2021

Statement of Corporate Intent

the lines company

Te Hono ā-Hiko

What connects us

We are a principal steward of the region's electricity system. We play a critical role in maintaining and enhancing the network infrastructure by making sure it is safe, reliable, and secure for generations to come.

Contents

Letter of Expectation

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

Tēnā koutou katoa, TLC Board of Directors

As has been the practice for the last two years, the Waitomo Energy Services Customer Trust ("WESCT") want to thank the Board for the opportunity to provide a Letter of Expectation to the Board to assist the development of the 2021–2022 Statement of Corporate Intent.

WESCT continues to see The Lines Company ("TLC") as an integral part of our community and business landscape. The Company plays an important role in enabling safe, sustainable and efficient energy use whilst keeping our communities reliably connected in the WESCT coverage area and throughout the wider King Country.

WESCT would like to confirm its previously stated positions around:

Kaitiakitanga — Custodianship

Whakatipu — Growth

Ngā Whakawhitinga — Communications

Hapori — Community

Hauora me te Haumaru — Health and Safety

We want to acknowledge the great outcomes the team at TLC has achieved in the last year despite the extra challenges that arose, which included:

- New regulatory DDP3 operating rules that significantly reduced allowable revenue for the new five year period;
- The acquisition of three meter asset fleets including Trustpower and the new personnel for Influx Energy Data Limited ("Influx") as a consequence of that growth;
- Successfully continuing to operate the core lines business through a pandemic whilst keeping the wellbeing of TLC staff front of mind as we all manage a new COVID environment.

We acknowledge that despite the positive financial results achieved for the prior year, the factors outlined above still potentially pose a risk to the future financial outcomes of the TLC business.

With this background, we confirm our expectations for TLC are similar to last year, and as a diligent shareholder, we wish the Board to consider the following in its preparation of the 2021–2022 SCI:

1. TLC to continue a strong focus on building and maintaining assets for the long-term andon future-proofing the network to meet the changing technology needs of our community. Risk management should continue to be a top priority, and TLC should continually seek to improve network performance.
2. An expectation that the TLC Board acts with integrity, complies with all laws and regulations, including quality of (electricity) supply requirements, and gives strong consideration to government targets regarding sustainability and climate change.

3. TLC will continue to actively support local social initiatives and regional development. TLC will consider energy hardship, affordability, and engage in opportunities for reducing these, and actively promote energy education specifically through the Maru Energy Trust.
4. As a large local employer, support education and training opportunities that can assist local staff in achieving internal promotions, specifically at a management level. We wish for TLC to promote equal opportunity and diversity across the TLC team and support the TLC initiative of providing the living wage.
5. TLC to be resourceful and innovative with its operations. The Company should work collaboratively to provide reliable, safe and cost-efficient services while continuing to make the reliability of supply a top priority.
6. Existing investments outside the core distribution network should contribute to the Company's profitability and provide visible benefits to the WESCT Customers. Any new investments should be carefully considered, regularly reviewed and clearly enhance the Company's long-term viability.
7. The Board will prudently manage debt levels and interest rate risk.
8. There is a strong expectation that TLC is a safe and healthy place to work and that every effort is made to keep both staff and the general public safe. Not only shall all government requirements and regulations be met, but the Company should also actively promote a fully integrated health, safety and wellbeing culture through the organisation.
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 request the Board provide a net dividend payment of $300,000 during 2021/22 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

Peter Keeling
Chairperson

WAITOMO ENERGY SERVICES CUSTOMER TRUST

The Lines Company (TLC) is a community owned electricity distribution company. We own, manage and maintain the network that connects approximately 18,000 customers to the national grid.

Who we are

Our network contains assets including power lines, poles, cables, substations, transformers and other infrastructure.

In addition to our network, we own Influx Energy Data Limited — an energy data and metering business with a national presence.

TLC is wholly owned by the Waitomo Energy Services Customer Trust (WESCT) whose Customers are TLC customers in the northern part of our network.

The amount of money we charge our customers, and the reliability standards of the electricity supplied, are regulated by the Commerce Commission. The Commission's role is to ensure customers receive an appropriate level of service, and TLC receives a regulated return for the assets we own and manage.

We're actively pursuing opportunities to grow our business in the network, electricity metering and services areas.

We ensure electricity is available to homes, farms and businesses throughout the King Country and Central Plateau. Our customers pay for this service.

What we do

We have around 18,000 'on-network' customers and 24,000 points where our customers connect to our network. We operate in some of the most scenic, but most challenging parts of New Zealand.

Our core focus is on keeping our customers connected, regardless of where they live or work. That involves operating and maintaining our extensive network with a prime focus on public and staff safety, ensuring we respond quickly to storms and other high-risk events, initiating major electrical projects to enable new advances or improve reliability, and enabling and supporting new industry.

We have our own energy data and metering business, recently rebranded Influx, which is a wholly owned subsidiary of TLC. Through Influx, we have a large number of customers throughout New Zealand and own 250,000 meters across 155,000 sites. Eighty per cent of Influx's income is generated from outside TLC's network region.

Our team of qualified line mechanics and electricians provide electrical services to households and businesses, connecting them to the network and ensuring they stay connected. These projects are expertly managed by our Network Team, ensuring future demand on infrastructure is planned for and met.

TLC pass on to customers the costs incurred from Transpower in bringing power from the national grid into our area. And, on behalf of government regulators including the Electricity Authority and the Commerce Commission, we collect levies from our customers to help cover the cost of regulating the New Zealand electricity industry.

Company structure

The Lines Company Limited
"TLC Group"

- **Network Operations & Services**
  Ownership, design, development, operation and management of the network
- **Influx Energy Data Ltd**
  (Formally FCL Metering)
  Energy data and metering services

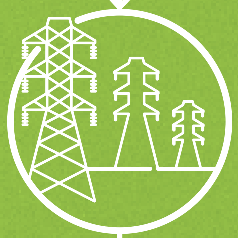
- People & Safety
- Customer & Community
- Finance & Pricing
- Information Technology
- Communications

How our sector works

How does electricity get to my house?

Generation

About 85% of New Zealand's electricity generation comes from renewable sources. Most of our electricity is generated from hydro-electric stations but there is also gas, geothermal, coal, wind, diesel and solar generation.

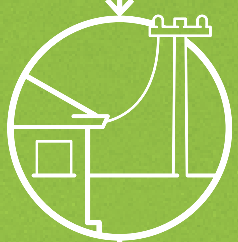


Transmission

New Zealand's national transmission grid is owned and operated by Transpower. The national grid transmits electricity at high voltages (up to 220,000 volts) from where it is generated to the local distribution network. A few large industrial sites connect directly to the national grid. Transpower charges distribution companies and these costs are passed through to the customer.

Distribution

Local distribution networks (TLC is one of 29 in New Zealand) deliver the power to homes and businesses through overhead lines or underground cables. Distribution networks connect to the national transmission grid.



Retailers

Retailers sell electricity to customers. There are a wide range of retailers and electricity plans available across New Zealand. **Check out your options at powerswitch.org.nz**

My house

You will have an electricity meter at your house which records the amount of electricity you use. Your metering provider on the TLC network is Influx — they provide data to electricity retailers and TLC.

Where do my energy charges come from?

Wholesale Market

Electricity retailers buy from the wholesale market. Prices on the wholesale market are calculated every half hour and vary depending on location, supply and demand.

Distribution

Distribution networks, like TLC, deliver power down the lines and cables to homes and businesses. Customers pay for this service and what TLC can charge for the service is regulated by the government.

Retailer Market

We have a competitive retail market which means customers can freely choose which retailer they want to buy their electricity from. You can check the retail brands available on our network at **thelinescompany.co.nz**

External considerations

TLC, like any organisation, is influenced by many factors beyond our control. It is our job to recognise the wider environment we operate in, so we can understand the potential impacts on, and opportunities for, our customers and wider community. In the coming year, there are several external issues we are aware of.

Climate change

We are concerned about climate change and are taking action to cut our carbon emissions. As highlighted by Transpower's Climate Change Commitments discussion paper — we have a unique opportunity to transform our country and economy through the choices we make around energy. We're looking to harness our renewable energy options, replacing the burning of fossil fuels in our vehicle fleet, and through the use of Distributed Energy Resources.

Sustainability

Sustainability is no longer just an environmental issue, it's something that could impact our business success and reputation. We're taking steps to reduce our carbon footprint by making our business more efficient, more resilient and overall better performing through further development of our sustainability actions.

Wholesale market

Low lake levels due to lower than average rainfalls have pushed wholesale electricity prices up. This has caused some large manufacturers to scale back production. We're watching the situation closely, monitoring Transpower's daily security of supply reports and bi-weekly industry briefings, so we're well prepared should there be an industry-wide shortage of electricity.

COVID-19

We cannot underestimate the ongoing impact COVID-19 will have on our customers. This is an unprecedented event and the long-term impact and ongoing repercussions on our customers and the community are real. As a business we will keep this at the forefront of our minds and ensure we remain proactive in our approach to customer service and how we keep our customers, communities and employees safe.

Customer feedback

TLC continues to respond positively to the Customer Service Panel (established in 2019) and their views on key industry and regional electricity issues, including billing. From October 2021, TLC will move to retailer billing which will see customers receive a single bill from their electricity retailer, combining both lines and energy charges.

Over the coming year we will continue to work closely with the Customer Service Panel, government, Iwi, social agencies, and industry working groups around issues that concern the industry and our customers.

We have a unique opportunity to transform our community and economy through the choices we make around energy.

Ō mātou tāngata

People

Our people are more than team members; they are an integral part of our whānau and wider community.

We continue to feel a strong sense of responsibility to our employees, especially given more than 70 per cent live on our network. We know their quality of life, including their ability to work and play in their own rohe, is influenced by the job we do.

Within the TLC Group we have over 160 permanent staff, as well as casuals, fixed-term staff and students. We also work with outstanding contractors and we value our relationship with them.

In the 2021/22 year we will continue to focus strongly on recruiting great people. Our commitment to offering local people sustainable career paths, is strongly urged by our shareholder WESCT. To that end, we will once again offer a trainee line mechanics program to develop local talent.

Uaratanga | Values

Our commitment to providing a great place to work extends to our people working in other parts of the Group, including those employed at Influx based in Hamilton and Tauranga. We are all bound by a common set of shared values:

They are:

- **Keep well**. We put health and safety first, protecting ourselves and those around us.
- **Be proud**. Working hard to get the job done and making a difference.
- **Be awesome**. We aim to embrace change, to exceed expectations and to be innovative. We want to punch above our weight in our sector and in our community.
- **Own it**. We are responsible for our actions and will take ownership of what we do. We aim to overcome challenges and deliver on the promises we make.

We will review and refresh our values in 2021 to ensure they remain relevant and continue to resonate with our people.

Health, safety and wellbeing

Every single person working for and with us should return home, unharmed, every day. This expectation is absolute; we expect it no matter how demanding the task being undertaken.

TLC has already developed a long-term Health and Safety Roadmap that outlines key workstreams over the next few years to ensure health and safety remains our number one priority. We will continue to increase engagement, participation and accountability at all levels across the company. That commitment extends to our contractors who we work closely with to ensure critical risks are controlled and managed, as well as to the general public.

Improvements will include the use of specialist health and safety systems; tools to ensure a robust system for pre-qualifications for contractors; development of online safety and network inductions; and the further development of our newly introduced mentor/coach role in the Network Services team.

Safety leadership will also continue to have a very strong focus in the coming year. During 2021, we will develop and roll out a refreshed health and safety management system, Kotahi, while continuing to emphasise personal responsibility for safe behaviours and work practices.

Kotahi (meaning 'united') will incorporate both established and new processes and will align with industry best-practice. It will focus on continually improving high safety standards in the workplace, seeking more opportunities to enhance worker engagement, identifying risk and remedy, managing contractors, incident and emergency management, and engaging our staff to ensure they and the communities we work in remain safe.

In collaboration with our people, Kotahi will continually evolve to ensure we remain tightly focused on ensuring our people return safe and well to their whānau every single day.

In the coming year, alongside safety, we will also continue to emphasise and promote staff wellbeing by continuing to offer professional employee counselling support. Through our employee assistance program we will offer on site individual health checks including flu vaccinations and health monitoring. We will also hold company-wide initiatives for mental health awareness.

All employees at TLC will be given help and encouragement to realise their full potential and utilise their unique talents.

Diversity and inclusion Kanorautanga me te Whakaurutanga

We want to develop and maintain a positive work environment which supports a high-performing, values-driven culture. Over the next 12 months, we will strengthen our commitment to building and nurturing a diverse and inclusive environment.

Our plans will be developed to support a workplace where people feel valued and respected; where people can develop their skills and talents to their full potential; where people work in a safe, supportive and inclusive environment; and where we are all fairly rewarded and recognised for our work.

In practical terms, our team should be reflective of our own community. We have a commitment to providing equality and fairness, irrespective of age, ability, gender, partnership status, ethnicity, religion, sexual orientation or any other characteristic or quality. We simply will not tolerate any form of discrimination.

All employees at TLC will be given help and encouragement to realise their full potential and utilise their unique talents. In doing so, we will maximise the efficiency of our entire workforce. We also acknowledge it is important to appreciate and respect the differences and needs of individuals. So, we are continuing our efforts to give people in our team a meaningful voice on matters that affect them.

Learning and development

In 2021 we will identify organisational competencies and associated development plans for individuals. They will align to our wider strategies including our resolute commitment to health and safety.

TLC competes for great staff against a nationwide backdrop of increasing demand and skill shortages in key areas. We will continue to invest in our workforce by implementing a range of internal development programs which stretch and grow our people. We are committed to identifying varied and interesting learning and development opportunities so our people can be challenged, grow their capability, advance their career and achieve their full potential.

To that end, we will proactively identify people with high potential and provide accelerated career advancement opportunities.

We will continue to invest in our workforce by implementing a range of internal development programs which stretch and grow our own people.

Ki tua

Where we're going

We're focused on improving the network by utilising technology, dealing to design issues, and replacing aging infrastructure. Our role is to manage investments to improve profitability, and deliver better outcomes for WESCT Customers.

As part of TLC's strategic approach we're focused on the lines business and investments that provide better returns and bring long term value to WESCT Customers.

This reshaping of our business included the 2021 divestment of TLC's hydro generation assets. The three small run-of-river plants were sold in June, freeing up money tied up in these assets to be reinvested into other areas of our business with more stable returns — for example purchasing additional metering assets to further bolster the Influx business.

Over the next 10 years we will invest $166 million in the network by replacing old equipment, building resilience, and preparing for growth. We are making investment decisions that will have a positive impact on our community for the next 40-50 years, while also addressing some long-term design issues. Our investment program remains focused on improving safety and reliability, maintaining a sustainable line renewal program, improving security of supply, improving vegetation management and exploring alternative technologies. It is aimed at improving customer experience and targeting areas of spend to provide the most amount of value to the greatest number of customers.

Risk management across the whole network continues to be a top priority. Our decisions will continue to consider risk around safety, asset failure, installation requirements, operational issues and ongoing maintenance costs.

We're looking to harness the power of solar energy through Distributed Energy Resources (DER) with a pilot program for marae within the Maniapoto rohe set to roll out in 2021 and 2022. On our network location, practicality, independence, cost, and environmental consciousness are amongst the reason's customers may choose to generate their own power. Ensuring solutions are fit for purpose and excess electricity can flow back into the grid is crucial.

Growing income from outside of the core lines business and network region is a key focus for the business. We are systematic in our hunt for strong growth and returns from Influx, as the business continues to grow organically and via acquisition. In addition the team at Influx are developing a range of energy data products and services targeted at expanding their offering through online software services.

$166m

planned investment in the network over the next 10 years

We are making investment decisions that positively impact our community for the next 40-50 years.

Over the past year, we have worked closely with our Customer Service Panel, wider customer base and WESCT to understand the advantages and disadvantages of a move to retailer billing which would see customers receive one bill combining both their lines and energy charges.

Retailer billing

Feedback from the Panel was one of the inputs into a company decision to move to retailer billing.

Other factors influencing the decision included industry alignment, cost savings, simplicity and feedback from the Electricity Pricing Review panel.

TLC asked members of the Panel to survey their groups and connections to provide a wider view of community opinions about moving to one bill. Respondents were asked to complete a five-question survey conducted over two weeks in August.

Just over 75% of respondents preferred one bill with the remaining preferring two. The proponents of a shift to one bill noted convenience, simplicity, and ease as the major benefits. Those preferring to stay with two bills cited transparency and splitting energy costs across periods as the advantages of the current billing method. Ninety per cent of respondents wanted ongoing transparency of lines and metering charges, along with disclosure of the TLC Discount and the breakdown of peak, off-peak and shoulder charges.

The feedback was a key consideration in TLC's decision to move to retailer billing. The Panel and WESCT, endorsed change will be implemented on 1 October this coming year and will see TLC maintain full transparency of Time of Use lines charges with customers being able to access information through TLC's website.

75%

of respondents preferred one bill with the remaining preferring two

Our impact

What we do today has a major impact on communities across our network for generations to come. It is a responsibility we take, and will continue to take, seriously. We believe economic growth and the wellbeing of our communities are inextricably linked to the health of the environment.

For us, sustainability consists of four elements — culture, community, economic and environmental. In the coming year, we will remain strongly focused on building and maintaining intergenerational assets. We embrace our responsibility for environmental stewardship, and we are committed to integrating environmental practices and sustainability principles into our core business strategy and across our customer offering.

Looking forward, we're going to experience shifts in technology with greater penetration of solar energy and disruption due to digitalisation. We're gearing up the business to focus on transformation and digitisation, with a spotlight on performance.

We will continue to focus on technology-based projects including improving cyber-security and the roll out of specialist lines data inspection tools, helping to decrease unplanned outages. This data-driven approach will improve the way we collect, analyse and apply asset and network data to reduce outage probability. It will help mitigate the impact of outages when they occur and improve our systems and asset management practices to provide greater insights into the causes of faults.

Our investment in network automation projects will increase, focused largely on business-critical projects and those which allow us to meet new regulatory requirements. The remote nature of our network means increasing this automation allows real-time operations to be directed from the control room. Additional automation will reduce the number of customers affected by outages and allow us to get power back on in remote areas, sooner.

What we do today will have a demonstrable impact on communities across our network for generations to come.

We're getting future ready

We will continue to support electric vehicle infrastructure. In the coming year, we will install 50kW fast chargers in three locations as part of our Energy Efficiency & Conservation Authority (EECA) Round 10 LEVCF arrangement.

We continue to develop our expertise in alternative technologies and focus on the opportunities and challenges solar energy may present to our community going forward.

We're growing the scale and scope of electrical services we offer customers on the network including DER, solar renewables, and in-home EV chargers. In addition, we're actively looking for opportunities around infrastructure development and major works projects.

We're on a mission to continue to create value for WESCT Customers through generating income from outside of the core lines business and network region, supported by efficiency, innovation and sustainability across our business.

In the coming year, we will install 50kW fast chargers in 3 locations

TLC installed electric vehicle charging stations

Kaitiaki-tanga

Custodianship

TLC's role across our wider region is more than just an energy distributor. We have a responsibility to enable industry and business, support families and communities and work alongside others to protect and enhance those assets we are entrusted to manage on behalf of our shareholder.

While TLC's sustainability program is now firmly embedded within our business, there is still much to do. The coming year will see more focus than ever before on this part of our business.

Our Sustainability Statement:

"TLC's values define our company and define our actions. We conduct our business in a socially responsible and ethical manner. We respect the mana whenua, protect the environment and benefit the communities where we work."

That statement has helped define our work program for the coming year. In 2021, we will make identifying and assessing climate-related risks and opportunities a priority. We have initiatives underway to reduce our environmental footprint and address issues like CO2 emissions and recycling. An environmental dashboard will be established, reported on and shared internally.

By March 2022 we will have completed a comprehensive environmental audit and have a three-year environmental plan defined, with clear and measurable goals around carbon and energy reduction as well as field waste reduction. We will ensure our sustainability strategy is well socialised and that staff know working and acting sustainability is simply part of the way TLC works.

Iwi relationships

As part of our sustainability lens, we will be focused on reinforcing our respect for, and relationships with, mana whenua. That means embracing Māoritanga as part of our day-to-day business while actively working with Iwi partners to support broader social equity and drive economic benefit.

We have an organisational goal to use more te reo Māori and ensure it is used and pronounced correctly. This will be supported by an internal te reo Māori program for all staff.

Finally, with guidance from mana whenua, we intend appointing an external advisor to help guide TLC to have greater understanding of te ao Māori.

Joint initiative — Renewable electricity for Māori housing

In February 2021, with the support of the Maniapoto Māori Trust Board, TLC applied to the Ministry of Business, Innovation and Employment (MBIE) to help fund a project to improve Māori housing in the Maniapoto rohe.

We will work alongside Iwi on an innovative proposal to implement solar energy on two marae, with the surplus power generated shared to 10 nearby iwi member homes. Once proven, a further 15 marae would be added, along with a further 75 homes. Eventually, we believe this concept could be rolled out to enable large-scale solar connections.

TLC see the utilisation of solar energy as an exciting opportunity for our community and we have a responsibility to facilitate that.

Our network area is challenging, covering a large and rugged area. In those more remote areas, we're working with customers to enable solar solutions which allow the sharing of energy across communities. Ensuring that excess energy can be pumped back into the grid without additional lines infrastructure is a key consideration for us.

This collaboration offers TLC the opportunity to work within the heart of the Māori community, playing a key role as technology enabler and facilitator.

With funding now granted, we will look to test and prove this concept from late 2021.

From 1 October 2021, TLC will no longer send bills direct to most customers.

Moving to retailer billing

From 1 October 2021, TLC will no longer send bills direct to most customers.

Like the rest of New Zealand, energy users across the King Country and Central Plateau will receive just one bill from an electricity retailer of their choice.

The move to retailer billing follows a three-year review of options, customer engagement and feedback process. Most customers told us they would prefer to receive a single bill yet still want transparency of lines information, and we have responded accordingly.

In the coming year, TLC will continue working directly with energy retailers to make the changes necessary so the transition to retailer billing goes smoothly. With input from our Customer Service Panel, we will develop and deploy technology enabling retail account holders to continue to have full transparency of Time of Use lines charges. While the method of billing will change, we will continue to operate the network as normal and the core services we provide to customers will not change. The rollover to retailer billing and supporting customer activity is expected to be completed by the end of 2021.

Intergenerational assets

In the coming year TLC will spend $18.5 million on building and maintaining intergenerational assets. Of that, we are budgeting to spend $14.1 million on asset renewals and $3.8 million on work associated with growth and network improvement. Our focus will continue to be on improving safety, security of supply, managing reliability and building greater resilience on the network.

This year around 53% of network-related capital work will be carried out internally, with the remaining 47% outsourced. This includes TLC's normally outsourced work along with some key projects related to improving reliability of the network.

Across the region we will continue to prioritise work on those areas which provide the greatest benefit to the largest number of customers. A range of automation projects are planned to help facilitate this. As in previous years, our investment decisions will strongly focus on risk profile in terms of safety, asset failure, ease of installation, operational issues and ongoing maintenance costs.

Major investments

Work will also continue in 2021/22 on the planning, construction or major upgrade of three zone substations and accompanying construction work for the lines to connect to TLC's network. One of these supports a new industrial customer, another (the Waitete substation) is the starting point to alleviate our existing power transformer constraints. The third project, the Ātiamuri substation, is part of our planned security of supply program improving reliability and capacity in Ātiamuri, Whakamaru, and Arohena.

$18.5m

In the coming year TLC will spend $18.5 million on building and maintaining intergenerational assets

Te Hapori

Community

TLC is a valuable asset, 100 per cent owned by our northern community through the Waitomo Energy Services Customer Trust.

In 2020, WESCT Customers voted to retain full ownership of TLC, reinforcing a strong message they want to maintain possession of our assets, for now and for the future.

We are acutely aware of our role in the King Country and Central Plateau, both as an employer and as an economic enabler. We know people rely on us every day to do our job, and to do it well.

Customer care

In the coming year, the issue of energy hardship will be higher on our agenda than ever before. Our network contains pockets of very high social deprivation which can contribute significantly towards energy hardship. That in turn, can lead to a host of negative outcomes including illness. This is not acceptable to us, or to our shareholder and wider community.

Last year we successfully rolled out a new vulnerable customer care program based on a home-grown case-management approach. Our program involved working face-to-face with 140 of our most vulnerable customers who were caregivers to more than 193 tamariki. Those customers included 29 individuals who are medically dependent on a reliable energy source.

Our customer care initiative resulted in the avoidance of more than 60 disconnections and the positive recovery of arrears. This initiative, the mahi undertaken by Maru Energy Trust, and our COVID-19 relief was recognised at the New Zealand Energy Excellence Awards winning the Community Outcomes category for 2021.

We are continuing to work alongside people to address energy hardship. Our customer care program helps to identify customers at risk, remove barriers to help and provide support to break the cycle of energy hardship. Put simply, it is about extending our customer care efforts so we can proactively help those most in need.

The program wraps a range of services around households as well as provides immediate, practical assistance including energy efficiency advice. The program has proven to deliver annual financial savings of between $100–$150 per household worked with, but the benefits are more far-reaching with provision of energy education and additional support.

Building strong relationships with key social agencies who can help customers who are most in need ultimately helps customers to help themselves and their whānau.

TLC discount

In November 2020, on behalf of our shareholder WESCT, we announced a $3.8 million return to 9,000 northern customers in our network.

The return was applied as a discount, split into two payments; one paid in December 2020 with the other paid in May 2021. The second discount payment, which covered the period 1 November 2020 to the end of March 2021, helped to offset winter energy bills.

A Commerce Commission ruling in late 2019 significantly reduced the amount of revenue most electricity distributors, including TLC, could earn from their networks. While this may reduce the amount we are able to distribute in the future, our intention is to review this annually and potentially 'top it up' from profits earned by other parts of our business.

In the coming year, we will continue to focus on providing value to WESCT Customers while also investing in critical community assets that allow us to stay connected. We appreciate our twice-yearly discount is highly valued, particularly by those households experiencing energy hardship.

Our focus next year will remain, as always, on maximising our performance for the benefit of our community.

$3.8m

return to 9,000 northern customers in our network

Maru Energy Trust

Established by TLC in August 2019, Maru Energy Trust (Maru) is a not-for-profit trust. It aims to help keep local people stay warm and dry by helping homeowners invest in healthy, energy-efficient homes.

The Trust was set-up to specifically improve home insulation, heating and provide energy efficiency awareness through education. In 2020, 323 homes were helped to become drier, healthier and more energy efficient.

In the coming year, TLC will continue to support Maru through funding, along with provision of office space and supporting services.

Helping homeowners to tackle heating and insulation in their houses is critical because it has a dramatic and direct impact on the wellbeing of people in our community.

Maru has built its own relationships with groups like the EECA to help fund and support community-based initiatives. We will continue to support those relationships in whatever ways possible. That includes ongoing financial commitment from TLC to Maru Energy Trust.

323

homes were helped to become drier, healthier and more energy efficient

MARU

Be warm. Be healthy.

It is well-documented that insulation makes a positive difference to people's health and wellbeing.

Sponsorships and scholarships

Our Inspiring Local Minds Scholarship program was launched by TLC in 2018 and continues to be one of our most successful community-focused initiatives.

The scholarships recognise and provide financial support to local students intending to complete tertiary education or a trade or other training. Each scholarship is worth $2,000 each year (for a maximum of three years) and in 2020/21 we awarded four scholarships, bringing the total number of students on scholarships to 14, to outstanding rangatahi.

This year, we intend to work proactively to generate even more interest in this scholarship program from schools and the wider community across our network. We want to support our rangatahi and encourage them to upskill. Another three Inspiring Local Minds Scholarships will be awarded in late 2021.

Meanwhile, we will continue to offer important community sponsorship for events and projects on our network.

Being part of the community is at the heart of all that we do, and our sponsorship program will remain an important way for us to stay connected, with two sponsorship funding rounds each year. In addition, TLC's Easter Cross and Christmas Star light up Ōtorohanga and Te Kūiti during the holidays.

Our 2021/22 budget for partnerships, sponsorship, scholarships, energy education and events has received a massive boost, now representing a $400,000 investment in community-focused activities.

$400k

investment in community-focused activities

Ngā Whakatu-tukitanga

Performance

Our network covers some of the most isolated and remote parts of New Zealand. Geographically, TLC's region is vast, encompassing a staggering range of different environments including West Coast beaches, the Tūroa and Whakapapa ski fields as well as sparsely populated remote farmland.

Our challenge

The challenging geography means we require long lines and infrastructure to be constructed and maintained in rugged and testing terrain.

King Country and Ruapehu District's outstanding natural features mean we have a high proportion of holiday homes. But unlike most other lines companies, we have no major urban centres or cities to offset our costs.

Socio-economically, significant parts of our network are among the most deprived in New Zealand. Customers living on our network have high deprivation scores. People in these areas often live in colder, damper climates and are likely to have poor sources of home insulation and heating. Overall, housing stock is poor and that in turn exacerbates health-related issues.

These issues drive us to be more creative and think more innovatively about ways to provide best value to all our customers and to our wider community.

Our priorities

In 2021 we will continue to focus on seven priorities across our network:

Improving safety

We are well through a major program to upgrade ground-mounted transformers to meet new design standards and will continue that program this year.

Managing reliability

Minimising unplanned outages will remain a core deliverable. We will continue to focus on improving how we collect, analyse and apply asset and network data to reduce the probability of an outage; how we mitigate the impact of outages when they occur; how we assess and apply vegetation management and how we best improve our systems and asset management practices.

Maintaining a sustainable line renewal program

In the coming year we plan to invest around $8.1 million on replacing poles, lines and cross arms across the network.

Alleviating security of supply constraints

Over the past four years, we have made substantial progress in alleviating security of supply constraints, but this remains a work in progress. Customer growth opportunities, coupled with some power transformer failures are maintaining pressure on security of supply, and we will continue to invest in this area in the short to medium term.

Improving how we manage vegetation near our lines

Vegetation has been a key driver for system outages in the last three years. Based on that, we're making significant changes on how we assess and respond to vegetation risk. Our strategy will see us gain a deeper understanding of our outage causes through empirical information and analysis. To aid this we're investing in better tools including a vegetation database, along with improved business and data analysis systems to improve our internal capabilities and processes.

Distributed Energy Resources

As Distributed Energy Resource (DER) technology advances we expect more of our customers to consider investing in solar and battery technologies.

Our goal as a network owner is to enable our customers to have the benefit of both worlds; the ability to generate and consume their own energy in their home or business, and to be supported by connection to our network when DER is not producing. DER technologies may also benefit TLC by giving us new options to provide supply more cost-effectively in areas of new growth or where our existing assets are reaching end of life.

Major projects of work

TLC will also continue a very strong focus this year on delivering three significant projects, totalling $7.9 million. They include the Waitete substation upgrade ($4.3m), the Ātiamuri substation upgrade ($2.6m), and an upgrade of existing 33kV lines to enable industrial load growth in Ōtorohanga ($1.0m).

$8.1m

to be invested replacing poles, lines and cross arms across the network

Reliability

Improving customer experience through better reliability remains a key objective of our asset management activities.

Identifying the specific drivers of outages can be complex because the causes can be multifaceted. Weather, environmental factors, vegetation (tree fall), asset failure, human error, and third-party interference are just some of the potential causes.

Along with preventing outages, we are investing in methods to mitigate their impact when they occur. This is being achieved through a continued investment in network switches and their automation. This allows us to sectionalise the network to isolate the fault and restore areas around it, and to inter-tie to other lines for back feed options.

For the coming year we are targeting a reduction of three per cent against our regulatory System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) targets. These targets are ambitious, but reliability of supply is a key measure for us. The prime reason for this is to provide a better focus on the service we provide to our customers across the network.

Vegetation control

Vegetation control has emerged as one of the key outage contributors in the last three years, so we are undertaking new initiatives to assess and manage the risk vegetation and trees pose to our lines. This includes a Light Detection and Ranging (LiDAR) survey of our network area and the development of a vegetation risk database, which will enable us to build a comprehensive and quantified view of our vegetation, and effectively plan our remediation activities.

Vegetation outages include debris blown from trees, trees growing into lines and trees falling across lines during storms. Trees also cause momentary outages when they strike lines under high winds, and this can increase the count of outages.

Our vegetation management strategy aims to address specific weaknesses, defined by three key initiatives:

- Establish baseline measurement of vegetation stock
- Embed risk management and continuous improvement frameworks
- Enable broader oversight and faster decision making by the establishment of a Vegetation Management Committee.

New technology

We will continue to employ new technology to drive efficiencies, improve safety and reduce cost. LiDAR data provides a snapshot in time and this year it will allow us to check 95 per cent of our network, either by helicopter or drone. That information will enable us to target how, where and when we invest in vegetation control to maximise efficiencies.

Collaboration

We continue to work with other electricity distribution businesses — sharing information, ideas and opportunities to improve services for people on our network and beyond.

We share engineering standards, emergency management plans, asset management information and material about our customer care program which has created interest in our sector.

We are also part of an industry-wide group, the Electricity Network Association, that works with and represents 27 lines companies across Aotearoa.

TLC is also one of a group of five distribution companies in the North Island (Counties Power, NorthPower, Top Energy, TLC and Vector) collaborating under the Northern Energy Group banner. Highlighting customer issues to the industry and government is a key focus for this group. We believe having customer interests at the heart of the energy sector will create better outcomes.

In the coming year, we will continue to work alongside colleagues to strengthen the customer voice, implement Electricity Authority Customer Care Guidelines, reduce energy hardship, use data insights to deliver better outcomes for customers and support innovation and technology.

We will also extend our relationships with retailers on the network through the rollout of retailer billing.

Our team will continue to meet regularly with our Customer Service Panel, councils, government, Iwi and other key stakeholders to improve awareness and knowledge, as well as plan for the future as the regions grow in population and commerce.

We will continue to employ new technology to drive efficiencies, improve safety and reduce cost.

We have a responsibility to enable and support growth that delivers positive social, cultural, economical and environmental outcomes for our people.

Whaka-tipu

Growth

Without the provision of secure energy, our communities are unable to prosper and grow. Part of TLC's role as an economic enabler is to plan for that growth, safely and reliably.

As a community-owned company, we are custodians of long-term critical assets that will impact on generations to come. Those assets, now worth in excess of $297 million, have been built up over the years and remain owned by TLC. The company belongs to all WESCT Customers and we manage those assets on everyone's behalf.

Growth and resilience

A key focus in the coming year will be the ongoing maintenance of network assets so we get the most out of them during their economic life. There is a balance to achieve. At the same time as we replace old equipment and build resilience into our network, we must also anticipate, plan and budget for growth.

We are aware of some exciting economic initiatives planned for the region which are likely to require an increase in network capacity. Some of those initiatives are of significant scale and represent exciting opportunities for economic vitality. We will actively support these initiatives and will continue to work directly alongside people involved to ensure TLC is ready and able to deliver the infrastructure required, when it is needed.

Our Network Services team are preparing for additional demand for their services, driven primarily by increased demand due to population and business growth, and the focus on decarbonisation.

There is an increasingly larger load on the network particularly in Ōtorohanga and Te Kūiti, as businesses and populations grow. Upgrades to the Te Waireka (Ōtorohanga) substation, and a new $4.3 million dollar substation in Te Kūiti, are part of a wider $166m investment in assets planned for TLC over the next decade to meet growing demand.

Over the next 12 months, we will deliver specific growth-driven projects in Te Kūiti and Ōtorohanga. We will also deliver around $8.1 million of line renewal work as we replace cross arms and poles.

Metering business rebrand, growth and innovation

In April 2021, we unveiled a new name and new logo as part of an extensive rebranding initiative for our metering subsidiary. The metering data business is now known as Influx, redefining who they are, driving change and shaping the future of the data metering services industry. The move sees the business positioned to shift up the value chain and differentiate itself from competitors.

The rebranding forms part of the redesign of the business following the acquisition of TrustPower's, Northpower's, and Legacy Metering Group's legacy metering assets and GoodMeasure products.

The brand change also provides a stage to advance the company's offerings, helping to achieve its future vision of being a data-led technology business, and unifying the team under the new energised brand.

The acquisition of metering assets has seen the business grow from 41,000 meters to more than 250,000 meters across 155,000 sites. The assets provided off-network growth, with 80 per cent of the Influx revenue now generated from outside the network region — bringing massive value back into our own local network area. Specifically, it provides us with a mechanism to return unregulated profits to WESCT Customers.

The new brand is set to pump a significant amount of energy into a business that up until now has been conventional. The company is moving into a new phase, focused on meeting energy needs in our increasingly data-driven, connected world with the new brand accelerating the growth of the business.

influx
SMARTER ENERGY DATA

The most recent meter acquisitions give Influx greater scale in more regions and a platform for further growth.

Hydro-generation assets sold

In mid-2021, we finalised the sale of our three hydro generation stations at Mangapēhi (King Country), Matawai (Gisborne), and Speedys Road (King Country).

Together the three stations only generated enough power each year for close to 3,000 homes with power produced at the sites sold back into the national grid.

Over recent years, all three stations have generated less electricity than previously due to less-than-average rain falls.

Our shareholder, WESCT, endorsed and supported our decision to sell the hydro stations. WESCT Customers also supported this decision, via a postal and online vote in March 2021. In the coming year, the proceeds of this sale will be used to grow and invest in other parts of our business.

Leveraging revenue growth opportunities through other business activities has been identified as a key strategy for us moving forward. Doing so will help replace revenue lost due to the 2019 Commerce Commission determination which significantly reduced the amount of revenue most electricity distributors, including TLC, can earn from their networks.

Along with investment in Influx, proceeds of the hydro-generation sale will help support network improvements, energy innovation and diversification.

During the coming year we will continue to look at opportunities to ensure our costs stay as low as possible for our community.

Operational efficiencies

TLC has a broad range of cost and other measures to ensure our operating expenses are minimised, while still meeting the demands of a very challenging network. During the coming year we will continue to look at opportunities to ensure our costs stay as low as possible for our community.

North King Country Development Trust

The North King Country Development Trust 's (NKCDT) purpose is to help stimulate economic growth within the North King Country region.

NKCDT provide financial and business support that will improve the economic wellbeing of their area, this includes providing business mentoring, start-up funding, and equity funding for new business. They support initiatives including establishing new businesses, increasing the number of jobs, attracting new residents to the region and creating stronger and more resilient communities.

In the coming year, TLC will look to further strengthen and reconfirm our critical role in local economic development. We intend to work alongside NKCDT to potentially leverage funding for start-ups and growth which support our purpose and contribute positively to our region. TLC will also look at ways in which we can help NKCDT to assist others who are looking to grow their own businesses and/or reshape them due to the impact of COVID-19. Their success will create wider success which, over time, will help our region prosper.

How we will be measured

Key Performance Indicator	Provisional 2020/21	Target 2021/22	How we will be measured
Custodianship			
Return on Average Assets	3.6%	3.8%	Return on Average Assets before customer discounts
Return on Average Equity	6.1%	6.2%	Our return on Average Equity (before customer discounts)
Equity Ratio	49%	No less than 40%	Our Equity Ratio
We will meet all expectations under the TLC Discount Policy	$3.8m	$4m (based on expected customer usage)	Payment of discount to WESCT Customers
We will meet all expectations under the TLC Dividend Policy	$250k	$250k	Payment of dividend to WESCT
Group Debt (including subordinated debentures)	$92.9m	$92.0m	By reporting on the $ value of borrowings including subordinated debentures
Average Cost of Debt	3.0%	2.95%	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	$169.5k	$400k	We will measure and report on our scholarships, sponsorship, Maru Energy Trust and community funding investments
Customer satisfaction	65%	70%	Customer satisfaction survey result is >65% overall satisfaction
We will invest in Maru Energy Trust to support homes across the network	323 homes	500 homes	We will report quarterly on progress
Performance			
Reliability — Unplanned SAIDI	155 minutes	141 minutes (max)	Calculation based on Default Price Path Annual Compliance Statement (target taken from 2021 AMP)
Reliability — Unplanned SAIFI	2.6 interruptions	2.6 interruptions (max)	Calculation based on Default Price Path Annual Compliance Statement (target taken from 2021 AMP)
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	29	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	10%	We will reduce our carbon and energy footprint by 10% on a comparable basis to FY21
Cultural	NA	100%	We will introduce company-wide tikanga Māori and te reo Māori program for all staff

Glossary

AMP	Asset Management Plan
Assets	Total assets, less deferred tax assets
Net Assets	Total assets, less current liabilities
DER	Distributed Energy Resource
EA	Electricity Authority
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
EDB	Electricity Distribution Business — a company that provides the infrastructure to supply electricity to regional/local customers
EECA	Energy Efficiency & Conservation Authority
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
EVs	Electric vehicles
FCL Metering	FCL Metering Limited — now rebranded to Influx
Influx	Influx Energy Data Limited — subsidiary of The Lines Company
LEVCF	Low Emission Vehicles Contestable Fund
MBIE	Ministry of Business, Innovation and Employment
NKCDT	North King Country Development Trust
Return on Average Assets	(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
ROI	Return on Investment
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.
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

Financial Forecasts

Financial Forecasts

TLC Earnings

Earnings (before customer discounts)	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Revenue	58,132	61,988	63,962	66,432	66,851	67,605	69,243
EBITDA	30,977	32,262	34,641	35,756	37,216	37,170	38,350
EBIT	16,756	13,879	15,017	17,759	18,723	19,543	19,864
Interest	2,837	3,081	2,637	3,281	2,937	2,530	2,173
Profit after tax	10,761	7,893	8,787	10,361	11,262	12,098	12,542
Return on average assets	4.2%	3.5%	3.6%	4.2%	4.5%	4.6%	4.6%
Return on average equity	7.4%	5.6%	6.1%	6.9%	7.1%	7.3%	7.2%

Earnings (after customer discounts)	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Revenue	58,132	61,988	63,962	66,432	66,851	67,605	69,243
Less Customer discounts	(5,600)	(3,800)	(3,800)	(4,005)	(4,000)	(4,005)	(4,005)
Net revenue	52,532	58,188	60,162	62,427	62,851	63,600	65,238
EBITDA	25,377	28,462	30,841	31,751	32,216	33,165	34,345
EBIT	11,157	10,079	11,217	13,754	14,723	15,538	15,859
Interest	2,837	3,081	2,637	3,281	2,937	2,530	2,173
Profit after tax	6,729	5,157	6,051	7,477	8,382	9,215	9,658
Return on average assets	2.8%	2.5%	2.7%	3.3%	3.5%	3.7%	3.7%
Return on average equity	4.6%	3.6%	4.2%	5.0%	5.3%	5.5%	5.5%

Group Revenue before TLC discount	2020 PY	2019 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
The Lines Company							
Network revenue	43,852	41,096	42,273	45,131	47,014	47,677	49,173
Network services	2,246	2,000	1,471	2,062	2,093	2,124	2,051
Generation Revenue	1,592	2,203	2,405	312	–	–	–
Total TLC Revenue	**47,691**	**45,299**	**46,149**	**47,505**	**49,107**	**49,801**	**51,224**
Influx							
On Network revenue	2,595	2,648	2,636	2,684	2,724	2,765	2,806
Meter reading (OTA and manual)	1,149	1,148	1,217	1,528	1,148	1,266	1,396
Off Network revenue	2,213	3,187	3,369	3,886	4,373	4,854	5,388
GoodMeasure	66	360	133	142	145	147	150
Legacy Metering	4,727	9,569	10,683	10,727	9,355	8,773	8,280
Total Influx Revenue	**10,750**	**16,912**	**18,040**	**18,967**	**17,745**	**17,804**	**18,019**
Consolidation entries							
Consolidation entries	(309)	(223)	(227)	(39)	–	–	–
Group Revenue	**58,132**	**61,988**	**63,962**	**66,432**	**66,851**	**67,605**	**69,243**

TLC Group Balance Sheet

Balance Sheet	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Cash	1,409	853	**1,017**	**1,542**	1,581	1,598	1,633
Other Current Assets	10,008	5,467	**8,869**	**8,669**	8,641	8,786	9,006
Non-current Assets	285,615	288,733	**295,930**	**288,913**	294,054	297,463	299,177
Other Financial Assets							
Total Assets	**297,032**	**295,053**	**305,816**	**299,124**	**304,277**	**307,846**	**309,816**
Current Liabilities	13,486	9,419	**15,073**	**10,921**	11,860	10,801	12,438
Deferred Tax	49,157	49,951	**50,477**	**49,644**	50,436	50,577	50,953
Bank Loans	90,499	87,680	**89,012**	**81,610**	77,149	72,922	63,721
Subordinated debentures & Minority Interest Loans	4,000	3,950	**3,950**	**3,000**	3,000	3,000	3,000
Shareholder Funds	139,889	144,053	**147,305**	**153,949**	161,831	170,546	179,704
Total Equity and Liabilities	**297,032**	**295,053**	**305,816**	**299,124**	**304,277**	**307,846**	**309,816**

TLC Cash Flow	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Operating Cash Flows	22,959	28,529	**39,295**	**40,770**	33,594	30,215	34,549
Capital Expenditure	(38,383)	(22,216)	**(34,150)**	**(27,587)**	(24,845)	(21,716)	(21,058)
Debt Movements, net	21,908	(2,820)	**(1,537)**	**(8,353)**	(4,460)	(4,227)	(9,201)
Dividends/Discounts	(5,800)	(4,050)	**(4,000)**	**(4,305)**	(4,250)	(4,255)	(4,255)
Net Cash Movement	**684**	**(557)**	**(391)**	**525**	**39**	**17**	**35**

Performance Targets

Return on Average Assets	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Return (before customer discounts)	4.2%	3.5%	**3.6%**	**4.2%**	4.5%	4.6%	4.6%
Return (after customer discounts)	2.8%	2.5%	**2.7%**	**3.3%**	3.5%	3.7%	3.7%

Return on Equity	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Return before discount	7.4%	5.6%	**6.1%**	**6.9%**	7.1%	7.3%	7.2%
Return after discount	4.6%	3.6%	**4.2%**	**5.0%**	5.3%	5.5%	5.5%

Debt	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Subordinated debentures	3,000	3,000	**3,000**	**3,000**	3,000	3,000	3,000
Minority Interest Loans	1,000	950	**950**	**–**	–	–	–
Bank Loans	90,499	87,680	**89,012**	**81,610**	77,149	72,922	63,721
Total	**94,499**	**91,630**	**92,962**	**84,610**	**80,149**	**75,922**	**66,721**

Dividends	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Dividends	–	(200)	**(200)**	**(300)**	(250)	(250)	(250)

Discounts	2020 PY	2021 SCI	2021 Current Forecast	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Proposed/posted discounts	(5,600)	(3,800)	**(3,800)**	**(4,005)**	(4,000)	(4,005)	(4,005)
Total	**(5,600)**	**(3,800)**	**(3,800)**	**(4,005)**	**(4,000)**	**(4,005)**	**(4,005)**

Compliance

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 2021, which comply with the 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 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 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 FY 2022 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 Customers and will be based on the volumes as billed to those customers over the period. Discounts will be credited to customers' accounts twice a year. 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; and
   - 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 actively engage 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 / value of the proposal makes it a Major Transaction as defined by the Companies Act 1993, 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 metering 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.

The Lines Company Limited

Company Number

578653

Directors (as at 30 June 2021)

M C Darrow (Chair)
A D Johnson
C P Richardson
B L Takiari-Brame
M C Underhill
D J Troon

Registered Office

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

Auditor

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

Solicitors

Tompkins Wake
Chapman Tripp
Forgeson Law
Harmos Horton Lusk

Postal Address

PO Box 281
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