

**CONNECTING
OUR COMMUNITY**

ENABLE SERVICES LIMITED
2020 STATEMENT OF INTENT

Approved 21 May 2019

2020

**STATEMENT
OF INTENT**

DIRECTORY

Address	PO Box 9228, Christchurch
Registered office	Enable House, 2 nd Floor, 106 Wrights Road, Addington, Christchurch
Board	Mark Bowman (Chair) Bill Luff Brett Gamble Craig Elliott Kathy Meads Scott Weenink
Chief Executive	Steve Fuller
Telephone	03 335 1765
Website	enable.net.nz
Email	steve.fuller@enable.net.nz

INTRODUCTION

This 2020 Statement of Intent (**Sol**) is submitted by the Board of Directors of Enable Services Limited (**ESL**) and is prepared in accordance with Section 64(1) of the Local Government Act 2002.

ESL owns 100% of Enable Networks Limited (**ENL**). Both ESL and ENL (collectively, **Enable**) are council-controlled trading organisations (**CCTO**) for the purposes of the Local Government Act 2002 and this Sol covers the activities of Enable.

The Sol specifies the objectives, the nature and scope of the activities to be undertaken, and the performance targets and other measures by which the performance of Enable may be judged in relation to its objectives, amongst other requirements.

The process of determination of an acceptable Sol is a public and legally-required expression of the accountability relationship between Enable and its shareholder, Christchurch City Holdings Limited (**CCHL**). The Sol is reviewed annually with CCHL and covers a three-year period.

OBJECTIVES

Enable's vision is:

Our fibre network is the essential enabler of an economically and socially vibrant, connected, innovative and globally competitive greater Christchurch

Our vision has been significantly strengthened by setting both a clear purpose for Enable and a customer value proposition.

Our purpose is:

Connecting Our Community with Unlimited Opportunity

Our customer value proposition is:

Never Stop Getting More Out of Life

Continued access to world class broadband connectivity services is now a necessity, an expectation, and considered a fundamental requirement for both consumers and businesses, as they keep pace with global advancements. World-class communications networks, such as our fibre broadband network, connect and enable homes, businesses, cities and crucial services such as education and healthcare to serve the increasing volume of data needed. To realise our purpose, we must be successful in meeting or exceeding our commitments to the greater Christchurch community which include:

- driving customer growth (increased fibre broadband connections) through effective strategies based around market-led product development, outstanding internet service provider relationships and innovative customer marketing activity;
- operating and managing all aspects of our fibre broadband network to a high level ensuring the delivery of a positive customer experience and 'always-on' services;
- maximising our fibre broadband network asset performance to secure commercial returns on investment that meet or exceed the cost of capital, considering the long-term nature of this infrastructure investment;
- advocating the enormous potential of fibre broadband to support businesses, consumers, community groups and internet service providers within our community to truly embrace and realise unlimited opportunities; and
- providing leadership in the establishment of all forms of communications connectivity for the wider benefit of the Greater Christchurch community.

NATURE AND SCOPE OF ACTIVITIES

We provide wholesale fibre broadband services to internet service providers (ISPs) delivered over our fibre broadband network infrastructure. These ISPs then on sell our wholesale services as retail fibre broadband, voice, internet, TV, content and IT services to customers (such as homes, businesses and schools).

We were initially established in 2007 as the commercial need for better access to fibre broadband services in Christchurch became clear. Our parent company, CCHL, established the business in alignment with its intent ‘to own and manage key strategic infrastructure investments’ that make Christchurch internationally competitive.

In 2011, we entered into an arrangement with Crown Infrastructure Partners (CIP) as part of the Ultra-fast Broadband (UFB) Initiative to build a fibre broadband network for greater Christchurch. This network is now complete and reaches 200,000 homes, businesses and schools in Christchurch, Rangiora, Rolleston, Woodend, Kaiapoi, Lincoln, Templeton and Prebbleton, Tuahiwi, Ohoka and Tai Tapu.

We are prohibited from providing retail services or having a commercial relationship with a party that is a vertically integrated telecommunications provider – so we work very closely with our ISP partners to secure customer connections and grow our business.

A primary focus is service (including network) performance to ensure customers’ expectations are met and continue to seek and evaluate more opportunities to provide the greater Christchurch community with increased fibre broadband capability.

CONTRIBUTION TO GROWTH STRATEGIES FOR GREATER CHRISTCHURCH

We directly contribute to the Christchurch City Council’s Strategic Framework (the **Framework**) and particularly the Council’s vision of “Christchurch is a city of opportunity for all”.

We work alongside other stakeholders to maximise the significant social and environmental benefits that can be gained for Christchurch through the presence of world-class fibre broadband services.

We conduct our business by:

- providing affordable wholesale fibre broadband services;
- ensuring our services support the increasing demand for quality high speed connectivity from our community;
- providing efficient access to fibre broadband services for local businesses and schools;

- ensuring new Greenfield developments (subdivisions) adjoining our coverage have access to fibre broadband network;
- ensuring our network infrastructure is deployed in a way that minimises the impact to the environment; and
- maximising the opportunity to ensure the large numbers of new commercial and residential buildings in greater Christchurch are designed and built with provision for our network included.

In addition, we work closely with key stakeholders in Christchurch to ensure our investment in and the availability of fibre broadband services supports wider community growth.

Finally, we work to ensure Christchurch is a safe community – i.e. support the expansion of community-based services (delivered over our network) such as crime prevention camera capability.

All activities are carried out in line with the objective of securing and growing shareholder value.

Christchurch City Council – Strategic Framework

Our ownership of a fibre broadband network aligns with and supports the rebuild, recovery and long-term growth plans of local and central Government for greater Christchurch. Fibre broadband services are fundamental to the future growth of the economic and social wellbeing of the people of Christchurch.

Our investment in fibre broadband is a key input into many of the outcomes sought under the Community Outcomes – Prosperous Economy, Liveable City, Strong Communities and Healthy Environment – and the six Strategic Priorities described in the Framework.

Our fibre broadband services being available across greater Christchurch will have a dramatic impact on the Council's – as well as the community's – ability to deliver on these outcomes.

Prosperous Economy

Access to modern and resilient infrastructure – of which our fibre broadband network is one such infrastructure – is recognised as essential if Christchurch is to reach its economic growth goals.

Our fibre broadband network is providing world-class services to thousands of businesses right across the city – catering for their ever-increasing demand for data, and providing the opportunity to grow, increase efficiency and reach new customers. Ubiquitous access to fibre broadband services is also an essential ingredient in attracting new businesses to establish in the city.

Liveable City

Access to fibre broadband services also underpins almost all aspects of the city's focus on being a very livable city.

All schools and hospitals within our coverage are now connected to and 60 percent of the total fixed broadband services are now over our network. Fibre broadband is essential for a range of services that form a vital part of our central city and urban environments – including mobile and WiFi connectivity, crime cameras and traffic management systems.

The urban designs of tomorrow will rely even more heavily on access to fibre broadband services as residents and visitors demand and consume even more connected services as they live, work and play in Christchurch.

Strong Communities

As referred to above, our fibre broadband network is essential in delivering a range of services that make our community safe – such as crime cameras.

Fibre broadband also supports individuals, friends, families, community organisations and community service providers to connect with each other across our community. It makes it easier for vulnerable people within our community to access support at or close to their home and allows people and the community to connect with each other in a variety of ways.

Healthy Environment

Fibre broadband provides the opportunity for businesses and organisations to employ technology solutions that reduce their environmental impact – such as video conferencing and remote working.

It also provides the underpinning connectivity required to monitor and manage our environment – from water management to pollution monitoring.

In addition, we are committed to actively contributing – through our core business activity and strategic partnerships and new initiatives – to the medium-term Strategic Priorities set out in the proposed Strategic Framework. Some of our community contribution activity set out below highlights how we are already making a difference in “maximising opportunities to develop a vibrant, prosperous and sustainable 21st century city.”

Strategic Priorities

Enable actively invests in and supports the Council’s Strategic Priorities set out in the Framework to help drive the short and medium-term improvements targeted.

Access to world-class fibre broadband right across our city and to nearby towns, aligns Christchurch with some of the most technologically advanced global cities and means Christchurch is well positioned to **maximise opportunities to develop a vibrant, prosperous and sustainable 21st century city.**

At a specific initiative level, we are a major sponsor of the Canterbury Employers’ Chamber of Commerce with a focus on supporting local businesses to maximise the potential of technology to grow and the next generation of business leaders to develop, and we sponsor the Christchurch chapter of Future Leaders in Technology.

We are **enabling active citizenship and connected communities** by making sure all local schools have access to a Gigabit fibre broadband service to connect students and educators with each other, the community and the world. We also provide the Council with a WiFi network in the central city which provides free Wi-Fi access and we are participating in the Government-led discussions to provide equitable digital access to all school students.

We are also working to build close partnerships including the Council to advance the potential of Smart World and Internet of Things within our city – of which one of the key potential applications is in **increasing active, public and shared transport opportunities and use**.

We are acutely aware of the critical nature of our infrastructure in the event of natural disaster. We support the Council's priority of '**informed and proactive approaches to natural hazard risks**' by ensuring our network has appropriate diversity and robust network assets (such as our Importance Level 4 Central Offices) that will continue to operate in a disaster. We also regularly test our organisational preparedness to respond to any event.

Set out below, under Sustainable Business Practices, is our approach to reducing our environmental impact and operating in a sustainable manner. The initiatives outlined in this section align with and support the Council's environmentally focused priorities of **Climate change leadership** and **Safe and sustainable water supply and improved waterways**.

CONNECTING OUR COMMUNITY TO FIBRE BROADBAND

Most of our focus and resources remain focussed on continuing to grow our business by connecting more of our community to our fibre broadband services. We are now beyond the period of peak uptake of our fibre broadband services as we approach two-thirds of all fixed broadband connection being delivered over our network.

We recognise the need to continue to ensure the remainder of our addressable market understand what fibre broadband can mean for them and work closely with our ISP partners to connect these customers. We will continue to innovate in how we reach, connect with and market to our community.

We will continue to ensure we are delivering an excellent experience for customers connecting to our network and in terms of service performance and reliability for customers utilising our network.

Customer Connection and Network Operation Performance Targets

Enable - YE 30 June	2020	2021	2022
Number of connections (cumulative)	123,838	139,988	150,075
Connection SLA achievement ⁽¹⁾	>95%	>95%	>95%
Total network availability ⁽²⁾	>99.977%	>99.977%	>99.977%

1. Connection SLA achievement pertains to the delivery of operational services within contracted SLAs which are set at 75%.
2. Total network availability pertains to all components of our fibre broadband network and is set at the contracted performance of a maximum average customer down time of 120 minutes per year (excludes customer caused down time).

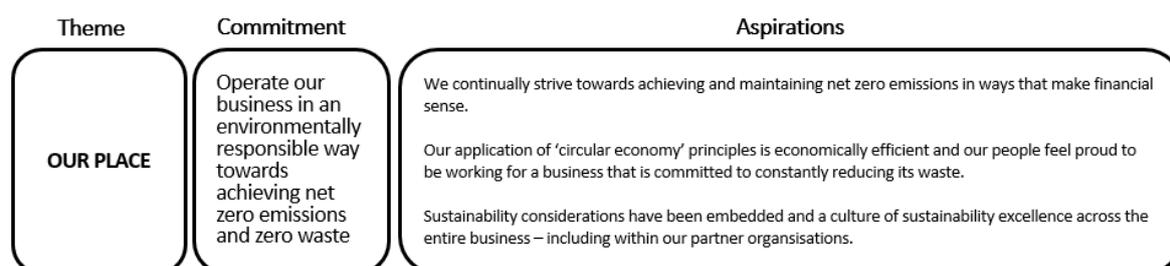
SUSTAINABLE BUSINESS PRACTICES

We are committed to sustainability in all aspects of our business.

Throughout 2019, we have worked to develop a sustainability strategy which sets our long-term themes and commitments to sustainability within our community. We have established three key areas of focus – Our Place, Our People and Our Community.

Environmental Sustainability (Our Place)

The first implementation phase of our strategy, to be delivered through 2020, will be primarily focused on our long-term commitment to and future aspirations for the environment, under the Our Place theme.



By 31 December 2019, we will have set specific Our Place objectives with targets for 2020 and 2021, and we will have initiatives underway to deliver on these targets by 30 June 2020.

This strategy will build on our current approach to environmental sustainability that includes:

- deploying a long-life (at least 30 year) passive optical network utilising materials

- and methods that would have minimal impact on the environment;
- introducing low environmental impact methodologies for connecting homes and businesses; and
- focusing on waste minimisation, active recycling and reduced energy consumption in our corporate office.

Diversity and Inclusion in our Workplace and Community (Our People)

Enable embraces diversity – including gender, gender identity, age, ethnicity, disability, beliefs, sexual orientation, family responsibilities, work style and experience, socio-economic background, thinking style and personality type – across our business and supports our customers, partners, suppliers and other stakeholders to do the same.

We actively work to provide a work environment where everyone feels they can fully participate at work and where each person is valued for their unique perspectives, skills and experiences. Our diversity objectives are to:

- ensure that our policies and processes are bias free;
- treat people fairly;
- have an organisational culture where discrimination is unacceptable;
- hire and promote the best person for the job, regardless of their background; and
- nurture and develop the diverse experience and attributes of our people.

Connection with and Investment in our Community (Our Community)

As a business that requires the people of Christchurch to choose to consume our fibre broadband services, as well as being owned by them, we need to build a deep and meaningful relationship with our community. We work to build trust with the people of Christchurch and ensure they know who we are and what we stand for – which is them.

As part of our sustainability work, we are committed to investing in the growth of our community – to create an environment of growth and innovation that maximises the potential of connectivity. We maintain several strategic partnerships and smaller sponsorships aimed at supporting this environment of growth and innovation. These include sponsoring the Chamber’s Digital Series aimed at helping local businesses embrace technology to grow, as well as sponsoring the Christchurch chapter of Future Leaders in Technology. In 2020, we will continue to nurture these partnerships and consider other community and social investment opportunities.

Our Network Underpins Sustainability in our Community (Our Community)

Additionally, we make a significant contribution to sustainability across our community by empowering others through:

- local businesses and organisations being able to employ technology solutions to reduce their environmental footprint;
- improved connectivity to towns such as Rolleston and Rangiora meaning businesses can thrive within these communities - reducing commuting, creating close communities and generating employment opportunities in these towns;

- fibre broadband services in homes and in businesses supporting greater work flexibility and promoting remote working – which provides increased work options for a range of people within our community; and
- the availability of fibre broadband supporting community service providers to deliver their services to more people within our community via online options and initiatives.

HEALTH, SAFETY AND WELLNESS

We ensure we meet all our obligations under the Health and Safety at Work Act 2015. Our commitment to Health, Safety and Wellness (**HSW**) goes well beyond regulatory obligations and compliance with a whole-of-business commitment to looking after our people, partner organisations and their people, customers and community.

Our HSW Governance Charter is based on a clear vision that ‘We Care for Each Other’ and includes objectives and actions that will ensure the business continues to maintain excellence in our HSW journey. Bringing our HSW Governance Charter to life and empowering our people to realise our vision is a central part of our ongoing culture and internal communications strategies, and our partnership approach to working with our contractors.

We are a member of the New Zealand Business Leaders HSW Forum and the Canterbury Rebuild Safety Charter.

Health and Safety Performance Targets

Enable – YE 30 June	2020	2021	2022
TRI	<=3	<=3	<=3
Serious harm injuries incurred	Nil	Nil	Nil
Site observations	>1000	>1000	>1000

CONTINUOUS IMPROVEMENT AND FUTURE OF OUR BUSINESS

Future Mode of Operation

Having completed our large-scale network build, we are undergoing a significant business transformation as we focus primarily on delivering the best fibre broadband services and ongoing service experience for our customers – being both our internet service providers, residents and businesses across greater Christchurch.

We are investing to understand the needs of our customers and to ensure we are resourced and structured to best meet their needs.

Future Technologies

We maintain an awareness of future fibre (and adjacent) technology trends and developments to ensure the network services produce maximum long-term future value.

We continue to invest in understanding future commercial opportunities and potential to deliver community benefits through the identification, development and application of innovative new technologies and services. The realisation of Smart World opportunities within Christchurch is one such opportunity.

Investment

We are still in a business development phase and we are focussed on growing our connected customers and therefore our revenue base. Currently investment is driven by our obligations under the UFB contract with CIP, the annual volume of new customers connecting to the network, and the incremental expansion of core infrastructure required to service this growing customer base.

GOVERNANCE

Commitment

Directors and management are committed to effective governance. Governance requires competent people with a commitment to good governance and an effective set of systems and processes. This provides the shareholder and other stakeholders with the assurance that Enable is appropriately governed.

Good governance involves continual changes to meet the shifting dynamics of the business. This is particularly the case with Enable as we grow and change throughout our growth lifecycle. We have experienced rapid growth, and new systems, processes and positions have been established over the last three years in order to meet the future needs of the business.

We are focussed on ensuring that the benefits of these changes are maximised and that we are operating as efficiently and effectively as possible.

Directors and management are very conscious of the need to have high-calibre people, backed by excellent systems and processes, for Enable to be a world-class service-led organisation, including governance of the highest order.

Role of the Board

The Board is ultimately responsible for setting the strategic direction of Enable and overseeing the management of our business, with the aim being an increase in shareholder value and the development of communications infrastructure for the economic and social benefit of the people of greater Christchurch. The Board is accountable to its shareholder for the performance of Enable.

Responsibilities of the Board

In carrying out its principal function, the Board's specific responsibilities include:

1. providing strategic direction for, and approving, Enable's business strategies and

- objectives;
2. reviewing and approving Enable's budgets and business/operating plans and monitoring the management of capital, including the progress of any major capital expenditure, acquisitions or divestments;
 3. providing leadership of Enable within a framework of prudent and effective controls which enables risk to be assessed and managed;
 4. providing health, safety and wellness leadership by understanding, directing and monitoring Enable's health, safety and wellness framework, management system and performance ensuring prudent and effective controls are in place;
 5. identifying the principal risks faced by Enable and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks;
 6. monitoring the operational and financial position and performance of Enable;
 7. requiring that financial and other reporting mechanisms are put in place by the executive which result in adequate, accurate and timely information being provided to the Board and the shareholder to ensure they are fully informed of all material developments relating to Enable;
 8. reviewing and approving Enable's remuneration policies;
 9. establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements;
 10. adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards;
 11. approving and regularly reviewing Enable's internal decision making and compliance policies and procedures, including any codes of conduct, the Board Charter and the charters of the Board's committees; and
 12. ensuring that Enable's internal decision making, and compliance policies and procedures are adhered to, to ensure that the business of Enable is conducted in an open and ethical manner.

Delegation of Responsibilities to Management

The Board has delegated management of and the responsibility for the day-to-day affairs of Enable to the Chief Executive to deliver the strategic direction and goals determined by the Board. The Board has also reserved several powers and responsibilities to the Board.

Delegation of Responsibilities to Committees

The Board may, from time to time, establish committees to assist it in carrying out its responsibilities. For each committee the Board adopts a formal charter that sets out the delegated functions and responsibilities for, and the composition and any administrative matters relating to, that committee.

Current operational committees include a Health, Safety, Wellness and People Sub-Committee, an Audit and Risk Committee, a Future Technology and Product Sub-Committee.

The Board is responsible for the oversight of its committees. This oversight includes, in relation to each committee, determining and reviewing its composition and structure and regularly reviewing its performance against its charter.

RATIO OF SHAREHOLDERS' FUNDS TO TOTAL ASSETS

The forecasted ratio of shareholders' funds to total assets and capital structure for the next three years is as set out below.

Enable - YE 30 June \$m	2020	2021	2022
Total Assets	578.4	591.3	596.8
Debt	298.9	285.4	275.4
Equity	78.2	100.6	109.9
RPS (CIP funding- to be refinanced May 2021)	158.4	160.5	160.5
Shareholder's Funds to Total Assets Ratio	40.9%	44.2%	45.3%

Note 1: Total Assets and Debt are driven by the connections growth profile of Enable.

ACCOUNTING POLICIES

Enable has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and the policies adopted by the Christchurch City Council group. The detailed accounting policies are available in our most recent Annual Report as published on our company website, refer www.enable.net.nz.

FINANCIAL PERFORMANCE TARGETS

By its nature, investment in infrastructure, particularly our fibre broadband network, requires substantial upfront investment with a long-term focus on returns. We will hold a strong market position with consistent dependable cash flows being received over many years.

Enable is currently EBITDA, EBIT and NPAT positive with profitability increasing substantially driven by the number of customer connections.

The performance of Enable in obtaining and growing customer connections and the establishment of an efficient operating structure (including a low-cost network operating environment), are fundamental to future performance.

Financial Performance Targets

The financial performance targets for Enable show the significant growth path the company is expected to realise through sales to its internet service providers.

Enable - YE 30 June \$m	2020	2021	2022
Total Revenue	68.9	83.3	94.3
EBITDA	51.5	64.0	73.8
NPAT	13.3	22.4	19.3

As customer connection growth occurs over the next five years, the profitability of Enable and its return to Shareholders increases.

Profitability ratios are not included as Enable's assessment of return is based on a longer-term profile than the three-year period within this Sol.

ATTRACTING AND RETAINING THE BEST PEOPLE

Retention and attraction of talented people is vital to our success today and into the future.

Under our Enable Way people strategy, we will continue to support the growth and development of our people, caring for each other, rewarding our people appropriately, holding them to account for their actions, and nurturing their collective capability to deliver to our community.

We remunerate our people at a competitive market rate, noting that we are especially conscious of our public responsibilities in setting senior executives' salaries Board remuneration, and this is closely monitored by the Board and reported in the Annual Report. We ensure all our people are remunerated at or above the living wage.

We employ a best-practice performance management framework that empowers our people to perform and grow within our business. We ensure our leadership team is effective, united and supportive.

DISTRIBUTIONS

The dividends payable to the shareholder will be determined by the Board after consideration of future funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993 and shareholder expectations.

Enable - YE 30 June \$m	2020	2021	2022
Dividends	-	-	10.0

INFORMATION TO BE PROVIDED TO SHAREHOLDERS

An Annual Report will be submitted to the shareholder. The Annual Report will include audited financial statements and such other details as are necessary to permit an informed assessment of the company's performance and financial position during the reporting period.

A quarterly report will be provided to the shareholder covering all aspects of business performance including health and safety practices.

A half-yearly report will be provided to the shareholder. These reports will contain unaudited information and will comply with NZ IAS 34.

The Sol will be submitted to the shareholder for consultation annually, as required by the Local Government Act 2002. The directors will include any other information they consider appropriate. Where appropriate, revised forecasts will be submitted to the shareholder.

The company will operate on a "no surprises" basis in respect of significant shareholder related matters, to the extent possible in the context of commercial sensitivity and confidentiality obligations.

The company will provide information requested by the shareholder in accordance with the requirements of the Local Government Act 2002 and continuous disclosure requirements of the NZX.

ACQUISITION / DIVESTMENT PROCEDURES

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of Enable.

When the subscription, acquisition or divestment is considered by directors to be significant to the company's business operations, it will be subject to consultation with and, where required, approval of, the shareholder.

Major transactions as defined in the Companies Act 1993, s129(2), will be subject to shareholders' approval by special resolution.

COMPENSATION SOUGHT FROM LOCAL AUTHORITIES

At the request of the shareholder, the company may undertake activities that are not consistent with normal commercial objectives. Specific financial arrangements will be

entered into to meet the full commercial cost of providing such activities. Currently, no such activities are undertaken.

ESTIMATE OF COMMERCIAL VALUE

The estimated fair value of network assets at 30 June 2018 was \$475 million. Further information on this asset valuation is provided in the 2018 Annual Report.

At this early stage of Enable's life cycle and recognising it is only half way to achieving its targeted customer base, the commercial value of Enable falls within a wide range of estimates. The commercial value is considered by the directors to be at least the equity contributed by the shareholder as recorded in the financial statements.

ROLE IN THE CHRISTCHURCH CITY COUNCIL GROUP AND REGIONAL ECONOMY

Enable recognises that, as a wholly-owned subsidiary of CCHL, there may be commercial opportunities with other group companies that can be developed to benefit Enable, the wider CCC group and the greater Christchurch region.

Enable will ensure such opportunities are explored and developed as appropriate.

i. Procurement

Enable has reviewed the use of whole of Government supply contracts and utilises these where the costs associated with them make it viable. The company is also committed to engaging with other CCHL group companies and the CCC to achieve additional procurement savings.

ii. Others

The company also continues to discuss opportunities for cost efficiency or additional revenues with other group companies, such as Christchurch International Airport Limited.

enable
Fibre Broadband