2023

Tauākī Whakamaunga Atu Rangatōpū

Statement of Corporate Intent

the lines company

Te Hono ā-Hiko

Growing communities with energy

The energy sector is rapidly transforming. We continue to provide a safe, secure supply of electricity to the region and successfully manage the impact of new technologies.

Evolving customer needs are generating a change in the way our network and related services are used, we're gearing up for this change — now and into the future.

Our customers have greater choice and autonomy than ever before brought about through innovation. Nationally we are seeing a significant uptake of electric vehicles, residential consumers are becoming electricity generators through the installation of solar panels on their homes, industrial consumers are working toward electrifying their plant, transport companies are shifting towards hybrid technologies, we're experiencing increased demand on network due to commercial growth, and soon customers will actively trade their battery stored energy across our network.

As kaitiaki (guardians) of the region's electricity system, we're enabling our customers to benefit from sustainable and equitable energy transformation by actively supporting their energy choices and efforts to decarbonise through electrification.

Contents

He kōrero whakataki
Introduction

This Statement of Corporate Intent (SCI) sets out our intentions and objectives for our Network business, as well as those of our subsidiary, Influx Energy Data, for the 2023–2024 financial year.

We've taken into full consideration the expectations as set out by our shareholder, Waitomo Energy Services Customer Trust (WESCT), in their Letter of Expectation (see page eight). The targets within this document reflect WESCT's desired outcomes for the business and wider community.

The operations of The Lines Company (TLC) Group are governed by a Board of Directors, and the Directors use this SCI to guide strategic objectives and initiatives, and to monitor performance against key performance indicators (KPI). It is also a key reference document for discussions between WESCT Trustees and TLC's Board.

The document complements several other publications provided to WESCT Trustees throughout the year including:

- Annual Report
- Quarterly Reports
- Half Yearly Report

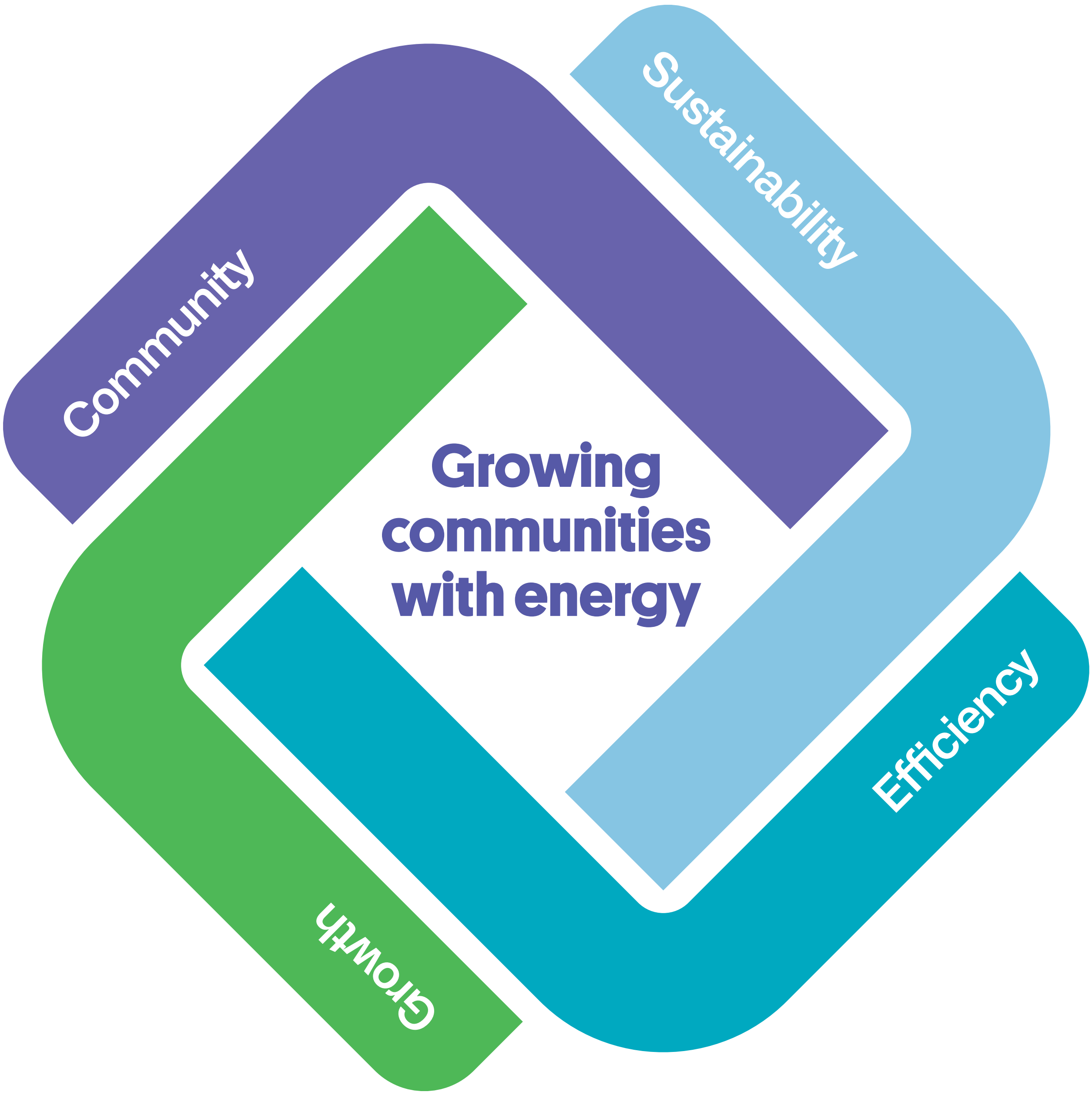
The KPI targets within this SCI mirror discussions between WESCT Trustees and TLC's Board on the vision, purpose, strategic outcomes and initiatives, our role within the community, and financial outcomes.

This SCI is a public commitment to our customers, to our wider community and to our partners across the sector.

Te tirohanga whakamua

Vision

Our vision is to grow communities with energy as we continue to improve for the benefit of people in the King Country, through the provision of safe, reliable, and innovative energy services.



We are vital to the supply of electricity. Our purpose is to support and facilitate business and community growth, to protect our environment, innovate what we do, and make energy accessible for all — we're helping people thrive, now and into the future.

The long-term aspirations of the business are to:

- Operate a safe and reliable future-proof network which serves generations to come.
- Generate diversified revenue from within the energy sector, both within and outside of the region.
- Facilitate decarbonisation of the region through long-term enablers.
- Continue to be a significant employer and community benefactor for those living in the region.

We will deliver on our purpose by focusing on four pou. In Māori a pou, or post, is made from a tree and re-erected in another place to make a statement — in this context, the pou represent our strategic pillars or focus for community, sustainability, growth and efficiency. This SCI outlines the strategic objectives and initiatives centred around these pou.

Ko wai mātou
Who we are

TLC is an electricity distribution business. On behalf of our shareholder we own, manage and maintain the energy network that connects around 24,000 homes and companies to the national grid.

We keep our communities connected by ensuring electricity is safely and reliably available to homes, farms, businesses and community facilities throughout the King Country and Central Plateau.

Our assets include power lines, poles, cables, substations, transformers, and other infrastructure. TLC is also the sole shareholder of Influx, an electricity metering business with a strong national presence.

The primary objective of the TLC Group is to provide a safe, secure, and reliable supply of electricity, while operating as a successful and sustainable business for the benefit of WESCT Customers who are customers in the northern part of our network.

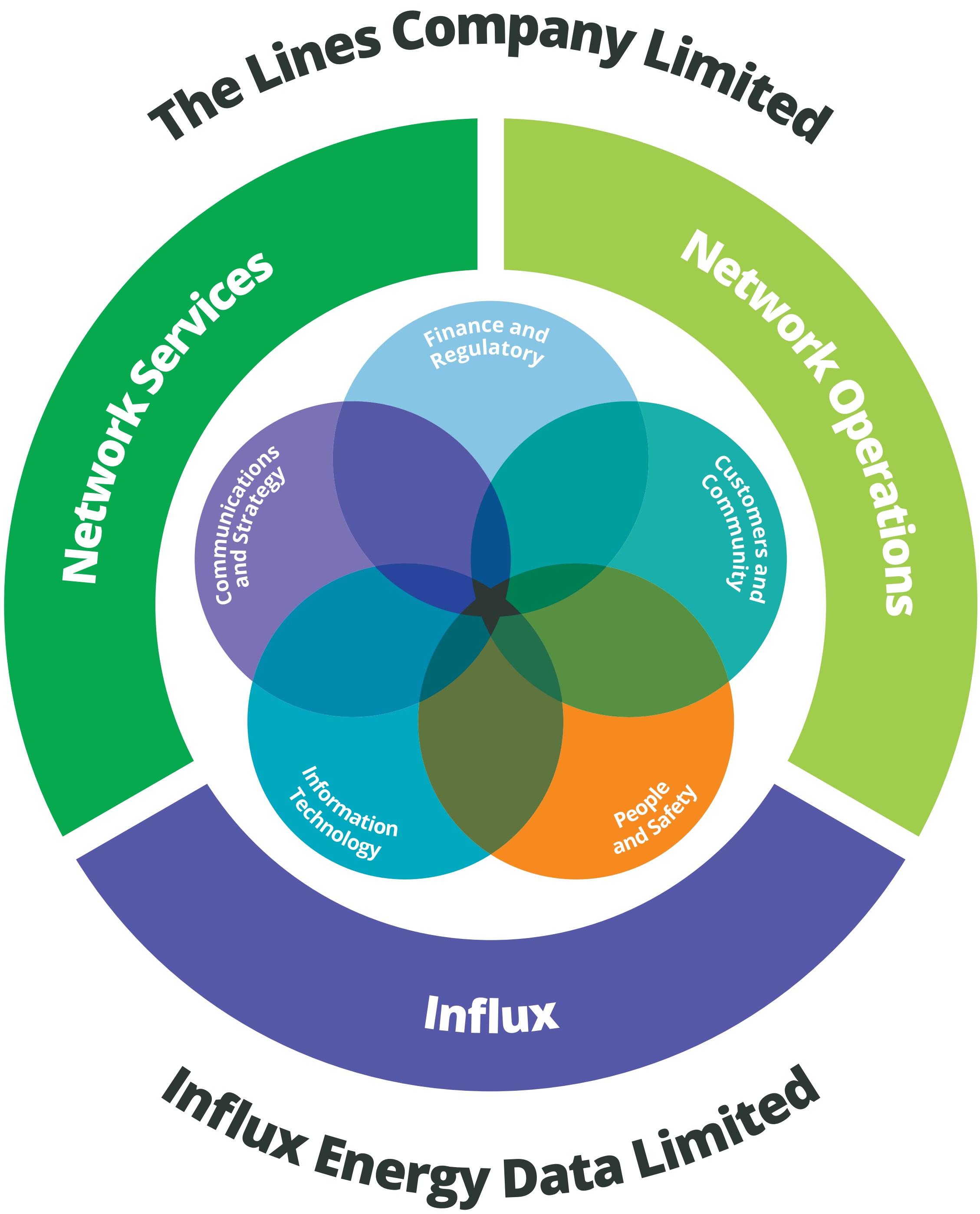
For the Network Operations and Services part of the business, our charges are regulated by the Commerce Commission. Their role is to ensure we provide our customers with an appropriate level of service while receiving a fair rate of return for the assets we own and manage on WESCT's behalf.

The Network business also generates additional unregulated revenue from private lines work, new installations, and electrical design work.

In addition, non-regulated revenue is generated through our subsidiary, Influx. With over 200,000 meters across 140,000 plus sites nationwide, Influx plays a supporting role in the electricity industry.

The business offers a range of energy data and metering services which provide an important source of non-regulated income for the Group.

Company structure



Letter of Expectation
Reta Whakatakoto Tūmanako

from Waitomo Energy Services Customer Trust (WESCT) to the TLC Board of Directors

Tēnā koutou katoa, TLC Board of Directors

The Waitomo Energy Services Customer Trust ("WESCT") thank the Board for the opportunity to provide a Letter of Expectation to assist in the development of the 2023–2024 Statement of Corporate Intent.

WESCT would like to recognise the mahi that the whole TLC team has achieved in improving network reliability, developing and generating off-network investment and income whilst increasing its positive relationships with the communities serviced by the network. COVID-19 has added an extra challenge to this mahi.

WESCT would like to confirm its previously stated positions around the following:

Kaitiakitanga — Custodianship
Whakatipu — Growth
Ngā Whakawhitinga — Communications
Hapori — Community
Hauora me te Haumaru — Health and Safety

The past 12 months have seen the Company operate entirely under the 'one bill' system, with lines charges included on customers' retailer invoices. It is heartening to see that despite the significant change in direct communication with your customers, the Company still has a regular level of communication with WESCT customers.

The Trust recognises several key staff who have moved on during the previous financial year; CEO Sean Horgan, GM Finance Audrey Scheurich and GM People and Safety Sue Lomas. This could have considerably impacted the Senior Leadership Team during the already busy calendar year; however, with the investment in leadership development over the past five years, we commend the Board and those continuing staff on a smooth transition. We also applaud the internal growth in staff and want to encourage the Company to continue looking at opportunities where staff can develop and grow within TLC, with a continued strong focus on internal development and promotion of staff, especially into management positions.

As a Trust, we are still very much focused on providing increased benefits to the owners of the TLC business. However, the Trust acknowledges that TLC does consider the balance between current WESCT Customers and WESCT's long-term goal to grow and enhance our community asset for the sustainable benefit of WESCT Customers, now and in the future.

With this background, we confirm our expectations for TLC are similar to previous years. As a diligent shareholder, we wish the Board to consider the following in its preparation for the 2023–2024 SCI:

1. There is a strong expectation that TLC is a safe and healthy workplace and that the Company makes every effort to keep staff and the general public safe. Therefore, not only shall the Company meet all government requirements and regulations, but it actively promotes a fully integrated health, safety and wellbeing culture throughout the organisation.
2. The Company will continue their strong focus on building and maintaining assets for the long term and on future-proofing the network to meet the changing technology needs of our community. In addition, risk management should continue to be a top priority, and TLC should continually seek to improve network performance.

3. The Trust expects the TLC Board to act with integrity and comply with all laws and regulations, which include the quality of (electricity) supply requirements. We also expect the Board to action government targets regarding sustainability and climate change and to go beyond legislated requirements to provide meaningful and continually improving Environmental Social Governance reporting.
4. TLC will continue to support local social initiatives and regional development. In addition, TLC will continue its focus on energy hardship and affordability by actively promoting energy education. In addition, we want to encourage TLC to be an economic enabler in the community.
5. As a large local employer, we wish for TLC to take a visible leadership role in promoting equal opportunity employment and diversity. We would also like TLC to continue developing the depth of leadership and technical talent within the team, ensuring a high calibre of people are available to the Company and, ultimately, the region.
6. The Trust wants TLC to be resourceful and innovative with its operations. The Company should work collaboratively to provide safe, reliable, and cost-efficient services. In addition, ensuring that key staff and the Board consider key external information and reports regarding the environmental, social and government changes, specifically climate change, within decision-making and future thinking. We want to ensure that TLC is seen as a key enabler of decarbonisation within the rohe and that staff are well equipped to support this.
7. Existing and new investments outside the core distribution network should contribute to the Company's profitability and provide benefits to the WESCT Customers. Therefore, any new investments should be carefully considered, regularly reviewed, and clearly enhance the Company's long-term viability and future ability to increase discounts to WESCT Customers.
8. The Board will prudently manage debt levels and interest rate risk and provide continued reporting back to Trustees within quarterly reporting.
9. Within the above framework, WESCT wants to lower the net electricity cost to WESCT Customers on a sustainable basis while maintaining a strong balance sheet.
10. WESCT would like a strategy meeting each year with the TLC Board at the start of TLC's business planning cycle to ensure there is continued alignment between WESCT's and TLC's strategic direction.
11. WESCT request the Board provide a net dividend payment of $300,000 during 2023/24 to allow the Trust to undertake its required operational activities during the year.

Nāku iti noa, nā

On behalf of the Waitomo Energy Services Customer Trust

William Oliver
Chairperson

WAITOMO
ENERGY SERVICES
CUSTOMER TRUST

Sustainability
Toitūtanga

As kaitiaki of a significant community asset we will retain and grow our absolute commitment to sustainability.

We will continue to be an economic enabler, generating positive and sustainable long-term outcomes for our customers, community and people living on the land.

To deliver a successful future, our business must be resilient and sustainable. We will achieve ongoing sustainability through several measures including decarbonisation, asset management, caring for the environment, embedding te ao Māori within our business, and continuing to improve our people, capacity, capability, and culture.

Decarbonisation through electricity

Over the next 3–5 years we will review how we best support regional decarbonisation. We will develop a decarbonisation programme for residential and business customers by defining our role and how we could share our skills and expertise to help drive the shift to electrification. We will actively lead an education and advocacy programme for residential customers to enable and encourage a decrease in energy consumption and CO_2 emissions.

Asset management plan

The growing emphasis on decarbonisation, and on offering customers greater choice, will be reflected in our Asset Management Plan (AMP) and will continue to evolve as we move to meet customer needs. Appropriate management of our assets will support growing demand across the region brought about by decarbonisation and underpinned by our investment and procurement strategy. Our Network AMP will see around $203 million invested in the network over 10 years.

Environmental custodian

Over the next five years, we will develop and implement a new environmental plan to ensure we act sustainably and reduce the impact we have on the environment. We will prioritise initiatives and activities which deliver the greatest good. Engagement frameworks for working with landowners, carbon benchmarking, environmental audits, and other sustainability efforts will all form part of the over-arching plan.

Te ao Māori lens

We acknowledge the connection mana whenua have to the land and will seek to actively partner with them to protect and care for our environment. Our sincere efforts to embed te ao Māori within the organisation will continue so that we better reflect our workforce, our community and ngā kaupapa (principles) we are seeking to role model.

Our people, capacity, capability and culture build

Over the next 12–24 months, we will actively grow our people capability and capacity. Our human resources programmes will create organisation-wide capability through structure, training and development, the recruitment and retention of staff, and the introduction of a new way of working through agility.

Some key highlights include:

- Implementation of an Employee Value Proposition unique to TLC which focuses on lifestyle and culture, development and growth, and delivering for our community.
- Aligning capability and competency to meet the needs of the organisation-wide strategy to ensure we have the right people and skills in place to enable growth. This includes both technical and leadership expertise, as we recognise the need for both, and understand different people have different career aspirations.
- Our culture will deliver agility, so we quickly become 'fast-followers' within the energy sector. We will redefine our culture working with those in the business, to deliver agility, adaptability, knowledge, and efficiency.

$203m

Invested in the network over 10 years

Growth helps us to acquire assets, attract new talent and fund investment into our network and our community. Through growth we can expand our products and services to deliver energy to customers, the way they want it. Our services also enable economic growth throughout the region.

Growth

Whakatipu

Our focus on growth is resolute. We will deliver new and innovative products and services. Alongside delivering our future network, we'll look to augment our Network Services offering and position our business for growth as we focus on decarbonisation through electrification.

Supporting the local economy and industrialisation

Historically, the economy of our region has been driven by primary industries, mining, and tourism. We are beginning to see changes within these industries. Changes which are seeing a direct increase in the need for electricity supply on our network. The key growth drivers are within industrial processing sector, being greater industrialisation (construction of new processing plants) and decarbonisation (the transition of fossil fuels to electricity in industrial processes).

Our most recent growth forecasts indicate our electricity demand is likely to increase at around 4.0% per annum (compound annual growth rate) compared with an historic average of less than 0.5%.

This has two impacts on our asset planning. The first is to ensure we have sufficient capacity to support these changes. The second is to ensure our security of supply is appropriate and available in time to support the growth we expect.

To achieve this, we are planning to upgrade the grid exit point (GXP) at Hangatiki which supplies around half the customers on our network and revise the security of supply provisions on our key substations and supply lines. Our intent is to increase the free firm capacity (i.e. the available capacity that can be maintained even under a fault condition) from around 4% today to ~20% at the end of the ten-year planning period. We will do this in a targeted way and engaging with our customers and the community to balance their needs and the cost of supply.

Network investment for decarbonisation

We will use the immediate future to ready our business to enable regional decarbonisation, while we maintain a critical focus on keeping our people and community safe.

Our decarbonisation efforts will bring value and benefits to customers through the provision of choice and equitable energy outcomes. We will communicate with, engage and encourage customers to participate in a range of decarbonisation initiatives including energy efficiency practices, community solar schemes, rooftop solar installations, electric vehicle uptake, and widening energy retailer options.

One of our key roles is to support New Zealand's transition to a low carbon economy. This will see us enabling greater energy supply, while facing new challenges to ensure that energy can be delivered reliably. This includes managing the growing challenges around increased levels of forestry on our network. Forestry growth is being driven by landowners moving from traditional agriculture and planting forests for carbon sequestration. This type of tree farming around our lines creates greater supply risk, especially from trees falling into the lines during high winds. We are working with the industry to establish new regulations for tree management around power lines to alleviate this issue.

We will also continue to prioritise reliability of supply including initial planning for a significant upgrade of the Hangatiki grid exit point. There will be increased investment in asset renewals, specifically in substations and lines to ensure we are able to support our customers' move toward decarbonisation. The coming year will see the completion of the ground mount transformer programme, which when complete will have seen the replacement of ~67 transformers across our network over the past five years. We are continuing our focus on safety with further safety-related upgrades in our planning.

Network revenue and performance

For the coming year we are targeting a 5% improvement in our unplanned System Average Interruption Duration Index (SAIDI) measure against our last three-year average, meaning less unplanned outage time for customers. These targets are based on planned network improvements we are making during the year.

Consumer-focused energy products and services

Over the coming five to 10 years, we will ensure customers can access energy services the way they want them. We will develop and implement product plans across the group to identify and develop profitable customer-focused solutions. Supporting go-to-market roadmaps will provide clarity of our sales, services, and customer focus as we look to grow our businesses. Central to this is the development of key customer-insights, to be obtained through facilitated research, customer focus groups, data analysis, and quality account management. We'll also be working alongside other EDBs to leverage synergies and efficiencies for highly customer-focused initiatives.

Delivering value from other business activities

Our business is expected to grow by winning new business and expanding into new markets.

We will actively look toward new technology to deliver innovative platforms which will enable and support a low carbon future for all.

Developing value added services, investigating new and emerging markets, and continued investment in infrastructure will also enable our growth.

Work will continue to strengthen relationships with independent retailers as well as extend the life of existing assets. The business will grow value added services, investigate new and emerging markets, and continue to invest in infrastructure.

Growth through acquisition

TLC will actively look to achieve growth through targeted acquisitions and collaborative market development in the mid-term. We will define our investment risk portfolio and establish dedicated mergers and acquisitions activity within the energy sector.

Helping to drive innovation

Working with the Northern Energy Group (NEG) and Electricity Networks Aotearoa (ENA) partners, we'll continue to innovate as we combine the best of internal resources and 'open-source' innovation through those groups. Our size enables us to work collaboratively with others, adapting swiftly and implementing as a fast follower. We'll continue to trial new technology to deliver better customer service, lower costs, and bridge the energy equity gap within our region.

We recognise our network, business, and customers have a unique set of challenges and opportunities. Innovation through a combination of technology and novel business models can answer a lot of the pressing challenges that we face. We are investing on both these fronts with our innovation efforts focused on enabling our customers to enjoy an affordable energy future. In 2022, we invested in several community projects, installing solar panels on Marae and whare, and testing peer-to-peer trading platforms to allow excess energy to be shared across the community. In addition, we're focusing on efficiency-gaining digitalisation projects including the delivery of an Advanced Distribution Management System (ADMS). The intention is to continue to expand our innovation initiatives, test the merits of new business models and alternative (non-network) supply models which can reduce cost and/or benefit our customers.

Community
Hapori

We are deeply and proudly rooted in our communities. In the coming year, we will continue to extend and strengthen our community connections, delivering energy safely and reliably so people can prosper and thrive. 'Community' also extends beyond the region to our greatest asset, our people.

When our communities thrive, we succeed. Our customer, community and sponsorship programmes support a wide range of initiatives to ensure we remain closely connected to those living in our region. These include a customer-centric focus on energy accessibility, ongoing community engagement, and an ardent focus on safety.

Safety

Safety for our staff and the wider community will remain our number one priority. We will continue ongoing improvements to our health and safety management system, rolling out key Kotahi modules across the business. There will be a particular focus on wellness, and our strong desire to build rewarding and sustainable careers.

The safety decisions we make ensure we manage fatigue, meet regulated safety standards, and ultimately keep our people safe. The wellbeing of our people is also a key factor and encompasses physical, emotional, and psychological aspects. We actively manage wellbeing through a number of initiatives, including support for front-line staff who engage with customers during major outages.

We will be proactive and take all practicable steps to promote an accident and incident-free workplace.

Continuing to drive awareness of safety related issues to members of the public and contractors working on or near our network remains a key priority. Building on toolbox talks, direct email campaigns, safety training and assets, and safety awareness campaigns – in August 2023 we will deploy an online safety reporting tool on our website, building on the dedicates safety content designed specifically to keep people safe around electricity and our assets.

Pricing and regulation

Our pricing methodology and policies ensure our revenue is within allowable levels under the Commerce Commission's Default Price Quality Path (DPP) settings. We will continue to actively participate in the review of the DPP input methodologies and revise our Pricing Roadmap which will look to reduce price categories and harmonise with pricing categories across the NEG. Our goal is to deliver fair and simple pricing for all customers on our network.

Lowering energy costs to customers

We recognise not all customers can, on their own, lower their energy footprint. We will focus on enabling and advocating for energy solutions which provide choice, and which can be implemented to help those who need help most. We will continue to work alongside our large customers to assist them in reducing their energy footprint. Extending beyond network customers, we will reach into schools across the King Country to deliver future energy programmes, ensuring the next generation are energy aware. Working with retailers, we'll actively encourage competition and region-specific products and services which benefit customers on network.

TLC's long-term pricing strategy is for prices to gradually reflect the underlying cost structure of the business when comparing fixed and consumption-based pricing, while achieving efficiency in the use of the network assets. Any change to pricing structures will be done with careful consideration of customer affordability, energy equity, and limit potential price shock. TLC cares for its customers and we aim to deliver fair and simple pricing for all customers on our network.

Engaging communities

We continue to have a stronger focus on community advocacy, plus ongoing improvement of processes that deliver a better customer experience. We are investing in upgrading and digitising our customer relationship management systems and will aim for higher levels of customer satisfaction.

Our ongoing delivery of energy support and education, and energy saving equipment will be resourced through both TLC and the TLC-supported Maru Energy Trust (Maru).

A dedicated customer and community engagement team will work directly with customer and key stakeholders including our highly valued Customer Service Panel to help shape the future of our business, energy education programmes and service offerings.

We'll actively assist Maru to reach their objectives through the provision of financial and operational support, so they continue to make a positive difference in the community through their insulation and heating programmes.

This year we will refresh our sponsorship and community support programmes. We have budgeted to invest $400,000 into community activities and initiatives including $150,000 to support the work of Maru, $35,000 for our Inspiring Local Minds Scholarship programme, $40,000 in contestable sponsorship funding, $115,000 for energy efficiency and education programmes, and $60,000 to support local events, special projects and partnerships.

Working closely with WESCT Trustees, we'll proactively highlight the role our business, and that of WESCT, play across the community.

This extends beyond our sponsorship programmes, and into homes and businesses as together we look to roll out initiatives focused on benefiting those on network. Our support of the Gallagher Recreation Centre is a shining example of how we can join forces to help others in the community.

Our workforce enjoys volunteering in their local community to help support other organisations, events, fundraisers, or charities which are important to them. That's why we'll support our workforce by paying them to do just that for a day each year. This initiative sees both Influx and TLC staff taking an active role in supporting their local communities to help people thrive.

$400k

Budgeted to invest into community activities and initiatives

Being efficient in our day-to-day operations improves productivity, increases output and eliminates time-consuming tasks. Being efficient enables us to get work done, faster and more cost effectively, on behalf of those we serve.

Efficiency

Tōtikatanga

Our plans to continue digitising our workplace, raising productivity through automation, and partnering with others will ensure we become more efficient than ever.

Digital first automation

Over the coming 5 years, we are budgeting to invest close to $6m in systems and technology, including upgrading and digitising information. Our business is striving toward a more automated and digitised environment.

Our digital-first mindset is beginning to deliver an improved customer experience and has helped us focus on improving our efficiency, empowering our people through access to high quality data, which in turn enables well informed business decisions to be made. We continue to maintain our high standards of data security and privacy as part of this work. Through the creation of our digital first thinking, we've defined the goals we want to achieve and are plotting our digital transformation roadmap.

We will continue to invest in upgrades to the new metering head end, enabling the data metering business to deliver consistent services across all customers. Additional modem upgrades are targeted to deliver better coverage and customer access to new services. Scoping for a new asset management system will also be completed in 2023.

Operational efficiency through collaboration

Collaboration with others will be a strong focus as we leverage forums like the NEG to drive improvements across the sector. This includes joint development of policy, sharing of information and the implementation of consistent standards.

Closer to home, we will continue to explore synergies with other electricity networks, strengthen our engagement with Iwi and work with the Energy Efficiency and Conservation Authority and the Ministry of Business, Innovation and Employment on projects to benefit our customers and help us achieve our own objectives.

We are a member of the FlexForum, an AraAke initiative set up for coordinated and collaborative action to unlock the value of DER and flexibility for households, businesses, communities, the power system and Aotearoa, New Zealand.

This year we will finalise a business case with detailed designs and costings for the refurbishment of the depot at Waitete to allow consolidation of all TLC staff into one central location. The objectives of the potential move are structured to deliver a modern working environment, create efficiency, ensure facilities are resilient, and create a cost-effective solution that is fit for purpose.

Performance targets | Ngā whāinga whakatutukitanga

Key Performance Indicator	Provisional 2022/23	Target 2023/24	How we will be measured
Custodianship			
Return on Average Assets	3.9%	3.4%	Return on Average Assets (before customer discounts)
Return on Average Equity	5.7%	4.5%	Our return on Average Equity (before customer discounts)
Equity Ratio	54.6%	No less than 40%	Our Equity Ratio
We will meet all expectations under the TLC Discount Policy	$4.2m (based on expected customer usage)	$4.3m (based on expected customer usage)	Payment of TLC Discount to WESCT Customers
We will meet all expectations under the TLC Dividend Policy	$300k	$300k	Payment of dividend to WESCT
Group Debt (including subordinated debentures)	$77.5m	$93.4m	By reporting on the $ value of borrowings including subordinated debentures
Average Cost of Debt	3.8%	4.5%	Average % cost of debt
Community			
We will invest in local initiatives aligned to our key focus areas of partnerships, scholarships, sponsorship, community events and Maru Energy Trust	$357k	$400k	We will measure and report on our scholarships, sponsorship, Maru Energy Trust and community funding investments
Customer Satisfaction	54%	60%	Customer satisfaction survey result is >60% overall satisfaction
We will invest in Maru Energy Trust to support homes across the network	105 insulation installations 115 heat pump installations	100 insulation installations 100 heat pump installations	We will report quarterly on progress
Performance			
Our year end outage performance is shown below against our compliance SAIDI and SAIFI limits. Our year end performance reflects a year of significant storm activity, including Cyclone Gabrielle.			
Reliability — Unplanned SAIDI (normalised) — the average duration of outages per customer per year	237.4 minutes	181.5 minutes (max)	Calculation based on Default Price Path Annual Compliance Statement
Reliability — Unplanned SAIFI (normalised) — the average duration of outages per customer per year	3.24 interruptions	3.27 interruptions (max)	Calculation based on Default Price Path Annual Compliance Statement
People			
No serious harm injuries	Nil	Nil	We will investigate the reasons behind any injury to mitigate or remove future risk
Reduce the number of Critical Risk Incidents	80% reducation	Incidents related to Critical Risk categories to reduce by 10%	We will measure and report incidents against each critical risk as a basis for future trend reporting
Sustainability			
Environmental	NA	Measures established	We will establish carbon reporting measures in FY24

Financial Forecasts | Matapae Tahua (000's)

Intercompany Transactions	2022 PY	2023 SCI	2023 Current Forecast	2024 Budget	2025 Budget	2026 Budget
Influx revenue charges to TLC	$3,843	$749	**$749**	**$794**	$826	$851

Return on Average Assets	2022 PY	2023 SCI	2023 Current Forecast	2024 Budget	2025 Budget	2026 Budget
Return before discount	3.8%	4.1%	**3.9%**	**3.4%**	3.5%	4.2%
Return after discount	2.9%	3.2%	**3.0%**	**2.5%**	2.5%	3.1%

Return on Average Equity	2022 PY	2023 SCI	2023 Current Forecast	2024 Budget	2025 Budget	2026 Budget
Return before discount	6.6%	6.5%	**5.7%**	**4.5%**	4.9%	6.2%
Return after discount	4.7%	4.8%	**4.0%**	**2.8%**	3.1%	4.2%

Dividends	2022 PY	2023 SCI	2023 Current Forecast	2024 Budget	2025 Budget	2026 Budget
Dividends	$300	$300	**$300**	**$1,750**	$1,750	$1,750

Discounts	2022 PY	2023 SCI	2023 Current Forecast	2024 Budget	2025 Budget	2026 Budget
Posted discount	$4,066	$4,200	**$4,158**	**$4,300**	$4,730	$5,203

Equity Ratio	2022 PY	2023 SCI	2023 Current Forecast	2024 Budget	2025 Budget	2026 Budget
Equity ratio	50.4%	55.5%	**55.5%**	**54.1%**	53.3%	53.3%

Accounting policies & compliance | Ngā ture tatau

Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 2013 and the Financial Reporting Act 1993. The accounting policies will be consistent with those adopted by the Company in its Annual Report to 31st March 2023, which comply with International Financial Reporting Standards (IFRS).

Distribution of Surplus

In setting any proposed dividend or discount, the intergenerational nature of our assets is considered, and a balance is struck between any discount that may be paid to WESCT Customers, dividend paid to the Trust and our debt position. This approach aims to fund investment in assets by the customers that will use them on an ongoing basis, whilst ensuring current WESCT Customers are able to recognise an appropriate return on the investment held on their behalf. Surplus funds from the operations of the business shall first be applied to:

1. Renewal of existing assets.
2. The prudent management of debt. The prudent management of debt includes consideration of debt repayment related to asset lives, dividend maintenance, and having regard to the Company's equity ratio.
3. Funding for network and business investments. WESCT Customers receive discounts on prices for their lines service charges and WESCT receive a dividend from TLC.

Dividend Policy

The value of the dividend will be aligned with expected running costs of WESCT and consider the funds already held by the Trust.

Discount Policy

The discount to WESCT Customers for the 2024 financial year has been included as a posted discount on prices in the pricing schedules as notified on the TLC website.

The Discount Policy describes the methodology to determine the value of any discounts that are periodically applied to WESCT Customer accounts. The Company will provide discounts to WESCT Customers on an annual basis. The discount will be up to 15% of revenue subject to:

- The Equity ratio forecast being not less than 50% in the following three years;
- Banking and other funding covenants that the company is subject to being met;
- Sufficient funding being available for prudent management of the company's debt;
- Funding being available for the renewal of existing assets or investment in network or business assets.

Discounts will be applied by way of discounted prices to WESCT Customers and will be based on the volumes as billed to those customers over the period. Discounts will be credited to customers' electricity retailer accounts twice a year or paid directly to customers we bill directly. Discounted prices will be advised to customers 20 days prior to the start of the financial year to which the discounted prices will apply.

Information to be provided to the Shareholder

1. Updates will be provided on key issues.
2. Quarterly report from the Chair/Group Chief Executive followed by meetings to discuss.
3. Half year reports will be delivered to the Company's Shareholder within three months after the end of the half year. These reports will comprise:
   - A report from the Directors covering the operations for the half year, and
   - Un-audited consolidated financial statements for the half year.
4. The Annual Report will be delivered to the Company's Shareholder within three months of the end of each financial year and will comprise:
   - A report from the Directors covering the operations for the year;
   - Audited consolidated financial statements for the financial year; and
   - Auditor's report on the financial statements and the performance targets (together with other measures by which the performance of the Company has been judged in relation to the Company's objectives).
5. Draft Statement of Corporate Intent (SCI) is required to be delivered to the Company's Shareholder within one month after the end of each financial year with a final SCI delivered to the Shareholder within three months of the end of the financial year. The final report is to be made available to the public within one month of the final version being delivered to the Shareholder.

Procedures for Acquisition of Shares in Other Companies or Organisations

As a general policy, any proposed share investment by the Company will be required to meet the same criteria as any significant capital expenditure. In addition, the questions of control and risk will be addressed. TLC will actively engage with WESCT around divestment and investment opportunities as outlined in the WESCT Trust Deed. All investment proposals will be considered by the Company's Board of Directors. If the quantum or value of the proposal makes it a Major Transaction as defined by the Companies Act 1993 or the WESCT Trust Deed, then Shareholder approval to the proposal will be sought. For transactions with a value in excess of 10% of the Company's equity, but below that required for a major transaction, the Company will, at least 10 business days prior to the Company entering into any such transaction, supply to the Shareholder a report which, in the opinion of the Directors, gives reasonable particulars of:

- The estimated size of the transaction;
- The benefits to the Company;
- The risks to the Company;
- The likely financial impact on the Company.

Transactions with related parties

The Energy Companies Act 1992 requires the Company to publish in its Statement of Corporate Intent the details of any transactions that the Company intends to enter into with any related company or any local authority that is a Shareholder of the Company. The Company's Network Services division provides electrical contracting services to Influx, the Company's metering subsidiary. Influx provides data services to TLC.

Procedure to Modify the Statement of Corporate Intent

The Statement of Corporate Intent may be modified by the Directors provided that they have first given the Shareholder one month to make comments on the proposed modification. As per the provisions made in Section 40 (2) of the Energy Companies Act 1992, the Shareholder may also resolve, at a general meeting of the Company, to require the Directors to modify the Statement.

The Shareholder must have regard:

- To the requirement that the principal objective of the Company is to operate as a successful business, and the desirability of ensuring the efficient use of energy;
- To the financial accounts and other reports the Company is required to prepare under Section 44 of the Energy Companies Act 1992; and the Shareholder must consult the Directors.

Glossary of Terms | Ngā Whakamārama

AMP	Asset Management Plan
Assets	Total assets, less deferred tax assets
DPP	Default Price Quality Path
CO_2	Carbon dioxide
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
Equity Ratio	Consolidated Shareholders Funds/Assets. Where: • Consolidated shareholder's funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves including revaluations, less any minority interests, plus subordinated debentures • Total assets comprise all recorded tangible and intangible assets of the Company valued at their carrying value, less deferred tax assets
Influx	Influx Energy Data Limited — a subsidiary of The Lines Company Limited
KPI	Key Performance Indicator
Maru	Maru Energy Trust
Net Assets	Total assets, less current liabilities
Network Services	A division of TLC focused on operating the network and growing revenue from it
Northern Energy Group	A selection of network operators in the North Island who share interest in delivering future-ready electricity services to communities and a common belief that consumer voices need to be stronger in industry and government decision-making. They believe that customers' interests belong at the heart of our energy sector
Return on average equity	(EBIT multiplied by the applicable tax rate) divided by ((opening Net Assets plus closing Net Assets) divided by 2)
Return on average equity	(Profit for the year) divided by ((Opening Shareholder's Funds plus closing Shareholder's Funds) divided by 2)
Renewals	Replacement of existing property, plant and equipment either undertaken or committed to in the financial year
SAIDI	The System Average Interruption Duration Index (SAIDI) is commonly used as a reliability indicator by electric power utilities — SAIDI is the average outage duration for each customer
SAIFI	The System Average Interruption Frequency Index (SAIFI) is commonly used as a reliability indicator by electric power utilities — SAIFI is the average number of interruptions that a customer would experience
SCI	Statement of Corporate Intent
Shareholders' Funds	Shareholders' equity plus subordinated debentures
Surplus Funds	Net cash from operating activities less any increase in net cash due to temporary changes in working capital
TLC	The Lines Company
WACC	Weighted Average Cost of Capital
WESCT	Waitomo Energy Services Customer Trust

The Lines Company Limited

Company Number

578653

Directors (as at 30 June 2023)

B L Takiari-Brame (Chair)
A D Johnson
C P Richardson
M C Underhill
T J Spencer
F J Jonker

Registered Office

The Lines Company Limited
King Street East
Te Kūiti 3941
New Zealand

Auditor

Pip Cameron of PricewaterhouseCoopers has been appointed to perform the audit on behalf of the Auditor-General

Solicitors

Tompkins Wake
Chapman Tripp
Forgeson Law
Harmos Horton Lusk

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