue his service to the company and our community.

Chairman and CEO's Report *cont.*

Partnerships

We would like to thank all our LP partners for their continued support and full alignment on the strategy for each of these partnerships.

With the addition of the Upper Fraser station to the Southern Generation LP, the LP's annual renewable production is now on par with the core Pioneer generation portfolio.

During a very tough year in the retail environment, both the Pulse Energy Alliance with Buller and Electra, as well as the Ecotricity partnership with Airtricity, remained strong and all investors continued to provide the required support.

We also established a new partnership, Ecogas LP, to progress our waste to energy strategy and welcomed Ecostock Ltd to our partnership family, with them taking a 15% stake in this exciting, new business venture.

Health, Safety and Wellbeing

The culture and disciplines around safety management continue to improve in the company. We had no major incidents. Systems and processes are improved continuously, driven by good audit systems and regular meetings and reporting. We retained ISO 45000 accreditation and retained our Public Safety accreditation.

Asset Management and Compliance

We were proud to achieve full ISO 55000 accreditation during the year. ISO 9000 certification requirements for our thermal heat plant operations is now covered under the ISO 55000 standard. The internal audit programme continues to deliver on continuous improvement in contractual, environmental, financial, and safety and compliance areas across the business.

Environmental Management

The board signed off on a strategy to align our business with the UN Sustainability Guidelines.

We had no environmental breach notices issued to Pioneer or any of its partnerships. We continue to work towards improved environmental sustainability and work with our clients to reduce their individual impact on the environment.

Working with the University of Otago over several years, we have now been able to replace all their thermal energy, traditionally produced by coal at our Dunedin Energy Centre, with wood. This a great milestone and inspiration for our other clients all working towards replacing their coal-fired thermal energy supply, to wood.

Strategic Development

Following a full strategic review in 2018, we continued our long-term strategy of growing the horizontally and vertically integrated energy company with an increased focus on carbon and waste reduction. As part of this strategy, we reviewed our investment portfolio to ensure alignment with our expertise and experience. We subsequently identified our two landfill gas investments would perform better under a more specialised ownership structure and made the decision to divest the Silverstream and Omarunui landfill gas generation facilities.

Our Ecogas LP secured the Auckland Council kerb-side food waste processing contract, significantly expanding our investment in the anaerobic digestion plant, originally approved in FY19, with further investment approved in a food waste consolidation facility in Auckland. The facility is expected to be operational in FY22.

We continue to develop our renewable generation portfolio with several new investment projects being prioritised in the development pipeline.

Fraser Jonker
Chief Executive

Stuart Heal
Chairman

Safety and Compliance



Key Achievements:

- 🕒 **Certification to ISO 55000 - Asset Management**
- 🕒 **Retained accreditation to ISO 45001 - Occupational health and safety management systems – Requirements with guidance for use**
- 🕒 **Retained accreditation to NS7901**

Compliance

Internal Audits

Pioneer Energy has a comprehensive Internal Audit Programme. In 2019/2020 audits included Health, Safety and Wellness (site inspections and contractor audits), Asset Management, Dam Safety, Finance, Customer Billing, HR Processes, Quality and Risk.

Each audit resulted in recommendations and improvement actions, which are in the process of being implemented. As a result of the number of actions required for last year, the number of audits (and scope within) has been reduced in 2020/2021 to allow for improvements to be completed and embedded.

Health Safety and Wellness

ISO 45000/NZS 7901

In December 2019, Telarc conducted a surveillance audit at Pioneer Energy against the ISO 45000 and NZS 7901 (Public Safety Management System) standards. Pioneer retained certification with one minor non-conformance and nine Opportunities for Improvement noted.

Site visits

Senior Management and/or the Pioneer Board visited all sites last year to ensure that all sites are safe for both workers and members of the public.

Outcomes

We continue to make very good progress establishing a culture in our people where they own safety and wellbeing and make it part of why they are happy to work at Pioneer. Management supports and empowers everyone working for the company to have the full ability to influence safety and wellness outcomes. We had no serious injuries recorded for the year.

Information Days

Pioneer Energy held two whole-of-company meetings during the year to promote the importance of health, safety and wellness, and to discuss company strategy. In 2019 these meetings included a speaker on mental health, cancer awareness, quizzes, specific work-related training and general team-building activities. The information days provide an excellent opportunity for staff working in remote parts of the country to engage with their colleagues, thereby improving their overall wellbeing.

Covid19 Response

Early in March 2020, Pioneer Energy set up a Pandemic Committee and developed a Pandemic Plan which meant that when the Government imposed Alert Level restrictions, the business was able to move quickly and without difficulty. Pioneer had few issues, during lockdown and moving from level to level, due to this forward planning. Being an essential service, the bulk of our business continued throughout all levels, with corporate staff all working from home.

Pioneer had a Flexible Working Policy prior to Covid-19, with many staff already taking up this offer, and as result it was not difficult to transition the rest of the staff to work at home during lockdown.

Asset Management

Closely aligned with Pioneer's strategy to "improve overall business performance and prepare the business for planned future growth", a project was initiated in 2016 to establish a state-of-the-art asset management system. Pioneer set to work to implement a comprehensive Asset Management System certified to ISO 55001 and achieved this accreditation in July 2019 with four minor non-conformances, two observations and four opportunities for improvement, all of which have since been addressed. Pioneer was the first in NZ to be certified to ISO 50001 under the JAS-ANZ banner and the second company, overall, in NZ.

Improvements and benefits associated with the Asset Management System, are coming to fruition. The benefits going through this certification process has brought to Pioneer are across the financial, strategic, operations and maintenance, and planning areas. The whole of Pioneer now has a better understanding of the range of its assets and the reporting, documentation and forward thinking needed to continually improve.

Yvonne Malcolm
GM - Assets and Compliance

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CFO Report

Financial Summary

Pioneer's EBITDAF (including the share of the Partnership EBITDA), which reflects the operating performance of the Group, decreased by 13% (\$3.5 million) compared to the previous year.

Pioneer declared a dividend for the year ending 31 March 2020 of \$8.8 M (31 March 2019 – \$10 M). The total dividend paid to the Central Lakes Trust now exceeds \$91.5 M.

The decrease in EBITDA was primarily a result of the Generation area performing below the previous year as a result of decreased productivity along with lower spot prices. Similarly, the Southern Generation Limited Partnership EBITDA was 5.2% up on the previous year for the same reasons. Both of these business units exceeded budget for the year so the result was still better than expectations.

Some industrial heat contracts were downsized during the year, again in line with expectations. Positive year-on-year operating performance was experienced in the retail business of the Pioneer-owned Pulse Energy.

The financial year ended with the COVID-19 lockdown. Pioneer as a provider of essential services was able to (mostly) maintain its operations, with some adjustments to where and when we worked but for the most part it was business as usual.

Partnership Services

The year to 31 March 2020 was business as usual in our services provided to our partnership businesses. Pioneer offers the following services to our partnership businesses:

- 🔍 Asset Management
- 🔍 Contracting
- 🔍 Professional Engineering
- 🔍 Project Management
- 🔍 Strategic Financial Leadership
- 🔍 Regulatory, Consent and Stakeholder Management
- 🔍 Health and Safety
- 🔍 Financial Accounting (accounts payable, accounts receivable, financial reporting, and market risk management).

Please see the Financial Statements for the full financial information for the year ended 31 March 2020.

Jonathan West
Chief Financial Officer



Project Development and Delivery

The Project Development and Delivery (PDD) business unit plays a part in securing the reliability of the assets of Pioneer Energy and its partners, as well as supporting the strategic plan objectives and growth targets. PDD's role is to plan, manage and coordinate the environmental, technical, design and engineering activities for existing assets, and deliver future development and capital projects. External roles include the technical and asset management support for Pioneer Energy's partnerships.

Additional staff along with responsibility for various asset improvement projects for both internal and external clients were transferred to the business unit, internally, at the beginning of the year.

Capital works projects during the year included the addition of an extra pump to the Dairy Creek Irrigation Scheme, installation of automated gate control at the Teviot head pond, rebuilding the No 3 engine at the Silverstream Landfill, the installation of a new wood boiler at Otago Boys' High School, and several smaller asset improvement projects.

In addition, as part of a strategy to improve overall business performance, and prepare the business for planned future growth, the ISO 55000 project was completed.

A significant milestone was achieved in July 2019 with the completion of construction of a 7MW hydro-electric scheme in the Upper Fraser River basin, near Alexandra.

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Project Development and Delivery *cont.*

Construction of the 4.7MW hydro-electric scheme on the Matiri River basin near Murchison is continuing. Significant delays have been experienced. The main access road was closed in August for over three months due to road subsidence and it wasn't opened again to heavy traffic until the last week of November. In addition, unforeseen foundation conditions at the powerhouse site and along the pipeline route, and meeting the various technical and regulatory requirements around the Transpower connection, resource consents and Conservation Estate concessions, have caused delays. In late March 2020 work ceased on site to meet the requirements of Covid 19, Alert Level 4 restrictions. It is anticipated that the station will now be commissioned in late winter 2020.

Project management services provided to our partnerships included installation of vibration monitoring at Flat Hill and Mount Stuart windfarms. In addition, a significant capital works project to improve and upgrade control and protection systems has been started at Aniwhenua Hydro Scheme in the Bay of Plenty. As part of this project, the Scada upgrade, including automated dispatch to the market, has been completed along with a generation optimisation project to maximise revenue from daily variations in the electricity market price. Work progressed on the upgrade to communications and the barrage control system.

Work has continued on final repairs to the Aniwhenua Power Station from damage caused by Cyclone Debbie in 2017.

Significant time has been spent on stakeholder engagement with various parties associated with the Aniwhenua Scheme and the Rangitaiki catchment. Issues such as Tuna (eel) passage management and sediment issues at the head of Lake Aniwhenua are being worked through with local Iwi, landowners, and representatives from the various regional authorities.

As part of Pioneer's agreements with the Fraser Power Scheme and Teviot Irrigation Company, work on the replacement of deemed permits for the Fraser Storage Dam, and some of the Teviot Scheme Intake Works, is continuing.

Investigation work continued into several potential hydro and wind opportunities for Pioneer and its partners.

Peter Mulvihill
GM – Project Development and Delivery



Contracting

The Contracting business unit is focused on becoming the service provider of choice for Pioneer Energy and our partners. We are striving to make client trust and service excellence our points of difference, supported by process driven quality and good safety practices.

Inherent in this objective is ensuring that all health and safety risks are managed by identifying and controlling hazards at our sites. With ongoing training of staff, Pioneer strives to create a culture where staff work safely and minimise risk to themselves, their work mates, and the public.

This year the contracting team has seen a focus on maintenance management and scheduling. Through our ISO 55000 systems an opportunity was identified to improve the consistency with which maintenance work is carried out, and recorded, across the diverse range of assets managed by Pioneer. As a result, a maintenance coordinator role was established. This role is responsible for the ownership of our maintenance management system, ensuring consistent use across the entire team. We now have improved planning and reporting across the board.

At the end of the financial year we were impacted by COVID19. All, bar one, of our sites were considered essential services and this required our staff to keep working throughout the lockdown period. It was fantastic to see the contracting team adapt to the challenges and new way of working. While being able to work was considered a privilege by many people, we would like to acknowledge the potential exposure our workers faced to the risks of COVID19. Many processes and practices were implemented to manage the risks for our staff and the contracting team were enthusiastically engaged in managing the risks, and did an outstanding job.

Contracting Services has contributed significantly to Pioneer's progress towards the ISO 55000 asset management accreditation. The implementation of systems and processes, as a requirement of ISO 55000, has taken a reasonable amount of staff resource, however, efficiencies are starting to be seen. Sites under our management have started to benefit from the continual improvement focus ISO 55000 creates.

Peter McClean
GM – Contracting

Human Resources

Along with annual remuneration surveys and a benchmark update, Pioneer received workforce marketplace trend and HR and remuneration-related policies and practices reports enabling us to assess and stay relevant to changes within the market. Pioneer is now a member of the Human Resources Institute of NZ (HRNZ), which is proving to be a good reference base.

Covid 19 brought uncertainty during the last month of the financial year, leading to a freeze on recruitment and salary/wage movements.

Employment

At year end Pioneer had a net reduction of one person from the total staff numbers compared to last year.

One staff member was made redundant in February after a sale of the monitoring and targeting business unit was finalised. Two other employees transferred over to the new owners of the Silverstream and Omarunui landfill gas assets.

Information Systems and Platforms

Pioneer's HRIS remains a reliable and confidential base for the retrieval and storage of personnel information. The onboarding facility of the software is used extensively and has developed to provide a coordinated and comprehensive induction for new employees. Further investment has been made to enable the use of online document administration, staff satisfaction surveys and recruitment/applicant tracking modules that has increased efficiency, provided additional information and reduced administration time.

Performance management software is used for the communication of goals and expectations between managers and staff, reinforcing the link between performance and reward.

Online employment law information and support has been used throughout the year to ensure compliance with changes to regulations and employer requirements. Legal advice via Otago Southland Employers' Association has also been sought.

Human Resources *cont.*

KPIs

Absenteeism, staff turnover and training spend per person are key indicators being tracked and reported on monthly. Pioneer measures against Strategic Pay NZ trend surveys and has achieved better than the trend for absenteeism and training spend, with slightly higher figures than the trend for staff turnover.

Donna Callaghan
Human Resources Manager

Asset Management

After the achievement of gaining ISO 55000 Asset Management accreditation in 2019, our focus remains on the continued improvement of the system developed over the previous years.

Developing our asset management culture and practices throughout year has included the development and review of:

- 🕒 **the Workforce Asset Management Plan. The knowledge collected and stored to measure KPIs, provides valuable base points for action plans;**
- 🕒 **the attention to retention and succession planning;**
- 🕒 **the rolling evaluation of position descriptions across the business, taking care to ensure asset management responsibilities are described and that roles and responsibilities are up to date, relevant, and that each role's job-size is appropriate to the pay grade;**
- 🕒 **competency profiles that were established for each position to ensure that they are complete and readily accessible to all. That gaps in competency assessments and agreed training plans have been developed and actioned, to remedy, strengthen and/or refresh knowledge;**
- 🕒 **the management and storage of assessments, training requirements and development commitments.**



Asset Map

Offices

1. Wellington
2. Christchurch
3. Alexandra (Head Office)

North Island

4. Ecogas Anaerobic Digestion Plant - Reporoa (under construction)
5. Winstone Pulp International Heat Plant
6. Auckland District Health Board Cogen
7. Aniwhenua Hydro Power Station*

Upper South Island

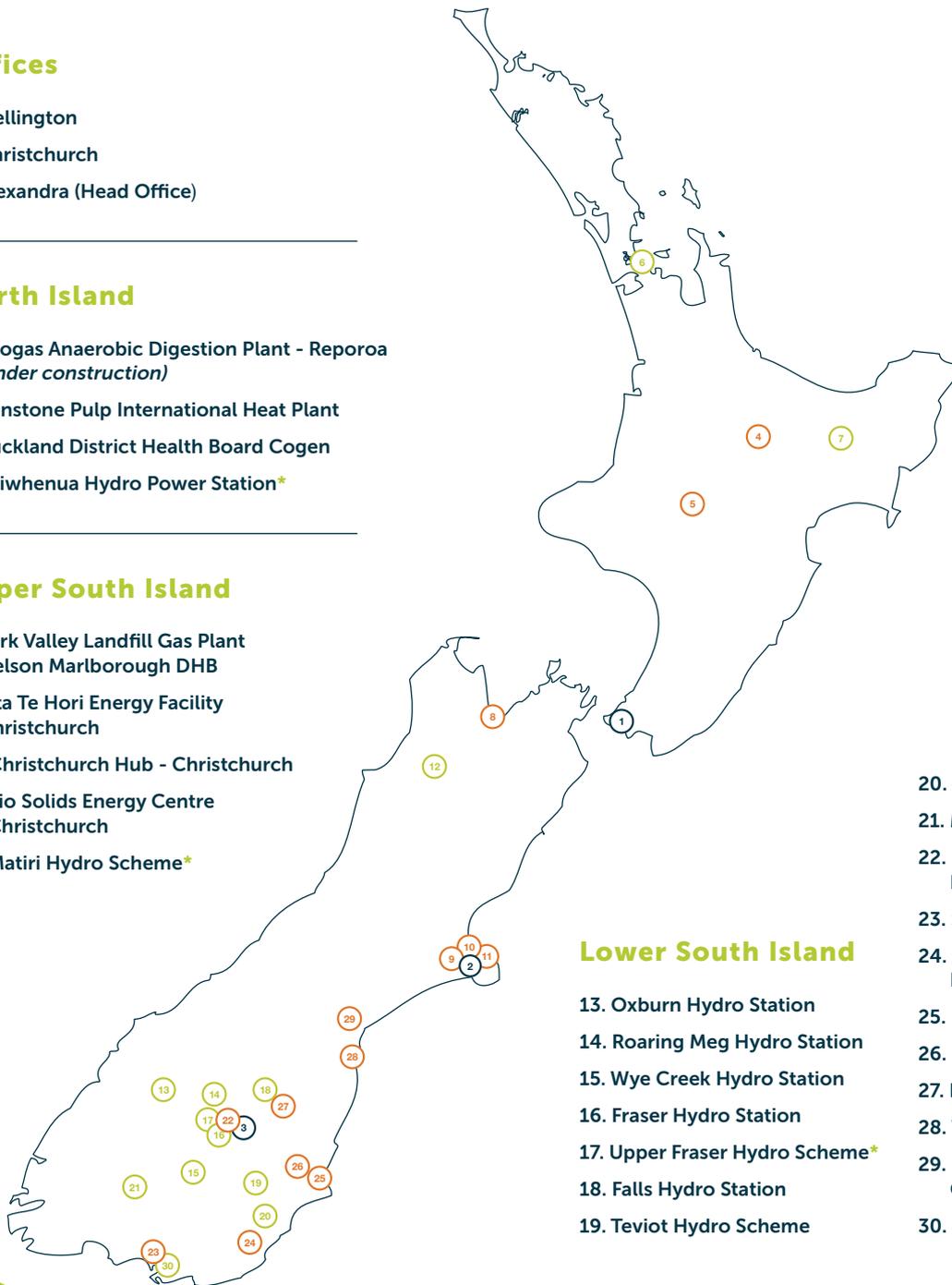
8. York Valley Landfill Gas Plant
Nelson Marlborough DHB
9. Pita Te Hori Energy Facility
Christchurch
10. Christchurch Hub - Christchurch
11. Bio Solids Energy Centre
Christchurch
12. Matiri Hydro Scheme*

Lower South Island

13. Oxburn Hydro Station
14. Roaring Meg Hydro Station
15. Wye Creek Hydro Station
16. Fraser Hydro Station
17. Upper Fraser Hydro Scheme*
18. Falls Hydro Station
19. Teviot Hydro Scheme

20. Mt Stuart Wind Farm*
21. Monowai Hydro Station
22. Dunstan Hospital Energy Centre
23. Southland Energy Centre
24. Silver Fern Farms Finegand
25. Dunedin Energy Centre
26. Dunedin Hub - Dunedin
27. Naseby Hub - Naseby
28. Washdyke Energy Cluster
29. Barkers Energy Centre Geraldine
30. Flat Hill Wind Farm*

Key



* Southern Generation Partnership Assets