

Connector

News and views from the co-operative.



Chair's update

September saw a record month for Ordinary Shareholder applications to our NZPM Co-operative, with 21 new members approved by the Board, and this continues the strong trend of membership growth that we've witnessed over the past five years. That upward trend of applications really accelerated during the pandemic period, with net membership growth of 5.8% in FY2021, and 6.8% in FY2022, and that bears strong testament to the preparedness, support and service provided by our people in both Metrix and Plumbing World during a very difficult time.

Unquestionably paying a robust 8% rebate dividend to our shareholders year on year for the last 2 years has also been a very attractive feature, and our ability to maintain strong dividend payments will necessitate both the maintenance of exceptional service from our people, and the continuation of share of wallet from our customers and shareholders, as we navigate through the far more challenging market conditions we're seeing in the current financial year.

To support this work, we continue to look for ways to build on our recent success, and one of the most significant projects we're working on is Tupu Tahī, our business and technology project that will see Microsoft Dynamics 365 implemented

across the company over the next 2-3 years. Tupu Tahī translates to "Grow Together" and this very much encapsulates our vision of coming together to grow the business through better technology, and a joint commitment to the future success of the co-operative. Whilst the project is still in its very early stages, we are pleased with the progress the business team have already made working collaboratively with our implementation partner Capgemini.

As part of the business review carried out for Tupu Tahī, we also looked at our NZPM mission statement — "To contribute to our members business success by representing their interests and delivering performance excellence" — that was created over 12 years ago, and which now seems both outdated and rather long-winded for the co-operative as it exists today. For the Board and Executive, it was timely for us to consider our purpose by thinking about who we are, what we stand for, what we want to achieve, and how that benefits our members.

As a result we've developed and adopted a new statement of purpose that is both simpler and clearer in defining the purpose of our NZPM Co-operative as "Delivering Sustainable Shareholder Value". By design this new statement is intended to be short and easily remembered, and it quite succinctly states that we deliver sustainable value to our shareholders through the membership activities of NZPM, and the operational performance of Plumbing World and Metrix.

Another area of recent discussion for your Directors has been the ongoing and future mixture of skills and competency required for our Board. With the recent re-election of Peter Faul at the Annual Meeting, the existing NZPM Board has maintained a stable composition for the last 3 years, and with all of our Directors continually advancing their professional development, this has been reflected in the increased function and performance of the Board, which has recently undergone a third party evaluation by Westlake Governance. We believe the Board can add yet further skills and diversity of thinking to our capacity, and accordingly we are now recruiting for a second Appointed (Independent) Director to join our existing

Appointed Director Kathy Meads, and the five Elected Directors on the Board.

NZPM Group is a large and complex multi-brand logistics business that requires a high level of governance competence from both its Appointed and Elected Directors. Later on in this edition of Connector is part 1 of a two part article looking at

some of those governance attributes and skills that we believe are valuable for future Directors who might seek election from our ordinary shareholder membership pool.

Kind Regards,
John DeBernardo
NZPM Chair



CEO update

NZPM's new Statement of Purpose which is "Delivering Sustainable Shareholder Value" was introduced in John's update.

These four words were carefully selected and essentially mean we are focused on delivering in an ongoing and maintainable manner value for our Ordinary and Redeemable Preference Shareholders. The word sustainable, along with meaning adding value in a viable way, also has a nice link to looking out for the environment and our overall social responsibility obligations.

One of the ways we are bringing significant value to shareholders is through the ongoing development of pwGO. Customers can order product through pwGO, view specification sheets and access their pricing — with an additional 866 product images and 25 specification sheets being uploaded to pwGO in September alone.

We are currently trialling pwGO Express across the Plumbing World network. pwGO Express enables you or your tradespeople to walk the aisles in a branch and purchase product by scanning QR codes on the product bins, entering the number of units you are purchasing, with the information automatically uploading into our main computer system.

This process means that we don't need to re-key information at our counter. We simply do a quick check of what you are purchasing, and you will be on your way saving valuable time and money.

We are also undertaking the development work and beginning the customer trials for pwGO to be integrated with simPro, Xero and other software systems used by plumbers.

Due to the many benefits of using pwGO and the efficiencies it is bringing, almost 7% of our revenues are now transacted by shareholders and customers through this technology.

Another area we are delivering value for shareholders is through our Shareholder Business Training workshops. During October, we conducted Shareholder Business Training days in Tauranga and Hamilton, covering a range of pertinent topics for all plumbing and building companies; Governance, Health and Safety, Human Resources, Finance, Credit Management, Social Responsibility and Technology including how to help protect your business from the impacts of cyber-attacks.

Unfortunately, over the past couple of years we know of three shareholder companies that have been cyber attacked; one had to undertake the expense of changing their software system, another who lost all their data and a third who had to pay a cyber ransom to unlock and use their software and information again.

While the fundamental value propositions of our co-operative remain incredibly attractive, we will continue to look for new opportunities along with refining our existing service offers to help NZPM continue delivering sustainable shareholder value.

Thank you for your continued support of our great 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

At the Annual Meeting in Rotorua in August, we outlined our commitment to re-investment in the co-operative through our technology programme, which will see our core computer system upgraded to Microsoft Dynamics 365 over the next two to three years.

The project, entitled “Tupu Tahi” (which translates to “Grow Together”) is progressing well. We have appointed Capgemini to partner with us on the project. Capgemini bring expertise in core computer system design and implementation and are highly regarded in their field.

We have a range of staff members working part time and full time on Tupu Tahi. At present, the team are working with Capgemini on the formal design and specification of the system ensuring

the needs of the business will be reflected in the finished product.

The team are taking the opportunity to make sure that, where possible, we use the standard processes embedded in the Microsoft Dynamics 365 system and keep the core computer system as “vanilla” as we can. This will help us build a stronger control environment and ensure that future upgrades are easier to integrate into our business.

A key driver for success of the system that the team is focused on is that we can support our customers through efficient processes. They are also ensuring that what is designed and built has sufficient flexibility to allow for future evolution as the market changes.

The next step in the programme is to review the final design specification before the project proceeds to the formal build, test and deployment phases.

Tupu Tahi is an exciting project, and the team are very focused on getting it right. The Board, Executive and wider staff are all very conscious that while this is a significant and strategic project for NZPM, the operational teams will continue to focus on providing great customer service to you all every day.

We will continue to keep you informed on our progress.

Best regards,
Kathy Meads



Metrix update

Metrix is on track to perform ahead of last year’s EBIT result with a number of initiatives such as our Specification Strategy gaining traction helping deliver great results. If you are working on high end residential or commercial projects and need assistance in creating an NZPM specification, please contact us and the team will assist.

We are excited to announce that the Metrix business is moving and by May 2023 we will be in a beautiful new historic building, still in the heart of Parnell. We are currently working with our design team to



ensure the space is a market leader in providing an outstanding customer experience. An upcoming trip to see our European suppliers will ensure we have the latest in innovative product on display for you and your clients.

Talking about new and innovative product, Kaldewei have just released their new Whirl baths which are aesthetically stunning as well as featuring the latest technology. We continue to see people investing in making their homes a truly relaxing haven and Kaldewei’s new porcelain on steel baths are at the cutting edge of spa technology. The Kaldewei Body & Soul wellness system combines the elements of water and air for the perfect massage experience.

Karin Cunningham
Metrix General Manager

Governing NZPM for the Future – Part 1

In Part 1 of this two-part article, NZPM Chair John DeBernardo provides a future governance viewpoint for shareholders and potential future directors to consider.

Along with my fellow directors I'm often asked what's needed to join the NZPM Board, and I think it's fair to say that there isn't a 'one-size-fits-all' answer, as everybody is at different stages of their career, and with the corresponding development of their personal governance skills and competence.

Unsurprisingly, we field more enquiries when the co-operative is performing strongly, as in the present environment where people want to be part of the winning team. However, no matter how well intentioned a person may be to put themselves forward as a director, many of the 'normal' governance risks that routinely face boards at any time during an economic cycle may potentially be overlooked or not well understood by prospective candidates. Such risks might include for example the catastrophic effects of a cyber security breach, or a significant Health & Safety event, wherein a staff member can just as easily injure themselves in a time of prosperity as in an economic downturn.

So, I believe as a starting point it's really important for prospective directors to fully understand the role of governance, and the significance of risk management for a business the size and complexity of NZPM, and to then fully consider their appetite to take on those responsibilities. Just thinking about risk alone, our NZPM Board and Executive operate a very comprehensive risk matrix and register, and I'd have to say it's seen a significant amount of analysis and review over the last couple of years as we've worked our way through the whirlwind of disruption that was created by the Covid pandemic.

However, putting the ever present subject of risk aside, there are many good and rewarding reasons for people to become involved with the governance of a company or a co-operative such as NZPM. For those embarking on their governance career there's a lifetime opportunity for future personal growth and development, and each year we look for those shareholders who genuinely want to start down that pathway to participate in our NZPM Future Governance Programme.

From our perspective the Future Governance Programme is a great starting point to learn how the Board of your co-operative works, together with developing the fundamentals of governance and the opportunity to undertake some funded external training. That external training includes the Institute of Directors' Governance Essentials series of courses, and we expect our programme appointees to

commence with these as a pre-requisite to joining the programme.

What the Future Governance Programme is not intended to achieve as an outcome is to make appointees 'NZPM board ready', as we don't expect to see that level of competence develop in the time available during the programme term. In fact, what we really stress to our appointees is that they must go out and externally build their governance expertise and learning, both during and after completing their programme term with NZPM.

Conversely, for those candidates who put their names forward for election as Elected Directors, I do believe that our shareholders should quite reasonably have an expectation that those candidates are in fact 'NZPM board ready', and they will be able to contribute to effective governance of the co-operative in a relatively short period of time. With revenue in excess of \$300m, NZPM Group is a large and complex multi-brand logistics business with a lot of moving parts, and accordingly, it requires a consistently high level of governance competence on its board to succeed.

Whilst we do have many skilled and competent business owners and managers amongst our shareholder demographic, being a director of NZPM requires a different set of skills and competencies to be effective in a governance role. As a result, not all successful business owners or managers make the best directors, and not everyone shifts easily from the individual control exercised in their own business, to the collective responsibility and decision making required by a board of directors.

With our existing NZPM board stable and functioning effectively and with all our directors continually advancing their professional development, the board - now more than ever — really needs our shareholders to ask "who are the best people to work together to direct, oversee and control this large and growing business over the coming years?".

We want to support our shareholders to make good decisions, and to reduce the risk of a 'populist' candidate being elected in favour of a strong, highly skilled candidate, so we've started to consider what attributes and competencies would be valuable for the co-operative's future governors, and I'll look to articulate those views in part 2 of this article in the next edition of Connector.

John DeBernardo
NZPM Chair

Social Responsibility

NAWIC Heels and Steels 2022

Plumbing World were proud to once again host the National Association of Women in Construction (NAWIC) Heel and Steels annual event at 5 of our showrooms in September.

NAWIC are a voluntary, non-profit association of women who work either in the construction industry or for business organisations who provide services to the construction industry.

The number of women in the construction industry has grown exponentially in recent years and women are hard at work in just about every construction job.

This Heels and Steels event was a great opportunity to showcase to attendees our fantastic showrooms and excellent array of quality products for their homes or their clients. It was also a fantastic networking event for our PW staff to engage with people from the construction industry. Catering was provided for all along with a pink door prize to one lucky attendee at each event.



Blue September

During September our sites across the country held a variety of events such as morning teas, BBQ's and dress-ups to raise money for prostate cancer.

The money raised will help to change lives and your efforts will help the Prostate Cancer Foundation support kiwi men and their families living with a prostate cancer diagnosis.



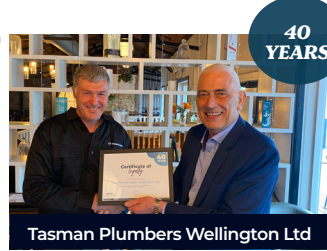
Shareholder loyalty



Shareholder loyalty



B Stone Plumbing Ltd



Tasman Plumbers Wellington Ltd



Murray J McLauchlan & Co Ltd



Plimmer Plumbing Ltd



Mander and Co Ltd

Credit Limit Changes

Due to changes to the Credit Contract and Consumer Finance Act, Plumbing World needs to ensure our customers trade within their agreed credit limit. What this means is Plumbing World is no longer able to exceed a customer's agreed credit limit. Historically there has been a buffer we could transact within, however to comply with the changes to the act we need to review the credit limits with the account holder before proceeding. The legislative changes to the act have been implemented to ensure the right balance

between access to lending and maintaining access that is safe, responsible, and affordable. Plumbing World proactively reviews the credit limits of our customers, however, we would appreciate if you would also ask yourself "does my business have a sufficient credit limit with Plumbing World?"

If you would like to make any changes to your credit limit then please discuss this with your branch manager or sales representative and we can work through your needs on a proactive and timely basis.

Pearlers of Port Douglas 2024

We are thrilled with the steady flow of registrations for our Pearlers of Port Douglas 2024 overseas trip, with half of all registered attendees set to experience their first ever unique and memorable Plumbing World overseas destination.

As Port Douglas will be our 20th Overseas Trip and 2024 is also our commemorative year for celebrating 60 years of being a co-operative, register by 31st October 2022 and go in the draw to win \$600 off your package cost. There are 6 chances to win. All registered attendees will also have the opportunity to convert their MaxPoints to offset their travel costs.

It's not too late if you are considering this fabulous trip destination.

For further information or to register, please talk to your branch manager, visit: www.nzpm.co.nz/shareholder-benefits/overseas-trips-programme, or contact Michelle Bingham; michelle.bingham@plumbingworld.co.nz, or call 06 350 1636.

