

STATEMENT OF CORPORATE INTENT

For the year ending 31 March 2025

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Statement of Corporate Intent

This Statement of Corporate Intent (SCI) is submitted by the Board of Network Tasman Limited (Network Tasman) in accordance with Section 39 of the Energy Companies Act 1992 and Clause 23 of the company's constitution.

The SCI sets out the objectives that Network Tasman will follow for the financial year ending 31 March 2025 and for the two subsequent financial years.

The Directors of Network Tasman have prepared this SCI for consideration by the Trustees of the Network Tasman Trust, who are elected by the consumers to hold the shares of the company.

This report is prepared in two sections:

- Section A contains information required under Section 39 (2) of the Energy Companies Act 1992.
- Section B contains additional information on recent industry developments and sets out the company's intentions in relation to its shareholders and those persons connected to the Network Tasman network (hereafter called "consumers").

SECTION A: INFORMATION REQUIRED UNDER SECTION 39 OF THE ENERGY COMPANIES ACT 1992

1. Purpose of Network Tasman

The principal objective of Network Tasman is governed by section 36 of the Energy Companies Act 1992, which requires Network Tasman to operate as a “**successful business**”.

Network Tasman has adopted the following Vision and Mission to meet the “**successful business**” criteria set down by the Energy Companies Act:

Our Vision:

To be a successful network services company for the benefit of our consumers.

• Successful	commercially focused in all activities, prudently managed and financially stable
• Asset Management	meeting our customers’ future needs through the provision and management of long-term energy infrastructure assets
• Long term	focus on the sustainable management of our assets and investments for the long-term benefit of our customers and shareholders

Our Mission:

To own and operate efficient, reliable and safe electricity networks and other complementary businesses while increasing consumer value.

Our Values:

• Safe & Wellbeing	we care for the safety of all staff, contractors and the communities in which we operate
• One Team	we work as one team and support each other
• Innovative	we are a company that embraces change, that takes the best of existing network practices and incorporates new and alternative technologies to deliver a modern, sustainable, safe & reliable network that meet the customer’s needs at the lowest possible cost
• Collaborative	we are open to collaboration/trials on new technologies
• Trusted	we do what we say, earning respect by being transparent, fair and doing the right thing

2. Objectives of Network Tasman

To achieve the company's key objectives Network Tasman will:

In relation to the core electricity distribution business:	<ul style="list-style-type: none">• Seek to achieve the safety, reliability and financial performance;• Encourage competition on Network Tasman's networks;• Facilitate the decarbonisation of the regional economy• Annually review the company's future strategies and direction;• Maintain a line pricing policy, subject to Government and regulatory constraints, that reflects a reasonable allocation of economic costs, is simple to implement and ensures a fair rate of return for shareholders;• Minimise operating costs while maintaining safe and reliable networks; and• Produce annually a comprehensive Asset Management Plan.
In making commercial decisions, such as setting line charges:	<ul style="list-style-type: none">• We will act as a good corporate citizen;• We will provide a work environment where individuals can flourish;• We will act honestly and with integrity;• We will provide our consumers with a quality network service;• We will create a safe environment for our consumers, the public and our staff & contractors;• We will strive to improve our environmental performance and minimise, where practical, adverse effects on the environment; and• We will endeavour to operate within the framework and constraints of industry regulation.

3. Nature and scope of activities to be undertaken

The company's principal activity is to own and operate the electricity distribution network in the wider Nelson and Tasman areas, excluding Nelson Electricity's supply area in Nelson City. In addition, the company has interests in complementary businesses of fibre optic networks, advanced metering, investment property and 50% shareholdings in Nelson Electricity Limited and On Metering Limited.

Network Tasman will undertake activities to:

- Plan, construct, maintain and operate a reliable and secure electricity distribution and communications network;
- Efficiently manage its other investments and company interests;
- Seek new, value-enhancing network and growth opportunities related to or complementary to its principal activity; and
- Enhance the company's ongoing business success.

In governing the operations of the company, the Board of Directors will operate at all times in accordance with the requirements of the Board Charter.

The company's constitution defines the process for the Trust to approve new business proposals. The Trust will be consulted when the proposals require a commitment to capital and operational expenditure above the threshold defined by the constitution.

Nelson Electricity Limited

Network Tasman Limited has a 50% shareholding in Nelson Electricity Limited, the distribution network owner and operator for Nelson City. Network Tasman provides specialist engineering services to Nelson Electricity, which is managed independently. Two directors of Network Tasman sit on the board of Nelson Electricity.

As an associate entity, Network Tasman accounts for Nelson Electricity under the equity accounting method, whereby Network Tasman recognises the annual movement in net assets of Nelson Electricity.

Network Tasman Fibre

The company's existing fibre network covers parts of Nelson, Motueka, Blenheim and Marlborough and remains focused on providing a cost-effective and reliable service to our customers. The fibre business remains focused on the SME and rural sub-division markets where the company's existing network assets can be leveraged.

The introduction of Ultra-Fast broadband services to large parts of the community has increased the uptake of fibre in the areas serviced. However, there remain a number of areas where the company believes we can provide a cost-effective solution to customers unlikely to receive UFB services.

While meeting the competition in the market, the company will continue to monitor industry developments to ensure that the existing investment in the network continues to meet the needs of our customers and provides an acceptable rate of return on funds employed.

Metering

Network Tasman has invested in advanced metering infrastructure (AMI) on its own network and on the MainPower network in North Canterbury via its 50% shareholding in joint venture On Metering Limited. Network Tasman has appointed one Director to the Board of OML.

The company is also a shareholder in Smartco Limited which was formed to deploy AMI across New Zealand. Smartco Limited has developed analytics tools utilising their Hiko Energy Insights SaaS platform for members to improve how networks can utilise the data suite Blue Current (formerly Vector Metering) provides. Smartco is continuing the enhancement and development of these tools to accommodate distributors' particular use cases and solve everyday problems.

In addition to financial returns from this investment, advanced metering will provide a number of benefits to the company and our consumers including accurate and timely information, fault identification and other network diagnostic information.

Property

The company currently has a portfolio of industrial and commercial investment properties. The strategy of the company remains to focus on the property assets currently owned by the company. The remaining undeveloped land at 24, 52 & 68 Main Road Hope provides opportunities to stage development of the land when suitable tenants are secured.

In December 2023, construction commenced on a new head office for leading forestry group OneFortyOne on a site adjacent to NTL's head office. This project is a net-carbon-zero building with completion scheduled for December 2024. This premium office development will greatly enhance the site and the prospects for further developments.

4. Capital Structure

The shareholders' funding of the company will be not less than 50% of the total assets.

The ratio of shareholders' funds to total assets for Network Tasman is forecast as follows:

Ratios	FY24 Forecast	FY25 Target	FY26 Target	FY27 Target
Shareholder's Funds to Total Assets	84%	82%	79%	79%
Net Term Debt to Shareholders Funds	-	3%	6%	8%

* Note the ratio of shareholder's funds to total assets includes a deferred tax provision of \$35.2 million (2023/24). The forecast capital structure assumes investments in advanced metering, network enhancements as detailed in the company's Asset Management Plan ¹ and no return of capital over and above the forecast dividend stream.

5. Accounting Policies

Network Tasman is a profit-oriented company registered under the Companies Act 1993 and its financial statements comply with the Financial Reporting Act 1993 and section 44 of the Energy Companies Act 1992. The reporting entity is Network Tasman Limited and Group.

¹ <https://networktasman.co.nz/asset-management-plans/>

The financial statements are prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for for-profit entities. Network Tasman and Group is a tier 1 entity.

The detailed accounting policies applied in the preparation of the financial statements are consistent with the accounting policies disclosed in the 2023 Annual Report².

6. Performance targets

Safety, Reliability and Financial performance targets

Safety, reliability and financial performance targets for the year ending 31 March 2025 and for the two subsequent financial years are set out below. The forecast performance targets for the year ending 31 March 2024 are provided for comparison purposes.

	FY24	FY25	FY26	FY27
	Forecast	Target	Target	Target
<i>Safety Performance</i>				
Public Safety and Damage Events	0	0	0	0
Network Tasman and Contractors Lost Time Injuries (LTIs)	1	0	0	0
Public Safety Management System (PSMS) certified & audited by Telarc	Yes	Yes	Yes	Yes
<i>Reliability Performance</i>				
SAIDI (Planned) – System Ave. Interruption Duration Index	111	100	100	100
SAIDI (Unplanned) – System Ave. Interruption Duration Index	71	75	75	75
SAIFI – System Ave. Interruption Frequency Index	1.39	1.77	1.77	1.77
CAIDI – Consumer Ave. Interruption Duration Index	131	99	99	99
Faults per 100km of line ≤	4.8	6	6	6
Faults not restored within 3 hours ≤	26%	20%	20%	20%
<i>Financial Performance</i>				
<u>Total Company</u>				
Surplus before Interest, Tax, Line Discounts, Customer Contributions	\$21.7m	\$23.7m	\$22.2m	\$23.1m
Operating Surplus after Tax	\$11.4m	\$12.0m	\$10.3m	\$10.6m
Operating Surplus to Shareholders' Funds	4.5%	4.6%	3.8%	3.8%
<u>Line Business Only</u>				
Cash Operating Costs per Consumer	\$343	\$353	\$365	\$373
Line Charge Discounts (excluding GST)	\$12.1m	\$12.2m	\$12.5m	\$12.8m

The line business cost performance targets are recognised as standard industry measures. A table of performance measures is included in Appendix 3 and a list of the key assumptions used in the financial forecasts is contained in Appendix 6.

The directors believe that the level of profit forecast is sufficient for the company to carry out its activities and to provide shareholders with satisfactory dividends for the forecast period.

² <https://networktasman.co.nz/annual-report/>

Health, Safety & Well Being

Our Vision is: to ensure all company-related work is done safely and efficiently.

Our Aim is: to ensure all workers go home safe and healthy each day.

Network Tasman is committed to providing a safe environment for the public, its staff and contractors. The key focus is to ensure that the company has appropriate health and safety systems and processes and that the culture within the company and our contractors remains focused on good health and safety outcomes.

The company must continue to invest in our staff. Activities and initiatives are planned to continue to enhance the performance of the company in the management of health and safety risks. We will continue to implement appropriate health and well-being initiatives for all NTL staff. NTL's ability to both attract and retain top talent will remain a key priority.

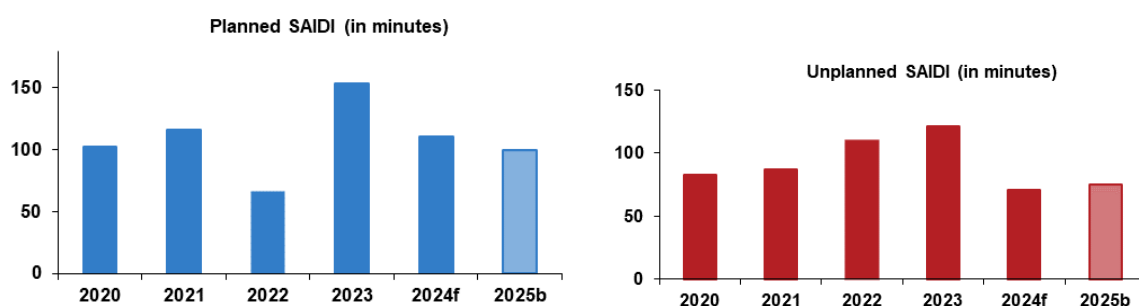
Network Tasman has now achieved Telarc ISO 45001 certification of the company's Health and Safety Management systems.

Reliability Performance

Network Tasman's aim is to consistently meet its AMP targets for SAIDI (classes B & C) and continues to commit substantial expenditure toward this goal as identified in the company's AMP.

The SAIDI, SAIFI and CAIDI measures are industry standards, which enable the assessment and comparison of network performance. Industry statistics include rural and urban networks. The Network Tasman network includes a significant rural component.

Network Tasman is six years into a ten-year project to replace 210 km of aging light copper conductor across our network. While this project will improve the resiliency and reliability of our network, it will also increase the level of planned outages during the project.



A copy of the company's Asset Management Plan is available on the company's website³.

7. Dividend Policy

We will aim to manage our capital structure so that we have sufficient financial flexibility to cope with and recover from future catastrophic events. Cost-effective insurance for underground cables and overhead lines (or a significant drop in network revenues following a catastrophic event) is not available. Accordingly, we should have relatively conservative debt gearing.

³ <https://networktasman.co.nz/asset-management-plans/>

Directors are required to consider annually the appropriate level of profit to be distributed to shareholders by way of dividends. In undertaking this consideration, directors are required to:

- Consider the company's current and forecast financial position and Asset Management Plan;
- Ensure retention of an appropriate level of funds to meet current and forecast investment and operational funding requirements;
- Meet all funding covenants;
- Protect the company's ability to respond to natural disasters or major events impacting the network;
- Meet the solvency test pursuant to section 53 of the Companies Act 1993; and
- Provide an appropriate rate of return to shareholders.

The company's constitution requires directors to include in the annual report a recommendation regarding the level of profit distribution.

Subject to the consideration above in determining the recommended dividend, the Directors have adopted a dividend policy paying an annual dividend in a range of 65% - 75% of the non-regulated businesses after-tax surplus (excluding property valuations) subject to the allowance for funding of non-regulated business's capital projects and shareholder requirements. The final decision on the percentage to be applied shall be taken closer to but before the end of the financial year and in consultation with the shareholders.

The company is forecasting dividends as follows:

	FY24 Forecast	FY25 Target	FY26 Target	FY27 Target
Dividend Pay-out	\$1.7m	\$2.3m	\$2.6m	\$2.7m

The dividends are forecast to be paid in March of each financial year. The ability of the company to pay the level of fully imputed dividends indicated above may be impacted in future by such factors as the Commerce Commission price threshold regulations, the company's capital expenditure commitments and its line charge discount policy.

The forecast dividends are based on 65% of the forecast non-regulated business's after-tax surplus (excluding property valuations and non-cash customer contributions).

8. Information to be provided to shareholders

The company will provide information that meets the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Energy Companies Act 1992.

The reports to shareholders will be:

Half Yearly Reports

A half-yearly report will be delivered to shareholders within two months of the end of the half-year ending 30 September 2024. This report will contain:

- A report from directors covering operations for the half-year period;

- Unaudited financial statements for the half-year period in respect of the company; and
- Any other information directors consider necessary or that has been reasonably sought by shareholders to enable an informed assessment of the performance of the company in that reporting period.

Annual Reports

Annual reports will be delivered to shareholders within three months of the end of each financial year and will contain:

- A report from directors covering the operations for the year;
- Audited financial statements for the financial year in respect of the company;
- Auditor's report on the financial statements and the performance targets together with other measures by which the company's performance has been judged in relation to its objectives; and
- Any other information directors consider necessary or that has been reasonably sought by shareholders to enable an informed assessment of the company's performance in that reporting period.

The company will publicise abridged annual report results for the benefit of its consumers.

From time to time the company may provide the shareholders with additional information which may be of interest to shareholders.

9. Acquisitions and divestments

As a general policy, any new business proposal by the company will be required to meet the same financial criteria as any other significant capital investment.

The company will only invest in other businesses when the investment is expected to bring added consumer value and therefore increase shareholder value. In addition, the questions of control and risk associated with the investment will be considered.

The company's board of directors will consider all business proposals. In cases where the investment proposals may have a significant effect on the assets of the company, the directors will give written notice to shareholders of their intention to make such an investment. In making their final decision regarding the investment the directors will give due regard to the views expressed by shareholders.

In certain circumstances, as set out in the company's constitution, the approval of shareholders is required for transactions. Where such approval is required the appropriate information and supporting material will be provided to shareholders, together with a request from the directors seeking their approval of the transaction.

SECTION B: INDUSTRY OVERVIEW AND ADDITIONAL INFORMATION

10. Industry Overview and Likely Developments

Preamble

Network Tasman is a consumer trust-owned company and the Trustees of the Network Tasman Trust hold the shares in Network Tasman on behalf of the consumers. As such the company has a potential conflict between its actions in providing a return to shareholders and its policies in relation to consumers. Some actions, for example to optimise returns to shareholders, may be in conflict with the best interests of consumers.

The electricity industry and the company are subject to increasing levels of regulation. This section reviews recent industry developments and sets out intentions with regard to consumers in the areas of company operations that may concern the shareholders.

Economic conditions

The Nelson / Tasman region continues to experience growth in residential, industrial and commercial construction activity. Load growth has continued to remain above long-term averages supporting growth in new connections. However, after a long period of growth, we are now seeing more subdued growth, especially in the residential sector.

Network Tasman is experiencing some cost pressures as the cost escalation provisions of our maintenance contract are triggered, and key raw material prices increase, but the trends are for an easing of these pressures. These cost increases will continue to put upward pressure on our maintenance and capital investment programmes.

Network Tasman will continue to prudently invest in the future capacity of the network through the economic cycle and will need to balance the need to increase our prices to meet the costs to fund the required investment.

The company has considered these factors when budgeting new connection numbers, network demand and capital investment plans for 2024/25.

Industry Developments

The electricity distribution sector, as well as the wider electricity industry, is faced with a number of significant challenges over the next decade.

The Climate Change Commission's advice to the Government outlining how New Zealand can reach its climate target makes a number of recommendations that will have wide-ranging implications for the New Zealand economy and the electricity sector as a whole.

The Government's aim to reach net-zero long-lived gas emissions by 2050 and the focus amongst other things on reducing transportation emissions will drive capital investment in distribution networks across the country. While there remains uncertainty on the rate at which electric vehicles and industrial decarbonisation will occur, Network Tasman remains well-positioned to respond to these challenges as they arise.

11. Regulatory Compliance and Pricing Strategy

The electrical industry and electricity market are subject to considerable review and oversight by government and regulatory agencies.

Network Tasman is primarily subject to regulation from the Commerce Commission and the Electricity Authority.

Under Part 4 of the Commerce Act, the Commerce Commission regulates the revenue and quality of line services delivered by all electricity distribution businesses, except those meeting the consumer ownership exemption provisions of the Act. Network Tasman does not meet these exemption provisions, so is subject to price/quality regulation administered by the Commerce Commission. Part 4 of the Commerce Act also establishes an Information Disclosure regime that requires electricity distribution businesses to publish a range of information that allows interested persons to observe and compare the performance of regulated businesses.

The Electricity Authority develops, administers and enforces the market rules that govern most aspects of New Zealand's electricity industry including generation, transmission, system operation, security of supply, market arrangements, metering, distribution and retail. Of particular relevance to distributors is access regulation, which aims to provide generators and retailers with equal access to transmission and distribution networks, and the Authority's focus on distribution pricing.

Current or upcoming regulatory projects that are likely to influence Network Tasman's operations are:

- Future regulation of the distribution sector – The electricity industry has a critical role to play in decarbonising the wider energy system. Within the electricity system, distribution networks are a key enabler of this transition as they will transmit the greater amounts of electricity that will be demanded (and supplied). The Electricity Authority has a work programme underway to review the regulatory framework applied to distribution networks to ensure the right regulatory settings to support the transition to a low-emissions economy. Projects within this work programme investigating ways to standardise the processes for connecting large loads and large-scale distributed generation have the potential to materially alter Network Tasman's current processes and how these connections are funded.
- Default distributor agreements (DDA) – The Electricity Authority introduced regulated templates containing default terms that make it easier for distributors and traders to enter contracts for distribution services, data exchange and dividend payments, the DDA. Under the legislation at the time, the Authority was unable to regulate some terms in distributors contracts for distribution services. The legislation has subsequently been amended to now allow the Authority to regulate terms they were previously unable to regulate.
- Information Disclosure review – Electricity distribution businesses are required to disclose information about their performance. With the electricity sector entering a time of change and opportunity due to climate change, decarbonisation and growing use of distributed energy resources, the Commerce Commission is reviewing the information distributors are required to disclose. The Commission is conducting an ongoing review of the Information Disclosure requirements to ensure they are fit for purpose. For the current iteration of the review, the Commission's focus is on information related to decarbonisation, asset management and quality.
- Removal of Low Fixed Charge (LFC) Regulations – The phased removal of the LFC regulations will enter its third year in 2024/25. This third year of the phase-out sees the fixed charge levied on consumers using the regulated tariff increase from 45c/day to 60c/day.
- Targeted reform of distribution pricing – The Authority has stated that as emerging technologies such as electric vehicles and rooftop solar become more widely adopted, and

businesses decarbonise their processes, it becomes more important for distribution prices to signal better the cost of using the network as this promotes more efficient investment in and use of these technologies. The Authority has sought industry feedback on a range of proposals to reform distribution pricing and has indicated it is likely to begin consultation on specific regulatory mechanisms in the first half of 2024.

Line Pricing

Network Tasman's line pricing will be set and maintained in accordance with the following objectives whereby line pricing:

- Provides a fair and reasonable rate of return (when measured on a post-discount basis) on Network Tasman's Regulatory Asset Base;
- Will maintain a reasonable level of uniformity amongst like consumers across its regional areas;
- Recovers, where appropriate, Network Tasman line business costs, including capital costs, reasonably allocated to each group or class of consumer;
- Fully recovers transmission costs in a manner that reflects how these costs are incurred by each group or class of consumer;
- Provides appropriate economic signals to consumers relating to their use of the distribution and transmission systems;
- Provides medium-term stability and certainty for consumers and retailers;
- Meets regulatory and public policy requirements imposed by the Government, Commerce Commission and Electricity Authority;
- Is simple to understand, implement and administer; and
- Ensures that the distribution-pricing component is only changed once in any 12-month period.

The directors will use their discretion to set the balance between the objectives where they conflict with each other.

Deployment of smart meters provides new options for price structures which can provide improved economic signals to consumers. Improving distribution pricing signals is increasingly important in the context of the uptake of evolving technologies such as solar panels, battery storage and electric vehicles, and assisting the transition to a low-carbon economy. Network Tasman is working with other EDBs and the ENA as part of a coordinated national approach to examining and implementing future pricing options.

For the coming year, Network Tasman has restructured the fixed charges for Group 3 consumers by adding a fixed daily charge and a capacity charge to the existing maximum demand, seasonal kWh charges and kVAR. This new tariff structure is more closely aligned with Network Tasman's costs and means that those consumers whose behaviour reduces Network Tasman's costs have that reflected in their lines charges.

The new tariff structure will also allow Network Tasman to better optimise how transformers are deployed across the network by requiring Group 3 consumers to more accurately reveal their capacity requirements.

Network Tasman's prices are primarily comprised of two components, (1) distribution prices, which recover the costs of operating the distribution network and (2) transmission (and related) prices which are levied by Transpower for the use of the national transmission grid.

Average line distribution prices will increase for 2024/25 by an average of 6%, transmission prices increase by 2.3%. Overall, Network Tasman's line charges for consumers are forecast to increase by approximately 4.9% on average.

Line distribution prices will increase by 6.8% for residential consumers. For a typical residential consumer using 7,000 kWh per annum, Network Tasman's lines charges are forecast to increase by \$42 per annum. For these consumers, the distribution and transmission charges are forecast to increase by \$34/year and \$8/year, respectively.

The Commerce Commission sets price and quality standards for each regulated distributor for 5-year periods. At the beginning of each 5-year period, the Commerce Commission sets a revenue cap for each regulated distributor. These revenue caps reflect the Commerce Commission's view of distribution network cost recovery with a reasonable rate of return on capital. The current 5-year period commenced in 2020/21.

Over the last 5 years, Network Tasman has consistently recovered revenues that are significantly below the revenue cap permitted by the Commerce Commission. Our forecast revenue for the 12 months commencing 1 April 2024 is compliant with the Commerce Commission's revenue cap. Total revenue is forecast to be more than \$3.8m under the Commission's cap for 2024/25.

Quality

The quality/reliability aspect of the Commerce Commission's control regime requires Network Tasman to annually demonstrate that there has been no material deterioration in reliability performance, outage duration and frequency (SAIDI & SAIFI), when measured against historic data of the previous 10-year period. The Commission may act if its specified quality standards are breached.

A quality incentive scheme is also in place to reward distributors that achieve higher levels of quality than a specified target while penalising those who are below target by adjusting the amount of revenue that can be earned from consumers. For Network Tasman, the maximum revenue impact from the incentive scheme is capped at +/- \$529,000 per annum. The actual impact depends on the levels of planned and unplanned SAIDI achieved during the given year. Quality levels achieved in the 2022/23 year resulted in a \$251,000 reduction in Network Tasman's revenue cap for the 2024/25 pricing year.

Line Charge Discounts

Network Tasman has credited more than \$244 million (including GST) of discounts to consumers since the company was established in 1993.

Network Tasman publishes line prices and discounts at the start of the year as part of our pricing schedule. Based upon forecast consumption, Network Tasman is forecast to credit around \$14 million (including GST) in line discounts to eligible consumers in the year ending 31 March 2025. Discounts will be credited to consumers' power accounts in September 2024 and April 2025.

Future Pricing Strategy

The way electricity is used and generated is continuing to evolve. In this context, Network Tasman considers it important to assess whether there are improvements that can be made to our price structures to enable and support consumer choice in new technologies, while at the same time continuing to provide a sustainable electricity network.

Prices are a key tool in managing this balance. Prices that accurately signal the cost of using our network allow consumers to make good investment decisions. This is because prices influence when consumers use electricity and how much they use. Prices also help them to make good investment decisions about purchasing appliances like solar and batteries or electric vehicles. Consumers can use prices to work out if the appliances could help save them money through energy savings or if shifting more of their energy use to periods of the day when the cost of electricity is cheaper.

As discussed above, Network Tasman restructured the fixed component of Group 3 prices to better reflect the costs of using the network.

Network Tasman is actively reviewing and reforming prices, with a key project to review variable charges for Group 3 consumers in 2024/25.

12. Information for Consumers

Network Tasman has information on our website in relation to its dealings with consumers including:

- Regulations and responsibilities regarding vegetation near power lines
- Policy on connecting new loads to the network
- Policy on easements
- Network Connection Code (e.g. for new generation)

Copies of these policies are available to consumers from the company's offices or by request.

13. Consumer Interests

One of the key benefits to consumers of Consumer-Trust ownership comes from the dividends paid by the company to the Shareholder trust that can use the funds to make tax-free distributions to consumers and to provide a grants scheme and a scholarship scheme to community organisations and individuals within the Network Tasman distribution area.

The company considers that as a consumer-owned monopoly provider of electricity network services, it should be socially responsible.

Accordingly, the company will:

- Aim to achieve no more than a fair return on capital;
- Aim to deal with those connected to its network in a fair and equitable manner;
- Facilitate the decarbonisation of the Nelson/Tasman economy
- Adequately and reasonably consider consumers' concerns as to the quality of the network service provided; and

Support projects intended to enhance the regional economy and provide consumer benefits. To this end Network Tasman invests in undergrounding electricity lines on a case-by-case basis based on the merits of the proposal and in the interests of the network.

14. Environment, Sustainability and Governance (ESG)

Environmental Sustainability

Network Tasman's aim is to work towards environmental sustainability in all our operations. Network Tasman believes that environmental sustainability is integral to operating as a successful well-managed business.

We are committed to reducing our environmental impact and continually improving our environmental performance as an integral and fundamental part of our business strategy and operating methods. The Board has considered the impact of climate change adding this to our risk register and taking the necessary steps to protect network assets.

Our Environmental Sustainability Policy provides for:

- Providing an open access and sustainable electricity network, independent of any political group, that represents the long-term interests of all consumers;
- An adaptive approach to understanding our impact and our role in our social, economic and physical environment;
- Stakeholder consultation in our decision-making where material trade-offs exist between environmental, social and financial issues;
- Regularly updating our carbon emissions assessment in order to assess operational environmental sustainability;
- Sustainable use of natural resources to protect the biosphere by the use of natural resources in a sustainable way;
- Reduction and disposal of waste by minimising waste, especially hazardous waste, and wherever practicable reuse or recycle materials in our operations;
- Wise use of energy;
- Risk reduction by understanding the risks to the environment that our operations pose and, based on those risks, prioritise our efforts to eliminate or minimise potential environmental hazards caused by our operations;
- Restoration of the environment; and
- Commitment of management resources

Climate Change

The Climate Change Response (Zero Carbon) Amendment Act 2019 and Climate Change Commission are accelerating the drive for the decarbonisation of the economy. The company continues to monitor the effects climate change has on our network assets including the possibility of sea level rise, coastal inundation and the frequency and severity of major storm events.





In considering the impacts of climate change on our business and networks we ask the following:

- What key transition and physical risks does climate change present?
- What plans do we need to have in place to adapt to climate change and mitigate risks
- What actions are we taking now to ensure the relevance and resilience of Network Tasman's business model in a low-carbon economy
- What steps can we take to enable the de-carbonisation of the regional economy?

Sustainability (ESG) Reporting

The terms 'climate change', 'sustainability', 'greenhouse gas footprint' and 'ESG' are consistently used interchangeably by organisations.

These key terms and their application to Network Tasman are defined as follows:

Term		Definition	Network Tasman context	
	Climate Change	<ul style="list-style-type: none">Driven by global warming caused by the release of greenhouse gases.Expressed by changing weather patterns, sea-levels, global mean average temperatures, ocean acidity and other natural feedback loops.	<ul style="list-style-type: none">Identifying, understanding, and acting on the physical and transitional risks presented by the changing climate and associated regulatory and consumer context.	
	Sustainability	<ul style="list-style-type: none">The concept of being able to support, maintain and endure over time. Often referred to as built on three key pillars: environment, social, and economic.	<ul style="list-style-type: none">Ensuring that business activities are resilient in the face of a shifting environment, society and economic market.	
	Greenhouse Gas footprint Carbon footprint	<ul style="list-style-type: none">The amount of greenhouse gases released into the atmosphere by an activity, product or organisation.	<ul style="list-style-type: none">A direct measure of an organisation’s contribution to global warming.	
	ESG	<ul style="list-style-type: none">Environmental, Social, Governance. A set of criteria that relate to non-financial performance indicators that can be used to better understand material risks and opportunities.	<ul style="list-style-type: none">Increasingly important to prospective investors/funders and other stakeholders as an accepted indicator of the strength of the business.	
		Network Tasman ESG:		
		Considerations	Potential interactions/impacts	
E	Environmental	<ul style="list-style-type: none">How Network Tasman impacts the environments it interacts with as well as how a changing environment may impact business operations	<ul style="list-style-type: none">Water use & treatmentWaste managementCarbon emissions & offsetsEnergy useLand use	<ul style="list-style-type: none">Use of natural resourcesEcosystems & biodiversityRegulatory readinessClimate change
S	Social	<ul style="list-style-type: none">How Network Tasman impacts the communities and people it interacts with	<ul style="list-style-type: none">Working ConditionsEmployee well-beingDiversityPublic safetyCommunity relationships	<ul style="list-style-type: none">Cultural considerationsHealth & SafetyService accessCustomer satisfactionData privacy
G	Governance	<ul style="list-style-type: none">Network Tasman’s governance structure, processes and policies as they relate to long term business sustainability and integrity	<ul style="list-style-type: none">Compliance with standards/regulationsTransparencyWhistleblowingExecutive Remuneration	<ul style="list-style-type: none">Audit Committee & Board structureBriberyLobbying/politicalRisk management processes

Sustainability & Environment – Key Initiatives

Initiative	Action	Outcome	Target
Carbon Footprint	Set carbon emissions reduction targets for NTL. Assess steps to reduce/mitigate our carbon footprint	NTL has engaged Toitu (Envirocare) to audit our carbon foot print and develop a revised reduction plan.	July 24
ESG Reporting	Establish a set of criteria that relates to non-financial performance indicators that can be used to better understand material risks and opportunities in line with our ESG considerations	Complete NTL's of ESG reporting framework	Dec 24
Climate Change	NTL has reviewed assets for the impact of climate change on assets identified in the TDC & NCC climate change impact mapping	Climate change impact assessment and actions established to mitigate	On-going
Decision Making	Build on our work to understand our whole-of-life resource impacts and include these understandings in our decision-making processes	Develop: <ul style="list-style-type: none"> • Key sustainability measures for our assets and processes • Record and track these measures against our assets and processes 	Dec 24
SF₆ Gas Losses	Losses of SF ₆ are a significant greenhouse gas risk. NTL will continue to research safe, reliable and cost-efficient alternatives to SF ₆ as an interruption medium for our 66kV switchgear	Continue to replace the remaining SF ₆ equipment on the network as identified in the company's AMP	On-going

Corporate Governance

The Board of Directors of Network Tasman Limited and Group (the “Board”) are guided by a Board Charter which recognises the requirement to adopt best practices in relation to its corporate governance policies and procedures.

The Board is committed to a high standard of corporate governance and is guided by the “Code of Proper Practice for Directors” as recommended by the Institute of Directors in New Zealand.

Role of the Board of Directors

The Board is appointed by the shareholders to supervise the management of the company. The Board establishes the company's objectives, strategies for achieving objectives, the overall policy framework within which the Network Tasman's business is conducted and monitors management's performance. The Board has delegated the day-to-day management of the company to the chief executive.

The Board also ensures that appropriate procedures are in place to provide for effective internal control and that the business complies fully with legislative health and safety requirements.

Board operations and membership

Network Tasman's constitution allows for a maximum of eight directors of the company.

The Board currently comprises seven directors: a non-executive Chair and six non-executive directors. Board members have an appropriate range of proficiencies, experience and skills to ensure that all governance responsibilities are completed to ensure the best possible management of resources.

Network Tasman's constitution sets out policies and procedures for the operation of the Board, including the appointment and removal of directors.

The full board generally met 11 times during the year.

Associate Director Programme

Network Tasman Limited and shareholder Network Tasman Trust operate an Associate Director Programme designed to offer emerging directors the opportunity to accelerate their boardroom experience for a period of twelve months with observer status on the board of Network Tasman.

The programme aims to enhance the capability of senior leaders embarking on a governance career and increase the availability of talented people for appointment to boards within the Nelson/Tasman region. It provides support to emerging directors with ongoing mentoring and opportunities for professional development and social networking within the governance environment.

Engineering Scholarship

Network Tasman provides an engineering scholarship targeting locally based 2nd/3rd year degree or diploma students. The scholarship provides financial assistance for studies and an offer of holiday work experience.

Board Committees

Health and Safety Committee

The Board has a Health and Safety Subcommittee comprising three non-executive directors, to maintain an effective governance framework in accordance with relevant legislation and achieve the safety vision of “everyone safe, all of the time”. The committee is tasked with ensuring that health and safety are key considerations in every operational decision made within the company. Management and the Board are focused on ensuring a thorough health and safety management system (HSMS) oversight process is operating across all company business units. Activities include reviews with contractors and site visits. The committee generally meet four times during the year.

Remuneration Subcommittee

The Board has a Remuneration Subcommittee comprising two non-executive directors. The Remuneration Subcommittee is responsible for assisting the Board in overseeing the appointment, performance and remuneration of the chief executive and members of the executive team (including succession planning) and reviewing the Remuneration Policy with the objective of being a good employer. The committee generally meet twice during the year.

Audit and Risk Subcommittee

The Board has an Audit and Risk Subcommittee comprising three non-executive directors. The Audit and Risk Subcommittee is responsible for overseeing the financial, accounting and internal and external audit activities of the company, including reviewing the adequacy and effectiveness of internal controls and monitoring of corporate risk assessment, meeting with and reviewing the performance of the external auditors, reviewing the financial statements and making recommendations on financial and accounting policies. The committee generally meet three times during the year.

Specific areas overseen by the Audit and Risk Subcommittee include the following:

Internal Audit

- The Board maintained an internal audit programme during 2023/24, utilising an experienced independent internal auditor. Generally, four/five audits are completed during the year.

Treasury Policy

- Exposure to interest rate risk is managed in accordance with the company’s treasury policy that sets limits of management authority and levels of exposure to banking institutions.

Risk Management

- The Board has overall responsibility for the company's risk management and internal control systems. The Board has established policies and procedures that are designed to provide effective internal control. Annual budgets, asset management plans, business plans and longer-term strategic plans are prepared and agreed upon by the Board, as well as a delegated authority policy. Financial statements and operational reports are prepared on a monthly basis and reviewed by the board throughout the year to monitor performance against budget targets and objectives.

In addition, the Board monitors the risk management framework and reviews ways to enhance existing risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff and the implementation, where considered necessary and effective, and considers the recommendations made by the internal and external auditors. Robust risk management and insurance programmes are in place and to facilitate restoration capability to deal with a natural disaster affecting our network.

Appendix 1 – Summary Financial Statements

NETWORK TASMAN LTD

Statement of Comprehensive Income

\$'000	Forecast FY24	Target FY25	Target FY26	Target FY27
Revenue	50,015	53,838	59,750	62,130
EBITDA	19,578	21,984	21,451	22,624
Operating Surplus before tax	9,507	11,210	9,108	9,415
Taxation	3,168	3,347	3,110	3,194
Operating Surplus after tax	6,339	7,863	5,998	6,221
Customer Contribution	5,052	4,146	4,273	4,357
Operating Surplus (Deficit) after Customer Contributions	11,391	12,009	10,271	10,578

Statement of Financial Position

\$'000	Forecast FY24	Target FY25	Target FY26	Target FY27
Current assets	10,431	8,966	8,763	8,420
Non-current assets	291,905	312,657	331,026	344,957
TOTAL ASSETS	302,336	321,623	339,789	353,377
Current liabilities	14,311	15,389	15,484	15,694
Non-current liabilities	35,490	43,990	54,390	59,890
TOTAL LIABILITIES	49,801	59,379	69,874	75,584
Equity	252,535	262,244	269,915	277,793
TOTAL EQUITY & LIABILITIES	302,336	321,623	339,789	353,377

Statement of Cashflows

\$'000	Forecast FY24	Target FY25	Target FY26	Target FY27
Net cash from operations	14,963	17,994	18,055	18,877
Cash invested in fixed assets	(17,753)	(24,780)	(24,965)	(20,920)
Cash from financing	-	7,900	9,800	4,900
Dividend paid	(1,700)	(2,300)	(2,600)	(2,700)
Net increase (decrease) in cash held	(4,490)	(1,186)	290	157
Opening cash	6,149	1,659	473	763
Closing cash	1,659	473	763	920

Appendix 2 - Capital Expenditure

The company is forecasting the following capital expenditure commitments on the distribution network for the 10-year period 2024/25 – 2033/34:

Year	Capital Expenditure (\$Million)
2024/25	17.6
2025/26	22.7
2026/27	18.6
2027/28	15.9
2028/29	13.5
2029/30	13.2
2030/31	14.2
2031/32	22.6
2032/33	21.4
2033/34	13.9
Total	173.7
Average per annum	17.4

Appendix 3 - Performance Measures

		FY21 Actual	FY22 Actual	FY23 Actual	FY24 Forecast	FY25 Target	FY26 Target	FY27 Target
Shareholder Returns								
Dividend Paid	\$millions	1.6	1.8	1.8	1.7	2.3	2.6	2.7
Return on Equity	%	5.4	5.4	5.0	4.6	4.7	3.9	3.9
Profitability / Efficiency								
Cash Cost Per Consumer	\$	282	288	308	343	353	365	373
Operating Margin	%	46.3	44.7	43.1	39.6	41.6	36.6	37.1
Return on Invested Capital	%	6.0	5.8	4.6	3.8	4.4	3.5	3.5
Leverage / Solvency								
Shareholders' Funds to Total Assets %		83	83	83	84	82	79	79
Debt to EBITDA	%	(18.1)	(32.4)	(29.9)	(8.5)	33.8	79.0	95.8
Gearing Ratio (Net)	%	-	-	-	-	2.9	6.2	7.5
Interest Cover	# of times	280	2,363	21,574	75	35	17	11

Appendix 4 - Comparable EDBs Cash Costs

Network Cash Costs	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total Costs	Compound Annual Growth Rate 10-years	Compound Annual Growth Rate 5-years
Comparable Group	434	409	453	505	498	525	577	547	612	653	\$5,213	5.40%	5.57%
Network Tasman	227	258	269	264	276	262	278	282	288	308	\$2,712	3.14%	2.22%

Source: Commerce Commission Performance Accessibility Tool

Appendix 5 - Definitions

Financial:

Total Assets is defined as the total book value of all assets of the company.

Shareholders' funds are defined as total issued capital, the balance of any undistributed profits and all revenue and capital reserves less any minority interests.

Cash operating costs per customer are defined as the regulatory network operating costs divided by the number of ICPs (customer connections).

Safety of Electricity Supply:

Lost Time Injury (LTI) is defined as a work-related injury causing the absence of one or more working days, counting from the day after the injury, before the person returns to normal or restricted work.

Reliability of Electricity Supply:

SAIDI – System Average Interruption Duration Index

SAIDI is a measure of the number of minutes that a consumer on the network can expect to be without supply each year.

$$\text{SAIDI} = \frac{\text{Total Annual Consumer Minutes of Non-Supply}}{\text{Total Number of Consumers}}$$

SAIFI – System Average Interruption Frequency Index

SAIFI is a measure of the number of times each year that a consumer on the network can expect the supply to go off.

$$\text{SAIFI} = \frac{\text{Total Annual Consumer Supply Interruptions}}{\text{Total Number of Consumers}}$$

CAIDI – Consumer Average Interruption Duration Index

CAIDI is a measure of the average duration in minutes of supply interruption.

$$\text{CAIDI} = \frac{\text{Total Annual Consumer Minutes of Non-Supply}}{\text{Total Annual Consumer Supply Interruptions}}$$

Appendix 6 – Key Assumptions used in the Financial Forecasts

The key assumptions underlying the targets include:

Strategy	No material changes in the strategic direction of the company
CPI	CPI adjustment has been allowed for at 4%
Interest Rates	Money Market interest rate is budgeted to be 4% and Term Loans at 6.85%
WACC	FY25 targets are based on the current five-year WACC of 4.57% applying to 31 March 2025.
Dividend	Dividend to Network Tasman Trust calculated at 65% of the non-regulated businesses after-tax surplus (excluding property valuations and non-cash customer contributions)
M&O costs	Maintenance & Operations costs are based on contract rates and cost escalation clauses applying in current contracts.
Taxation	Taxation expense includes the adjustment for deferred tax
Line Revenue	Line revenue based on DPP3 methodology and WACC
Line Discount	There is a change to a posted discount. For the majority of consumers, the line discount is based on kWh consumption and is planned to be paid in September 2024 (entitlement August 2024) and April 2025 (entitlement March 2025).
Merger & Acqn's	No merger, acquisition or disposal activities provided for
JVs	The investments division includes the 50% share of profits or losses in Nelson Electricity and On Metering Ltd and shareholders' advances and investment in NEL, SmartCo and On Metering
Transpower	Continuation of Network Tasman contracting directly with Transpower for transmission services
Shareholder	Continuation of the joint stakeholder communication strategy agreed with the Network Tasman Trust
Contributions	Continuation of current customer contribution policies
Undergrounding	Undergrounding policy based on the company's current policy
NEL	No change to the current ownership structure or management services for Nelson Electricity Limited.
Capital Structure	No significant return of capital to shareholders except for a fully imputed dividend (subject to cash flow and capital expenditure requirements)
Properties	Retention of ownership of investment properties
Fibre	Fibre revenue budget based on a continuation of the current business structure

Appendix 7 – Network Tasman Ownership Structure

