

Connector

News and views from the co-operative.



Chair's update

Thank you to all our co-operative members who attended our NZPM Annual Meeting on 23rd September. After holding a hybrid physical/digital AGM in 2020, this was our first ever fully digital Annual Meeting, following the postponement of our scheduled August event due — disappointingly yet again — to COVID-19 restrictions.

Attendees were provided an overview of what was the biggest ever financial year in the history of our co-operative from the Chair, CEO Rob Kidd, and CFO Brett Cruickshank, including updates on the future plans and outlook for NZPM, Plumbing World and Metrix. Aside from the business presentations we also had a video presentation from Roz Henry, CEO of Co-operative Business NZ, outlining the local and worldwide co-operative environment.

Some of the highlights from the meeting presentation included:

- An overview of our initial and ongoing response to the COVID-19 pandemic.
- A financial presentation outlining the 6.8% increase in group revenue for FY2021, with a corresponding rise in operating profit (earnings before net financing costs, dividends,

and taxation) of 82% to \$21 million.

- Improvements to our core operating and capital return metrics, including a 2% lift in our earnings to revenue ratio.
- Net membership growth of 5.8% that saw us reach 947 ordinary shareholder members by year end, comprising around 92% plumbing related businesses and 8% builders.
- Confirmation of the FY2020 rebate dividend of 8% of A Grade Cash, including the normal base rebate initiative that pays out a minimum \$300 to all Ordinary Shareholders.
- 2020 NZPM Future Governance appointee Scot Pearce provided a video recapping his year participating in the programme, and thanking the shareholders for that opportunity.
- Sarah Jamieson from Rotorua was announced as the successful appointee for our 2021 Future Governance Programme.
- Confirmation that Mr John Leen and Mr Craig McCord were re-elected to the NZPM Board following the electronic and postal voting in August.
- Announcement that Mrs Kathy Meads had been re-appointed by the Board as an Appointed Director for a further 3 year term.

Our Ordinary Shareholders were also able to vote by proxy prior to, and on-line during the meeting, and approved several resolutions that had been recommended by the Board:

- The minutes of the 2020 Annual Meeting were confirmed.
- The updated Constitution for the company was adopted.
- The Directors remuneration pool was approved at \$517,000 per annum.
- Deloitte were re-appointed as the company's auditors.

In concluding the meeting with our forward outlook, we noted that NZPM emerged in extremely good shape from the challenges of the last financial year, and this has positioned us well to

Chair's update cont.

accelerate our strategies for the future.

Equally, whilst the latest round of Lockdowns and Alert Level changes will undoubtedly affect our results for the current year, we're confident in the short and medium term prospects for the construction and housing sectors that underpin our business.

Likewise, your board and management remain confident that our co-operative has the right

strategy, leadership, and culture to deliver on its full potential, whilst remaining well prepared to respond to ongoing operational risks. Accordingly, our consistently strong performance will ensure that NZPM can continue to look to the future with confidence, and the co-operative will remain a sustainable long term value proposition.

Kind Regards,
John DeBernardo
NZPM Chair



A word from Rob Kidd, CEO

I was looking forward to catching up with many of you at the August Annual Meeting but as you know, due to COVID-19 Lockdowns we were forced to a digital meeting a few weeks ago.

For those who were not able to attend the digital Annual Meeting, we presented on what has been the best year in the history of the co-operative; we delivered record sales, record profits, significantly grew our shareholder numbers (now almost 1,000) and made great progress on our social, environmental and sustainability initiatives.

Over the past few years we have delivered strong and resilient performances for the NZPM co-operative on a journey to building a sustainable business that will continue to perform exceptionally well over the next 43 years to turn 100, noting that in three years' time we turn 60, which in itself will be a great milestone and worthy of celebration.

Our people are our biggest and best asset and core to our success. Continuing to invest in our people and capability is central to better serving

our customers and growing returns for our shareholders.

We are focused on our social responsibility obligations to help ensure our people, the community and the environment are looked after. Broadly speaking that includes;

- Sourcing and selling environmentally friendly products with sustainable practices
- Ongoing development of our recycling and waste management practices
- Lowering our carbon emissions
- Continuing to provide community support through our relationships with various charities
- Ongoing commitment to our staff and stakeholders wellbeing

We are continuing to develop both our business process improvements, and technology platform and offers (e.g. pwGO App and Online). The Business and Technology Scoping Project is progressing well and will enable us to make informed decisions on the future customer and technology requirements for the business.

The fundamental value propositions of our co-operative remain attractive. NZPM has started the new financial year by continuing to generate solid revenue growth in a very competitive market.

However, as we all know, in any business there are risks that can affect our performance and we will continue to manage these on an ongoing basis;

1. Regional or national Lockdowns or restrictions that affect our ability to provide you with product.
2. Continued disruption to the global supply chain and its impact on the building and plumbing industry.
3. Higher and more frequent price increases, predominantly caused by increased shipping costs, are driving prices upwards. My best advice to you is to fix project pricing for as short a time

A word from Rob cont.

as possible. I know this is counter intuitive to the way the industry normally or historically works but is arguably one of the most prudent things you should do.

4. Recruitment and retaining staff is more difficult due to a strong period of economic growth at the same time the government is restricting overseas workers coming to NZ. That makes resourcing our business (just like yours) with competent people all the more challenging. We will continue to promote NZPM, PWL and Metrix

as great places to work, pay staff at competitive rates and provide the required training for them to serve you well.

Thank you for your continued support of our wonderful co-operative and we look forward to working with you as we build on the already strong platform that has been established.

Regards,
Rob Kidd
NZPM Chief Executive Officer



Director's point of view

I continue to enjoy my role on the NZPM Board, since being so warmly welcomed in November 2018 as an Appointed Director. I was delighted to be re-appointed by the Board for a further three year term, and I look forward to working alongside my fellow Directors on the challenges and opportunities that will unfold for the co-operative over this time.

The financial results for the year to 31st March 2021 that were presented at the Annual Meeting on 23rd September 2021 were reflective of the best year in the co-operative's history. This is a great outcome, and testament to the tenacity of our team and the support from you as members, which is very much appreciated.

As Chair of the Audit and Risk Committee I can report that the year-end audit went smoothly, and provided comfort that our business continues

to operate to a high standard, with good overall controls in place. Our auditors recommended a number of enhancement opportunities to our controls and processes, which are currently being implemented.

Over the past year, the Audit and Risk Committee have reviewed a number of business assurance reports prepared by our internal auditor, and these form part of a rigorous ongoing programme to improve our internal business processes and controls. The Committee, on behalf of the Board, also oversaw a review of the co-operative's risk management framework and supporting processes.

The current regional Lockdowns in Auckland, Northland and Waikato have been extremely challenging for everyone, and the Board are very appreciative of the hard work by our team to keep product moving as efficiently as possible around the country. Our team are managing a number of ongoing challenges due to the environment we are currently trading in — including price increases, supply chain disruption, stock levels and staff retention. I am confident that the co-operative is managing all these “moving parts” very pragmatically and with a constant watching brief on both the financial and non-financial impacts.

You can be assured that the Board is closely monitoring our financial and cash position, costs are being well managed, and new investment opportunities are being explored to ensure that the co-operative will achieve sustainable long-term growth.

I look forward to meeting you when possible.

Kathy Meads



Westlake Governance

I've had the great privilege of working with the directors of NZPM Co-operative for several years. As some of you know, I've also been involved in interviewing and selecting appointees for the company's Future Governance Programme.

I'm almost always impressed by the candidates who put themselves forward. Most of the applicants have built and run their own plumbing or plumbing supply business. They're usually quite successful and they often employ 10, 20 or more people.

Where people find themselves unprepared is in not understanding the scale of the transition from running your own business, often as owner, director and manager, to what it means to be a director of NZPM.

NZPM Co-operative is a complex, growing, multi-brand, quarter billion-dollar international logistics business, run by a chief executive with a highly experienced and qualified leadership team. It's a company where everyone — shareholders, directors and management — needs to understand the different roles:

- The members/shareholders own the co-op and appoint its directors. You share in the company's profits, mainly through rebates, and you're last in the queue to get your money back if everything goes bad. So you need to elect high calibre directors to lead the company into the future and make sure the worst doesn't happen.
- The board — the directors acting together — is legally and collectively responsible for directing and controlling the company. It's not their job to do the managing, but to ensure the business is being managed properly, and that the main risks are identified and managed or mitigated.

While the shareholders appoint the directors, the directors appoint and oversee the chief executive, who reports to the board and, in turn, appoints and leads his (or her) executive team.

I've worked with many co-ops and I've been a director of three (not NZPM). Often I see directors elected because they're well-known as the best plumber / retailer / farmer in the business. I believe the question shareholders should ask instead is 'who are the best people to work together to direct, oversee and control this large and growing business over the coming years?'

One other aspect that many new directors don't think about is that when you're running your own business, you make your own decisions, and run it pretty much as you choose. When you're a non-executive director, like board members of NZPM, you don't work in the business day to day but attend board meetings each month. As an individual director, you have no decision-making power and you can't tell anyone to do anything.

However, while individual directors don't have any power, when they're acting together as the board ("we", rather than "I"), they have all the powers they need to run the business. Board governance is built on the basis of collective decision making and collective responsibility for its decisions. For some people who run their own businesses and make all the big decisions themselves, this can be a big shift. As a result, not all successful business owners or managers make the best board members: not everyone shifts easily from individual to collective responsibility and decision making. It may be even harder to accept that part of being an effective board member is accepting and supporting the board's decisions, even (especially) when you don't agree with it. Knowing that your board colleagues will support the collective decision once you leave the meeting is a great part of building trust in the boardroom. It's not always easy, but that's what you need to become a great board.

If you're interested in the future of your co-op, and you're keen to be a part of building its future, think about the qualities and experience you can offer, then look at putting yourself forward, either to develop yourself through the Future Governance Programme, or by seeking nomination to be elected as a director of this exciting and successful business.

Richard Westlake
westlakegovernance.com
October 2021

NZPM Director Elections

Voting for our NZPM Director Elections was carried out in August by Link Market Services. Two positions were available for election, and the following voting results were reported by Link:

- Mr John Leen 125 Votes / 35.51% (Re-elected)
- Mr Craig McCord 124 Votes / 35.23% (Re-elected)
- Mr Reuben Cutts 103 Votes / 29.26% (Unsuccessful)



Metrix update

The internationally renowned brands of Metrix continue to inspire impressive creativity as demonstrated recently with the winning of two significant NZ awards. The 2021 National Kitchen and Bathroom Awards were held in July and our brands Dornbracht and Glass Design featured in the Supreme Kitchen Design Award winner and also the Supreme Bathroom Design Award winner, both designed by Davinia Sutton based in Christchurch. The renewed focus for the Metrix business of engaging with specifiers and designers continues to be successful with multiple apartment projects being specified in our brands, the projects then being won by NZPM Shareholders and supplied via Plumbing World. This strategy also includes a stronger engagement from our Metrix Territory Managers with builders and plumbers



who are purchasing Metrix product via Plumbing World. This has seen strong first quarter results both from a revenue and profit perspective, well up on last year with significant forward work ensuring the second quarter will also be a strong result. While the Parnell Showroom is closed during Alert Level 3 sales through Plumbing World are progressing well.

With such strong demand, the supply chain challenges out of Europe continue to need good management and lead time notification. If you are working on a particular project please engage with us as early in the process as you can to ensure we can supply the product to you on time. If you are working with a home owner, builder or developer we can meet with them in Parnell to refine their choices, or do this via a Zoom call if they are out of Auckland. We look forward to looking after you and your clients

Karin Cunningham
Metrix General Manager

International Day of Co-operatives

The global co-operative community came together in July to recognise, raise awareness and celebrate how co-ops have met the COVID-19 pandemic with solidarity and resilience — rebuilding better together.

NZPM celebrated by giving away 16 Emirates Team New Zealand packs, and 1,000 MaxPoints to

our cooperative members who purchased LeVivi, Metrix, TIVA, Toto or Pipe King product on Friday 2nd July. We also donated 5,000 disposable face masks to fellow medical cooperative, ProCare. Thank you for being part of the NZPM Co-operative, and for your continued support over the past year.

1000 MaxPoints Winner: McQuade Plumbing Ltd

Social Responsibility

Get Vaccinated - get NZ out of hot water

NZPM is committed to providing a physically safe & healthy working environment for all our employees, customers and visitors. One of the best ways we can all help manage the challenge of COVID and have the opportunity to lead more normal lives moving into the future is to be vaccinated.

NZPM is fully committed in supporting the New Zealand Government's vaccine roll out scheme which will help protect yourself, your family, your friends and your workmates. Let's help NZ get out of hot water, lets get vaccinated.



Blue September

Unfortunately COVID-19 restrictions have meant that most of our branches were very limited in their fundraising for Blue September. Support Office was able to do raffles, mystery bags and blue socially distanced coffee walks and drinks raising \$300.



Face Masks

Our Plumbing World and Metrix staff will soon be sporting branded facemasks that are adjustable and can be washed regularly helping us keep our staff and customers safer while on the job.



Heart Kids

Plumbing World was incredibly proud to hand over a cheque for \$7,500 to Heart Kids New Zealand raised from the Auckland Golf Day 2021. Thank you to the suppliers and others who generously donated items, and to the customers/golfers who purchased them at auction. We really appreciate the support we get from our customers, staff and suppliers who turned out in force to help raise funds.



YPOTY 2021

We have held four fantastic regional finals so far, and are extremely impressed by the overall quality of all competitors at this stage of the competition.

A huge congratulations to our winners and a massive thanks to all competitors, employers and valued sponsors for bringing the competition to life in 2021. The remaining four regional finals will look a little different under current COVID-19 restrictions, so thank you to everyone for adhering to these new protocols.

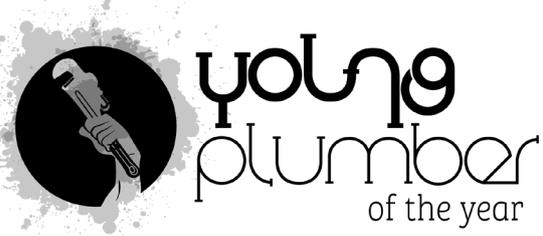
Congratulations to the below Regional winners who will now go through to the National Final in Hamilton on 1st December 2021.

Sam Sonneveld Green Plumbing & Heating
Auckland Metro

Blake Patrick Crowe Plumbing
Northern

Haven Bellamy Bell Plumbing Ltd
BOP/Central Plateau

George Wrenn Plumbers HB Ltd
Lower North Island



Remaining Regional Events (amended dates):

Canterbury/West Coast: Christchurch;
Tuesday 19th October 2021

Southern: Queenstown;
Thursday 21st October 2021

Wellington/Marlborough: Lower Hutt;
Wednesday 27th October 2021

Waikato/Taranaki: Hamilton;
Wednesday 3rd November 2021



Shareholder loyalty



Mr B & Mrs E Traynor — Pre- COVID-19



Glenn Harris — Displaying Social Distancing

#23 Beat the big C

Don't wait for a reason

Some of New Zealand's most dangerous cancers are the ones we don't like to talk about. So we're lending our support to help raise awareness about prostate, bowel and gynaecological cancers.

And remember, if in doubt, get it checked out! You can find out more at plumbingworld.co.nz



Rinnai — Queenstown Escape

Late July saw ten lucky customers escaping to Queenstown for a unique experience with Rinnai and Plumbing World. First cab off the rank was Queenstown's iconic Shot Over Jet with spectacular scenery and thrills aplenty. Lunch and a wine cave tour at the renowned Gibbston Valley Winery provided another highlight with local flavours expertly paired with award-winning wines. The group later headed out to another of Queenstown's superb eateries — Botswana Butchery.

Day two started with a heli-tour exploring the beauty of the Southern Alps, landing on top to take in the stunning views. Next stop was Oxbow, firing off rounds at the clay bird shooting before experiencing the charms of Arrowtown and a chance for the group to explore the area. Dinner at Josh Emmets Rata Restaurant was the favourite amongst the group, set in the centre of bustling Queenstown, with a New Zealand inspired dining experience.

Highlands Motor Park in Cromwell on day three was petrol head heaven starting with go-carting before progressing to the gruntier hot laps in a Ferrari, and a chance to prove yourself as a

professional racecar driver. The final dinner at the Amisfield Winery was a multi course degustation menu with matching wine allowing the group to enjoy the best tastes the region has to offer, and finish the trip off on another high.



NZPM's Mission

To contribute to our members' business success by representing their interests and delivering performance excellence.

Part of our NZPM Co-operative
plumbingworld | **metrix**