2024

Tauākī Whakamaunga Atu Rangatōpū

Statement of Corporate Intent

the lines company

Te Hono ā-Hiko

Growing communities with energy

Contents

He kōrero whakataki
Introduction

This Statement of Corporate intent sets out our intentions, performance targets and forecasts for the 2024–2025 financial year.

Those intentions and objectives are in response to clear expectations set by our shareholder, Waitomo Energy Services Customer Trust (WESCT). WESCT's formal Letter of Expectation is on page 4 of this document.

WESCT provides very clear guidance to our organisation, helping establish our long-term strategy. That is important, given the decisions we make now and over the next decade will shape our communities for the next 50 years.

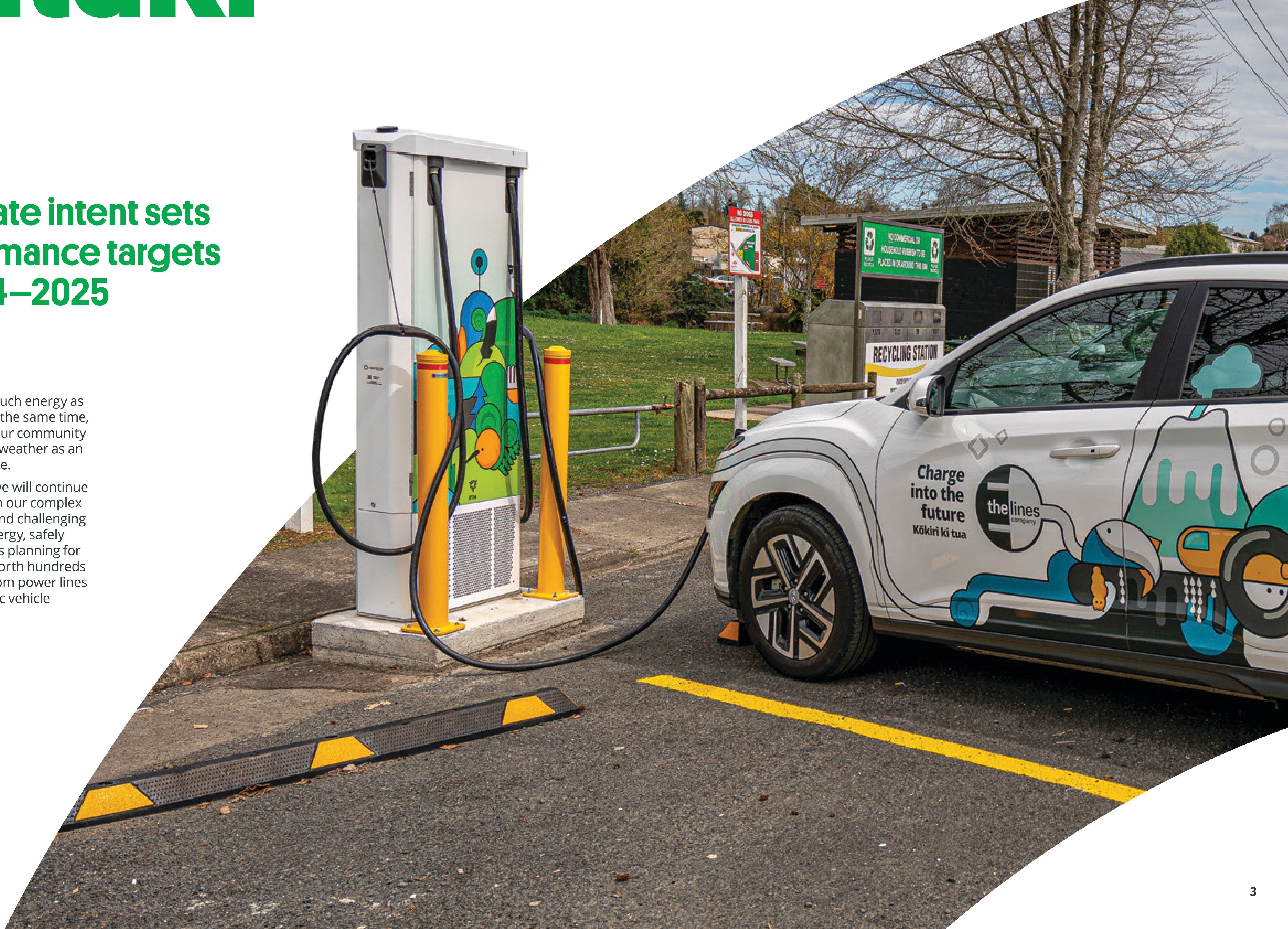
Our network is now ageing, with the bulk of it constructed prior to the 1970s. A major renewal programme is needed and at the same time, we are cognisant of increasing growth, largely as a result of commitments to remove carbon. That growth will see us transporting twice as much energy as we are now, by 2035. At the same time, we must help prepare our community for increasingly volatile weather as an impact of climate change.

Over the coming year, we will continue to operate and maintain our complex network across a vast and challenging landscape to deliver energy, safely and reliably. That means planning for and managing assets worth hundreds of millions of dollars, from power lines to substations to electric vehicle charging stations.

The Lines Company is a community-owned company and we are keenly aware of the role we have in enabling our communities and businesses to operate effectively. This Statement of Corporate Intent is our promise to you for the year ahead.

We look forward to working alongside WESCT and our wider community to do the best we can for our partners and stakeholders, and all those who rely upon our mahi, every day.

Naku te rourou nau te rourou ka ora ai te iwi



Reta Whakatakoto Tūmanako Letter of Expectation

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

Tēnā koutou e te Poari Whakahaere o The Lines Company

Thank you for the opportunity to provide the Board with an outline of the Trust's expectations for the Board to consider when preparing the 2024–2025 Statement of Corporate Intent.

WESCT would like to recognise the mahi of the whole TLC team and their achievements for the 2023 calendar year. As a real credit and of special mention is the work during the significant weather events and the team working safely in challenging weather and geography to get the lights back on as quickly as possible. In addition, amongst other achievements, the line mechanics' continuing successes at the Connexis Annual Connection events and winning the Community Initiative of the Year title at the 2023 New Zealand Energy Excellence Awards for their Māniaroa Marae solar project.

The last 12 months have seen the Company make a strategic directional change with the sale of Influx. The Trust can see that this will enable TLC to plan and act to address the challenges of decarbonisation and electrification and the demands this brings to the network. The Trust acknowledges the considerable work needed to achieve a successful sale, allowing for the investment necessary to build resilience for major weather events.

WESCT would like to confirm its previously stated focus on the below values:

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

The Trust recognises the stability of TLC's team, and it is heartening to see the internal talent development and the continuing positive relationships with the communities serviced by the network.

As a Trust, we are still very much focused on providing increased benefits to our beneficiaries. The Trust acknowledges that TLC needs to consider its sustainability as a long-term investment and intergenerational energy service provider and its integral role as an enabler to our community's current and future prosperity and growth.

With this background and as a diligent shareholder, we outline our top three priorities for the Board to consider in its preparation for the 2024–2025 SCI:

1. **Reliable and robust electricity supply for customers.** We understand the importance and requirement of TLC investing in the network to ensure we have a valuable asset for generations to come. We also know TLC customers value an easy connection to a reliable and robust electricity supply. We recognise this investment comes at a cost; we expect that through exceptional asset management, TLC will optimise its investment to minimise long-term risk and costs.
2. **Increasing value to WESCT beneficiaries.** TLC can achieve this in the long term by growing the asset's value and annually returning a discount to WESCT beneficiaries that is meaningful to them and impactful on their electricity bills.
3. **Making a positive impact in our communities.** We expect TLC to be considerate of its impact on all its stakeholders, employees, the environment, and local communities, which is even more important in a small rural community such as ours. We see that TLC can achieve this through:
   - Being a leading economic enabler by growing local talent and involvement in projects that enhance the local economy and regional growth and development.
   - A focus on energy hardship through their continuing support of the Maru Energy Trust and an active investment in energy education and engagement across the community.
   - Continuing to support local community initiatives.
   - Taking a leadership role in the regional business community in terms of sustainable business practice.

The Trust's additional expectations are in line with business as usual and TLC's regulatory and compliance responsibilities, including:

- TLC will prudently manage debt levels and interest rate risk and provide continued quarterly reporting to the Trustees, including reporting on the different income-generating business segments.
- Continue to develop and grow a genuine partnership between the Trustees, the Board of TLC and the Senior Leadership Team. As part of this, we would like to meet annually to share information and ensure alignment across Trustees and leadership.
- People First — There is a strong expectation that TLC is a safe and healthy workplace and that the Company makes every effort to keep employees and the general public safe and actively promote a fully integrated health, safety, and well-being culture throughout the organisation.
- Should TLC wish to make a non-network business investment, Trustees would like, as part of a 'no surprises' relationship, the Board's consideration of WESCT's Statement of Investment Policy Objectives as part of the investment decision.
- WESCT requests the Board to provide a net dividend payment of $350,000 during 2024–2025 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

Ā Mātou Takune

Our Intentions

Ko te Tāngata te Mea Nui

People First

The Lines Company is, very proudly, a people first business. The coming year will see the continuation of our absolute commitment to put people first.

Hauora-me-te-Haumaru (health and safety) is paramount in everything we do. We want all of our people to return home safe, all the time, to their whānau. We want to ensure the decisions we make are in the best interests of those who live and work on our network and that our operations keep those people safe — always.

Internally, we rely on high-functioning teams working well together, able to operate for long periods of time under pressure. To develop and retain a stable workforce, we will continue to identify internal talent, invest in people and build capability from within.

We will also seek to provide employment opportunities for those living on our network who, like us, want to contribute to their wider community.

People first initiatives will include developing leaders through a purpose-built leadership development programme designed to enhance the leadership skills of our staff.

We will continue to invest in the future of our business, our industry and our community through continuing our commitment to our trainee programme, employing three new trainees and developing a graduate programme for office-based roles.

We will retain a laser focus on safety, aiming to be in the top quartile of industry safety standards. We will deliver four new modules in Kotahi, our health, safety and well-being system, ensuring our safety systems and performance continues to improve.

Externally, we will continue to support vulnerable members of our community by investing in electricity adjacent initiatives to reduce energy hardship.

Ngā Whakahoatanga Tūturu
Genuine Partnerships

We seek to nurture genuine, long-term partnerships with Iwi and our wider community, right across the network.

This is driven by the sense of kaitiakitanga we have for our community. We will continue our efforts to build meaningful relationships at all levels of the company through a planned programme of active engagement.

Our initiatives will include the development of a formal stakeholder plan as we seek, together, to take a leadership role in terms of sustainable business practice.

We will build and expand partnerships so that we can co-ordinate support for vulnerable customers, particularly those customers facing energy hardship.

In the coming year, as part of wider commitment to Iwi, our staff and our wider community, we will begin delivery of a three-year programme to increase our understanding and appreciation of Te Ao Māori.

Te Whakarite i te Huringa
Making a Difference

We make a difference to our customers and our community through reducing energy hardship and being an enabler for economic development. We will continue to prioritise efforts to address those important issues.

We know that as electricity costs inevitably rise, energy hardship will become more prevalent and more pressing. Partnering with others to support those who are most vulnerable will continue to be a key measure for us, strongly supported by WESCT. Partners are likely to include community groups as well as hauora (health) and Iwi organisations who have existing relationships and who already work directly with clients.

We are committed to growing the value of our assets and returning a robust discount to WESCT beneficiaries. We will also think and act in innovative ways to address those areas in which we can make a difference.

New initiatives will include the roll-out of a programme which will see staff with solar power gifting energy to vulnerable customers in the form of credits on their electricity bills. We will also continue our on-the-ground efforts to connect directly with people and help them use energy more efficiently. We are aiming to host 12 seminars or workshops in the coming year in Ōtorohanga, Te Kūiti, Mangakino, Taumarunui, Ohakune and Tūrangi.

In the coming financial year, we will significantly boost our financial contribution to Maru Energy Trust. We established Maru in 2018 to help keep homes warm and dry through insulation and now by installing heat pumps. The Trust has an independent Board of Trustees.

Keeping homes warmer and drier has intergenerational health benefits and also helps with energy efficiency. Maru has attracted support from a range of partners within our community. It is also important to note that for every dollar Maru invests in insulation or heat pumps, up to an additional $9 is contributed by central government via the Energy Efficiency and Conservation Authority (EECA). In the coming financial year, with the support of our Board and WESCT, our annual contribution to Maru will increase from $150,000 per annum to $450,000 per annum for a period of three years.

Tō Mātou Kōtuituinga
Our Network

How and when we invest in and manage our network has an impact every single day on our community. Electricity is an essential part of everyday life and is key to enabling economic growth.

The inter-generational nature of our assets means the decisions we make today will impact our customers and community for decades to come. We must balance the timing of our investment in the network to ensure we meet the current and future needs without investing too early and burdening customers with additional cost.

At its core, our network must be reliable and safe for the public and our people, it must deliver value and have the lowest practicable impact on the environment over its life cycle.

Our Asset Management Plan outlines our approach to meeting this challenge and provides a ten-year view of the investment in our network.

As we move into the future, we must be able to accommodate whakatipu — growth — and be resilient to the effects of climate change including an increasing number of larger and more powerful storms. Given that, a key initiative will be completing an asset resilience risk assessment so we can formalise a resilience framework.

Providing opportunities for customers to decarbonise will be actively pursued, including enabling the roll-out of electric vehicle charging stations, and engagement with key customers to ensure we target investment into areas of the network that support efficient decarbonisation.

We will continue to support customers looking to generate their own renewable energy. As our network enters a larger renewal phase, it will be constructed to allow for two-way energy flow enabling customers to supply any excess energy they produce back to the network.

There will be a growing use of data to inform our decisions in order to drive efficiencies. Specifically, the coming year will see substantial work on integrating our existing systems with business process. This is part of a major digital network strategy which will, over time, improve customer experience by integrating and extending the capabilities of the critical systems that manage our network.

Shareholder value will continue to be paramount, noting that our capital structure reflects the intergenerational nature of our assets. We will continue to refine our approach to pricing ensuring it remains in line with industry requirements and allocates underlying costs equitably to our customers. We will further develop our long-term financial model, using our procurement strength to reduce our costs.

Ngā whāinga whakatutukitanga | Performance targets

Key Performance Indicator	Provisional Actuals 2023/24	Target 2024/25	How we will be measured
Financial performance			
Return on Average Assets	2.3%	2.3%	EBIT adjusted for discounts and tax divided by average non-current assets
Return on Average Equity	21.9%	3.2%	Profit for the year adjusted for discounts divided by average equity
Equity Ratio	61%	Not less than 50%	Average equity over total assets
Group debt	$44.9m	$45.9m	External debt combined with subordinated debt and perpetual debt
People First			
Serious harm injuries	Nil	Nil	No serious harm injuries occur
Critical Risk Event Rate	–	Establish baseline measure	Incidents or near misses related to Critical Safety Risks per 200,000 person hours calculated on a 12 month rolling average
TRIFR	3.8	25% reduction on FY24 result	Number of lost time injuries per 200,000 person hours calculated on a rolling 12 month average
Employee engagement score	3.8	4.0	Gallup Q12 survey administered each year and benchmarked against Gallups global engagement index
Genuine Partnerships			
Local sponsorships	$250k	$250k	We will measure and report on our scholarships, sponsorship, and community funding investments
Customer satisfaction	56%	60%	Customer overall satisfaction survey results
Making a Difference			
Energy hardship funding	$0k	> $100k	We will measure and report on our funding to customers to assist with energy hardship
Discount	$4.3m	$5.2m	Discount is based on expected customer usage and amount allocated for the year is calculated based on the distribution policy
Maru Energy Trust funding	$150k	$450k	We will measure and report on our sponsorship to Maru Energy Trust who assists with insulation and heat pumps
Staff Solar Installations	Nil	10	We will have 10 solar installations completed for staff who are gifting excess energy to customers experiencing energy hardship
Our Network			
Unplanned SAIDI	151.8 minutes	<181.5 minutes	Average duration of unplanned outages per customer per year based on DPP Annual Compliance Statement (normalised)
Planned SAIDI	87.1 minutes	<113.6 minutes	Average duration of planned outages per customer per year based on DPP Annual Compliance Statement
Unplanned SAIFI	2.11 interruptions	<3.27 interruptions	Average number of unplanned outages per customer per year based on DPP Annual Compliance Statement (normalised)
Planned SAIFI	0.57 interruptions	<0.70 interruptions	Average number of planned outages per customer per year based on DPP Annual Compliance Statement

Matapae Tahua | Financial Forecasts (000's)

Intercompany Transactions	2023 PY	2024 SCI	2024 Current Forecast	2025 Budget	2026 Budget	2027 Budget
Influx revenue charges to TLC	$749	$794	$195	–	–	–

Return on Average Assets	2023 PY	2024 SCI	2024 Current Forecast	2025 Budget	2026 Budget	2027 Budget
Return before discount	5.7%	3.4%	2.1%	2.3%	4.2%	4.5%
Return after discount	4.0%	2.5%	1.2%	1.2%	2.5%	2.9%

Return on Average Equity	2023 PY	2024 SCI	2024 Current Forecast	2025 Budget	2026 Budget	2027 Budget
Return before discount	3.9%	4.5%	21.7%	3.2%	4.8%	4.7%
Return after discount	3.0%	2.8%	20.2%	1.7%	2.4%	2.4%

Dividends	2023 PY	2024 SCI	2024 Current Forecast	2025 Budget	2026 Budget	2027 Budget
Dividends associated with perpetual debt	$300	$1,450	$996	$1,070	$730	$730
Other dividends	$300	$300	$300	$350	$350	$350

Discounts	2023 PY	2024 SCI	2024 Current Forecast	2025 Budget	2026 Budget	2027 Budget
Posted discount	$4,158	$4,300	$4,300	$5,200	$6,479	$6,319

Equity Ratio	2023 PY	2024 SCI	2024 Current Forecast	2025 Budget	2026 Budget	2027 Budget
Equity ratio	56%	54%	61%	70%	71%	70%

Ngā ture tatau | Accounting policies & compliance

Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993 and the Financial Reporting Act 2013. The accounting policies will be consistent with those adopted by the Company in its Annual Report to 31st March 2024, which comply with International Financial Reporting Standards (IFRS).

Details of the current accounting policies and their application are contained in The Lines Company Annual report, which is available on the Company's website. These are expected to be applied consistently in future periods.

Distribution Policy

Distribution[1] levels are targeted at 70% of forecast free cash flow.

In determining the discount level, the intergenerational nature of our assets will be considered, and a balance struck between discount paid to customers, dividends to Trust and management of debt.

The following principles will apply:

- Free cash flow assessment will be based on a minimum five year forecast
- Equity ratio is not less than 50% for the following three years
- Banking and other funding covenants are to be met
- Sufficient funding is available for prudent management of debt
- Discount will not be funded directly from debt
- Debt is not to exceed 80% of total debt facility
- Adequate funding is available for renewal and investment in network assets and investments
- Surplus funds are first applied to:
  - Renewal of existing assets
  - Prudent management of debt
  - Funding for the growth of network and business investments
- The Company and its Directors can meet all their obligations under the Companies Act (1993)

In the event of a significant operational event (e.g. extreme damage to the network from a natural disaster), distributions may be suspended to assist in managing investment in repairs.

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.

1 A distribution includes discounts or dividends to WESCT Customers and dividends to WESCT Trust.

Ngā whakamārama | Glossary of terms

AMP	Asset Management Plan
DPP	Default Price Quality Path
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
Maru	Maru Energy Trust
Non-current assets	Non-current assets less deferred tax assets
Return on average assets	(EBIT multiplied by the applicable tax rate) divided by ((opening total assets plus closing total 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)
Return on average non-current assets	(EBIT multiplied by the applicable tax rate) divided by ((opening non-current assets plus closing non-current assets) divided by 2)
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 debt and perpetual debt
Surplus Funds	Net cash from operating activities less any increase in net cash due to temporary changes in working capital
Total Assets	Total assets, less deferred tax assets
TLC	The Lines Company
WESCT	Waitomo Energy Services Customer Trust

The Lines Company Limited

Company Number
578653

Directors (as at 30 June 2024)
B L Takiari-Brame (Chair)
A D Johnson
C P Richardson
M C Underhill
T J Spencer
J F Jonker

Registered Office
The Lines Company Limited
8 King Street East
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Auditor
Pip Cameron of PricewaterhouseCoopers has been appointed to perform the audit on behalf of the Auditor-General

Solicitors
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