# Working better together

Integrated Report 2025

POWERCO

# Contents

# Introduction

# Disclaimer

The Powerco Board of Directors (Board) acknowledges its responsibility to ensure the integrity of this integrated report. Having reviewed the report prepared by Senior Leadership, we believe this report addresses all material matters and provides a balanced view of Powerco's strategy and its ability to create and preserve value in the short, medium and long term.

This integrated report covers the period 1 April 2024 to 31 March 2025 and has been prepared with reference to the <IR> Framework.

## Our climate-related disclosures

This report also contains our second climate-related disclosure.

Our methods for quantifying current and anticipated financial impacts associated with a changing climate include the audited values from our regulatory asset base (RAB) and associated revenue. These values are published on our website (see Financial and technical information disclosures, schedule 4) and include the Gas values (as of 30 September 2024) and Electricity values (as of 31 March 2024). These are the latest published values but do not align with the period covered by this integrated report.

Our disclosures are aligned with the Aotearoa New Zealand Climate Standards set by the External Reporting Board (XRB). Powerco is not captured by the mandatory disclosure requirements of the XRB climate-related disclosure framework. However, the XRB Climate Standards offer a robust, credible framework to ensure entities understand and are prepared for the impacts associated with climate change and disclose to their stakeholders, the challenges and opportunities presented by a changing climate, and their plan to transition to a low-emissions, climate-resilient state.

Our stakeholders include our shareholders, investors, regulators, customers, and the communities we supply energy to, as well as our employees and contractors, and members of the public. While this report is specific to Powerco and our operations, we recognise that collaboration and coordination with local authorities, lifeline utilities and other infrastructure owners is essential for transitioning towards a future that is resilient to climate change.

We have provided a climate standards index to clearly outline the connections to the Aotearoa New Zealand Climate Standards of NZSC1. As the practice of disclosing climate-related information continues to evolve, we may adopt new methodologies in future reports.

Any forward-looking statements in this report are based on assumptions about the future operating environment and events, which may or may not be correct. All costs and projections in this report are estimates only and are not independently verified. Where appropriate, the assumptions in this report align with our Gas and Electricity Asset Management Plans, which provide context for these disclosures.

This climate-related disclosure report may also be referenced if we receive a mandatory request, as a lifeline utility, for information on climate adaptation preparedness under the Climate Change Response Act.

# About this report

## Welcome to our Integrated Report 2025

In this year's report we've covered our areas of focus, key activities and our notable results for FY25 (1 April 2024 – 31 March 2025). We've also looked ahead, outlining our strategy to meet the challenges and capture the opportunities we anticipate. Our associated targets show how we will hold ourselves to account and continue to deliver for our customers and communities.

This is our second integrated report, and we've continued our journey to integrate our core reports with the inclusion this year of our climate-related disclosure report. This was a logical evolution for our integrated report which is aligned to Ngā Pou – the pillars of our work as a sustainable business, and how we measure the creation of value. Closely connected with that mahi, our climate-related disclosures articulate how we plan to transition to a low-emissions, climate-resilient state.

In writing this report, the theme of collaboration emerged strongly. We deliver our mahi for, and increasingly with, our customers and communities. As part of the wider energy sector, we're pleased to see and be part of increased coordination, alignment and progress as we work to deliver the sustainable energy transition for Kiwis.

This thinking is encapsulated in a whakataukī about the power of working together:

> *Nā tō rourou, nā taku rourou ka ora ai te iwi*
>
> With your food basket and my food basket the people will thrive.

We're proud to bring you some of the stories of that collective effort in this year's report.

If you have any queries or feedback about this report contact us

## Here's what you'll find in our report

*Ko Powerco mātou*
**About us** speaks to the foundations of our business. It's where you'll find our purpose, our values, our business model, and read about our team.

Read more here

*Ā mātou mahi*
**Our strategy** is where you'll find our strategic focus areas, which have been informed by the issues our stakeholders have told us are material to them. It also covers the challenges and opportunities we anticipate.

Read more here

*Ngā tūraru me ngā arawātea*
**Risks and opportunities** articulates how we identify and respond to risks and opportunities for our business.

Read more here

*Ngā Pou*
**Delivering value** looks at how we're creating sustainable value for our customers and our shareholders – looking at our FY25 performance and our targets in FY26 and beyond.

Read more here

# Chair and Chief Executive message

**John Loughlin**
Chair

**Jason Franklin**
Chief Executive

## Kia ora koutou.

It has been a busy, challenging and fulfilling year in a rapidly evolving energy landscape.

Our purpose to connect communities remains at the heart of what we do.

Increasingly, it's through our ability to connect with each other, our sector, our wider stakeholders, and of course our customers that we're able to continue successfully delivering the electricity and gas Kiwis rely on to run their homes and businesses.

The energy transition requires collective, effort across the sector, and myriad solutions large and small to balance the energy trilemma of affordability, security of supply and sustainability.

The dry winter of 2024 highlighted that while our 87% renewable electricity generation capacity is remarkable and world-leading, it needs to be supported by other fuels such as gas for some time yet to provide security of supply and remain affordable for customers.

None of us can deliver the energy transition in isolation, and we welcome the learnings from last winter resulting in more open kōrero and pragmatic action to work together.

> Our focus is on enabling electrification and keeping fuel diversity in the mix, including through the development of renewable gas options such as biomethane.

The collaborative mahi and investment needed to achieve that is considerable. In its independent report, the Boston Consulting Group estimated that $22b of investment in New Zealand's electricity distribution networks alone is needed by 2030 to enable electrification.

In July 2024, we executed our first green loan for $300m under the Climate Bonds Initiative's (CBI) Electrical Grids and Storage criteria.

The CBI is a voluntary scheme for businesses wanting to access sustainability-linked debt instruments, and requires us to demonstrate alignment with climate mitigation, adaptation and resilience criteria.

There is appetite to invest in businesses committed to reducing climate impact, and investor interest significantly exceeded our requirements.

This shows that we can fund investment in our electricity network and we are well placed to enable decarbonisation.

In October, we achieved another 100/100 GRESB score, an international survey that sets the global standard for ESG benchmarking.

This gives us a clear, independent view of our performance, and how we compare with our infrastructure peers.

> In August 2024, we were honoured to win Energy Distributor of the Year at the New Zealand Energy Excellence Awards. It was truly humbling to see our team's passion and commitment to achieving the best outcomes for our customers being recognised by our industry. It tells us that we're on the right track.

In December, the team farewelled departing Chief Executive James Kilty. In James' new capacity as Chief Executive at Transpower, we look forward to continuing to work with him to deliver the sustainable energy transition for Kiwis.

Late last year, we released our 'Grow to zero' white paper articulating our ambition for an affordable and plentiful renewable energy system that enables Kiwis to thrive.

This speaks to our commitment to not only our customers, but to Aotearoa as a whole. New Zealand has the expertise, resources and now increasingly the willingness to deliver a world-class energy system. We are excited for the opportunities and ready for the challenges ahead.

This year we delivered EBITDAF of $341.9m up $37.8m on last year.

Electricity revenue continues to drive our earnings through increased regulated revenue and customer growth. Our operating costs remained relatively flat year-on-year thanks to close management which also contributed to this year's result.

## Keeping the lights on – our electricity network

In November 2024, the Commerce Commission reset the price and quality standards that the 15 regulated lines companies in Aotearoa will operate under for the five years from 1 April 2025.

We welcomed the establishment of an innovation allowance and were pleased to receive approval for additional operational expenditure for our Graduate Development Programme, community engagement and low-voltage monitoring work.

These measures acknowledge the key role that distribution networks play in enabling electrification, not just through traditional poles and wires, but through sophisticated system operations able to dynamically manage the two-way flow of energy.

> Ultimately, in the future our network will work optimally in partnership with our customers, with a range of centralised, distributed and flexibility options at our disposal to respond to and manage demand.

While the new settings will flow through into our revenue for the FY26 year, our revenue for FY25 comes under the former price-quality path thresholds.

Revenue from our electricity assets grew $30.0m to $461.1m against a budget of $465.3m.

Our capital expenditure was $321.1m for the year.

Key projects delivered within the year include our $9m Hāwera substation to support reliability and growth, $15.4m for backup generation in Coromandel and Matarangi to improve resilience and security of supply, and $7m for a new substation to supply Olam Food Ingredients' new dairy plant, supporting economic development in the South Waikato region.

In Tauranga, we installed four low-voltage Battery Energy Storage Systems (BESS) to store power produced overnight when the network has spare capacity, and releasing it to maintain power quality at peak times.

This innovative technology was a first for New Zealand.

We also sent out our first calls for flexibility solutions in areas where the network will be constrained at peak times in the mid-term. We look forward to working with future partners to put solutions in place.

Following a successful trial with 20,000 customers in mid-2024, we have now enabled retailers to control hot water cylinders on our network down to an individual customer level, so they can shift hot water heating outside peak times.

All of this mahi is designed to ensure we are investing wisely, getting the most out of our existing network. It will also enable more of our customers to become prosumers - both producing and consuming energy.

Our customers are continuing to adopt solar for their homes and small businesses.

We connected 2,090 of these during the year, and we saw a 21% rise in applications year-on-year.

To make this easier, our new self-serve process went live on our website in June 2024. This enables installers to apply to connect solar panels to our network. This streamlined approach ensures efficient processing, and capture of connection status, which is essential for the safe operation of our network.

Since go-live, more than 2,000 applications have been submitted online, and on average 80% of them were automatically approved within minutes, without the need for further touchpoints.

We're also continuing to work with large-scale solar farm developers as they establish projects across our footprint.

The 3.8MW Lightyears Waingawa solar farm near Masterton was commissioned in March 2025, capable of powering 1,000 homes in the area.

We currently have 60 applications to connect large-scale solar totalling 1.2GW. By the end of this year, we anticipate commissioning Daybreak's 3.8MW Komata North, Papa Rererangi i Puketapu New Plymouth Airport's 9MW solar farm, and Lodestone Energy's 23MW Whitianga solar farm.

Across our electricity footprint we connected 3,480 new ICPs during FY25 which was lower than our forecast, and indicative of the slow recovery from recession.

The reliability of our network, as measured by both the frequency and duration of unplanned outgages was considerably better than the target set by our regulator. Our unplanned SAIDI (the total time an average customer was without power during the year) was 111 minutes for the year, down from 139 minutes in FY24. That's the best result in 10 years. Overall, we kept the power on for our customers 99% of the time.

While this result was aided in part by relatively settled weather, it also reflects the team's proactive focus on reliability improvements. That work included both targeted maintenance using pole-top photography and LiDAR data to identify and address encroaching vegetation and ageing assets before they cause outages, as well reviewing and improving our fault responses alongside our field service contractors.

Additionally, our investment in automated and remote devices has improved our ability to both identify faults and reconnect customers remotely where possible.

Lastly, in October we re-tendered our field service model to ensure we have sustainable partnerships that deliver successful outcomes for our customers.

Our contractors carry out upgrade works, maintenance, and fault response on our network. Our decision to go to tender for the first time in more than a decade provided an opportunity to ensure those partnerships are fit for the future. The process has introduced more delivery options and enabled the operators we work with to scale up.

It's also an opportunity to ensure our priorities around sustainability, innovation and delivering value for customers are aligned.

The new contracts will be in place from 1 July 2025.

> In tandem with this we are transforming the customer experience for new connections. We're shifting from an interposed model where customers work with a contractor approved to work on our network, to a direct relationship where we manage the end-to-end process for them.

That enables us to own the experience, drive efficiencies and increase standardisation which drives better outcomes for our customers.

## Keeping the gas flowing – our gas network

We recognise that New Zealand's energy system is undergoing a transition, with natural gas playing a vital role in resilience while we explore renewable alternatives. As anticipated, new connection numbers have slowed, and this trend is expected to continue.

We connected 764 new residential ICPs, down 37% year-on-year. Last winter's gas supply issues saw several retailers exit the market for supplying new gas connections, which further dampened connection growth. We are forecasting this trend to continue and then stabilise as renewable gas is developed.

Revenue was $67.0m against a budget of $67.3m.

> Gas remains essential for the resilience of Aotearoa New Zealand's energy system, and we continue to work on developing renewable gas to keep this optionality in the mix in a net-zero 2050 future.

Balancing investment in our network while navigating this evolving landscape is a key priority.

In September 2024, we released the update to our long-term Gas Asset Management Plan (AMP). As part of this plan, our investment approach reflects the changing demand profile, including lower connection numbers, and a steady rate of disconnections.

We remain committed to ensuring a reliable energy system while actively exploring renewable gas options to maintain flexibility for the future.

We're focused on ensuring our network is resilient to the impacts of the changing climate. Our Climate Adaptation & Resilience Plan released last year has now been embedded in our Gas AMP, and assets vulnerable to physical risks have been identified. Strategies are now in place to determine how those risks will be mitigated.

Work to unlock the potential to produce biomethane continues, and our renewable gas team grew from one to five during the course of the year.

The scale of this opportunity is considerable.

Strong collaboration across the waste, agriculture, wastewater and energy sectors, and confidence to invest are needed to commit to producing biomethane at scale. Policy and regulation settings also need to support it.

Overall, we're forecasting a period of transition where demand from industrial customers reduces as Aotearoa decarbonises, while demand from residential and commercial customers declines at a slower rate before stabilising.

## Our commitment to our customers

In February 2024 we launched our five customer commitments.

Developed in consultation with our customers, they articulate how we will become truly customer-focused, and hold ourselves to account.

> Our commitments are embedded across our business to drive behaviours that place customers at the centre of our decision-making, and indeed make them part of our decision-making processes. This helps build a future where our customers have real, meaningful involvement and choice about their energy solutions.

As an example, we've been working with the Tauranga community on the installation of our BESS units. While our mahi provides an essential service, the visual, and tangible impact of our assets can pose challenges.

Through engaging directly with affected customers we were able to gain their buy-in by explaining how the units would improve their power supply, and work with them to identify appropriate locations for the units in their neighbourhood.

As this customer-focused thinking continues to embed throughout our business, it was encouraging to maintain our record customer satisfaction score of 59% year-on-year (this is calculated by the percentage of people who rate us between 8-10 out of 10 when asked). Our FY25 fourth quarter score was our best ever at 62%.

This is a testament to myriad efforts large and small including our general enquiries team who, based on customer feedback, resolved a customer's query in a single phone call 81% of the time.

This year also saw the third round of our Community Fund, which provides up to $5,000 for projects that connect and support the communities on our electricity footprint.

> From supporting wananga, workshops and community events to revitalising community spaces, and enabling communities to support each other through social services and even firewood distribution we are so proud to be part of the causes that are meaningful to the communities we serve. In total, $170,000 has been distributed to date.

This year we launched our 'Let's grow together' community garden initiative at Boulcott School in Lower Hutt. Developed for primary and intermediate schools, Let's grow together provides the materials to build and grow a vegetable garden, as well as providing biogas learning opportunities for students. In FY26 we'll be expanding this around the rest of our gas footprint.

Our Replant for Tomorrow mahi also continued this year, planting 18,000 trees in partnership with our communities to offset the vegetation we remove as part of our maintenance work to keep trees free from overhead lines.

## The power of collaboration

Internally as part of Ngā Tikanga (our values), we talk a lot about being better together.

That also applies externally.

The strength of our relationships with each other, our industry and our customers is what makes us successful.

Along with the commentary mentioned above, you'll see evidence of this throughout this year's report.

Working with our remote Moawhango community on a stand-alone electricity solution, co-ordinating with councils and lifelines to build resilience to climate change, stop for safety meetings with the people who work on our network, our online community investment map – all of this happens with, and for, the people we work with and serve.

We're incredibly proud of the team and what they have achieved this year in collaboration with the broader sector and our customers.

We hope you enjoy reading the rest of this year's report.

**Ngā mihi nui**

*Ko Powerco mātou*

# About us

# Our business

## Ko tā mātou mahi, he tūhono hapori
## We're here to connect communities

We're New Zealand's largest dual-energy distributor by length.

We connect more than 900,000 Kiwis across the North Island to safe, reliable and resilient electricity and gas through our network of local lines, cables and pipes.

From urban homes and businesses to rural communities and large-scale industrial operations, keeping our customers connected now and in the future drives everything we do.

## Providing an essential service

Our electricity and gas networks are regulated by the Commerce Commission to ensure we provide a good level of service at a fair price to our customers.

The Commission sets our revenue allowances, and this is recovered through what customers pay their retailer for their energy use.

Our charges make up about 27% of our customers' electricity bill, and about 30% of our customers' gas bill. That covers our costs to invest and maintain our networks and ensure our communities' supply stays safe and resilient.

We're committed to delivering network solutions at good value to our customers and that's why we sometimes offer solutions complementary to, or instead of, traditional poles and wires on our electricity network. Those solutions include batteries, flexibility options and standalone generation. Sometimes we buy those solutions from the Base Power side of our business.

## Experts in delivering power

Our Base Power team develop standalone power generation solutions that incorporate solar panels and battery storage with additional backup diesel generation.

This part of our business is not regulated by the Commerce Commission so we can also offer these solutions beyond our network footprint.

There are a range of uses for these off-grid systems.

Through Base Power we offer micro-grids for commercial and industrial customers, 'connect and share' setups for communities, off-grid units for customers in remote locations or those who wish to live off-grid, units for emergency power supply and even mobile units to power events.

## Strong shareholder support

We are owned by Australian funds.

We're 49% owned by funds managed by QIC Limited and 51% owned by funds managed by Dexus.

This international backing means we can attract capital to invest in our networks and grow our investment in infrastructure in Aotearoa.

Working closely with our Executive Leadership Team, our Board of Directors have significant international experience in asset management and infrastructure markets, giving our corporate governance the depth of expertise to set our strategy and deliver value for our shareholders.

NEW ZEALAND ENERGY EXCELLENCE AWARDS 2024 — ENERGY DISTRIBUTOR OF THE YEAR WINNER

## Electricity

Keeping the power flowing for our customers takes more than just infrastructure – it takes a dedicated team and a carefully managed network of specialist assets. From overhead lines and poles to underground cables, transformers, substations, and switchrooms, our people work tirelessly to maintain the electricity network and plan ahead, ensuring we're ready to meet demand.

It's a big challenge, but we're up for it. To ensure we're continually improving and making decisions effectively we're ISO 55001 certified. That's the internationally recognised standard for asset management.

Collaboration is at the core of how we work. Because we live and work in the same communities we serve, we stay closely connected – both to our physical network and to the people who use and rely on it. Alongside us are our trusted contractors, who play a vital role in maintaining, renewing, and expanding the network to support growth and resilience.

At the heart of it all is our Network Operations Centre in Taranaki – the centre of our electricity operations. This team works around the clock, monitoring the network's performance, managing the flow of electricity, and ensuring the safety of customers and crews. And when the unexpected strikes, they're ready – coordinating with our fault response teams to restore power swiftly and safely.

### By the numbers

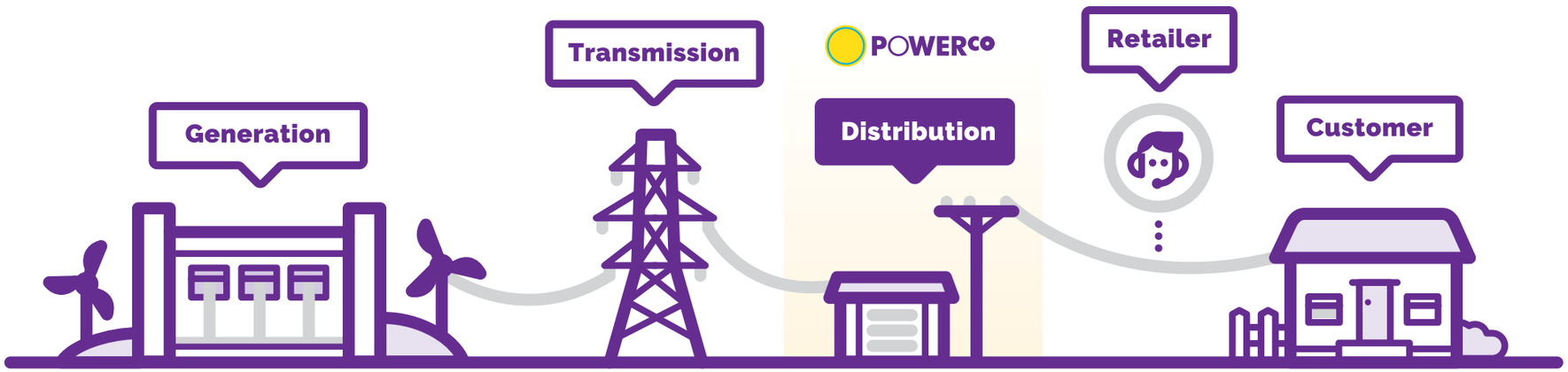
We kept the lights on 99.9% of the time

3,480 new ICPs connected

94km new line/cable

2 new substations

47 GWh less electricity delivered



## Case study

### New tech helping supply electricity during peak power use

In a New Zealand first, we're installing low voltage Battery Energy Storage Systems (BESS) on four power poles in Greerton, Tauranga, in a trial aimed at helping supply power to homes and businesses in the area at peak electricity use times.

The pole-mounted batteries are designed to automatically store power during the night when the electricity network has spare capacity and then releasing it to supplement the network and maintain power quality when it would otherwise be short.

Greerton has undergone intensive in-fill housing, meaning there are more houses in the neighbourhood than what the electricity network was originally designed to support. The chargeable batteries are an innovative way of supplying the neighbourhood at peak electricity use times, such as first thing in the morning and in the late afternoon and early evenings, when everyone is home making meals and using appliances.

This technology is already being used successfully in Australia and is a way of providing value for our customers, allowing us to defer or even avoid installing more power poles, lines, transformers and substations on our network.

### Preparing for the future of electricity

While the BESS units in Greerton are specifically designed to help with electricity supply during peak times, we're preparing for the future of electricity with BESS units integral as the company moves towards being a Distribution System Operator (DSO).

"The future will see widespread bidirectional power flows. This is where electricity flow isn't one way – from power lines to customers. Instead, more homes and businesses will produce their own renewable electricity via the likes of solar panels on their roof, use it and feed what's not used back into the electricity network," Powerco DSO Programme Director Ryno Verster says.

In the future, the BESS units will act as a "solar sponge", storing excess power generated by residential rooftop solar power during the day so that it's available to put back into the network during peak times.

"This way of distributing electricity and supporting communities is the future of electricity. Customers generating power via the sun can, rather than wasting or storing production in batteries in their homes, which is unattainable for many, store excess energy on the network. Here it will be ready to sustainably top-up local homes and businesses' power when it's needed," he says.

Watch the BESS units being installed.

## Gas

Sourced from Taranaki and delivered to homes and businesses across the North Island, natural gas is an integral part of New Zealand's energy supply – and one we're proud to support.

To make connecting as smooth as possible, our dedicated team at The Gas Hub takes care of the entire process for both residential and commercial customers, making it simple from start to finish.

Much of our gas network is underground and out of sight, but it's constantly monitored and managed. Our team combines real-time data, asset condition insights, and predictive modelling to guide smart investment decisions and keep the network running safely and efficiently.

We also use advanced technology to detect faults early, backed by the expertise of our Network Operations Centre, who coordinate with field crews to respond quickly to any leaks or service disruptions.

Our commitment is to deliver safe, reliable, resilient and affordable natural gas - today and into the future.

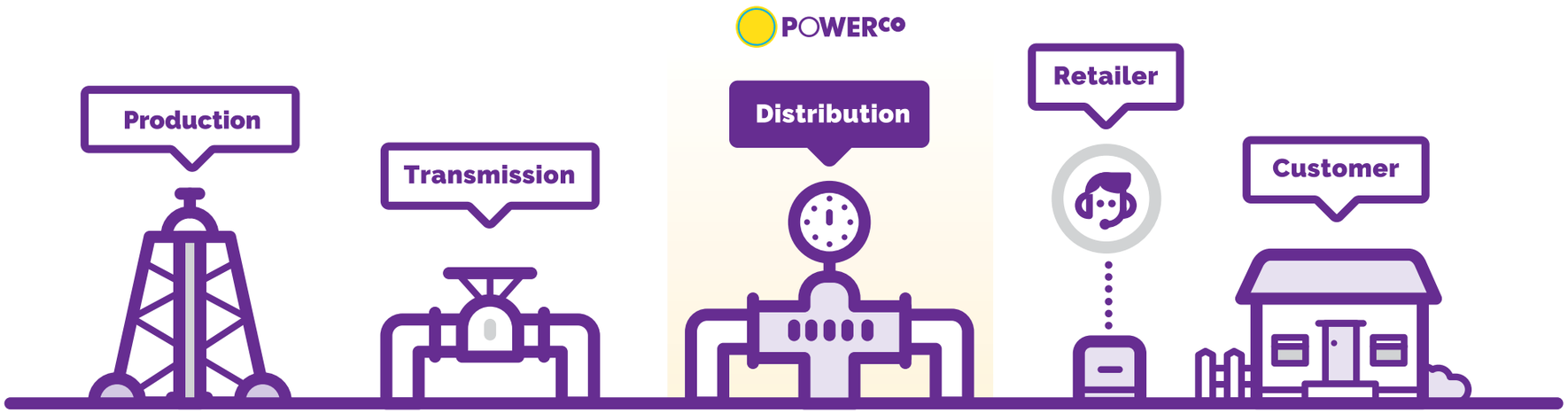
At the same time, we're actively exploring low-emission alternatives that can flow through our existing infrastructure, ensuring our customers can continue to enjoy the benefits of gas as energy evolves.

### By the numbers

We kept the gas flowing 99.9% of the time

764 new ICPs connected

0.076 PJ more gas delivered

## Case study

### Sharing our climate resilience and adaptation journey

Responding to the changing climate is a challenge affecting all types of infrastructure, and organisations are at various stages of that journey.

In 2024, we completed our Climate Adaptation & Resilience Plan, which identifies assets vulnerable to physical climate risks, focused on both acute climate events, as well as chronic climate risks. It also defines our approach to identify, mitigate and adapt to these risks.

To turn our plan into action we embedded it in our Gas Asset Management Plan (AMP) update, which outlines how we will invest and manage our network during the next decade.

Our team has identified assets that are vulnerable to flooding and/or sea level rise and mitigation work has been prioritised. Options include reinforcing equipment, raising or relocating it, or using bollards or cages to protect it from flood debris.

This work ensures that our gas network will be able to withstand or quickly recover from increasingly severe climate events, so our customers can be confident in a resilient supply.

We then decided to share the journey we'd been on with our industry and beyond.

Via a webinar our team provided insights and answered questions on the approach we took, what we found, and what we'd do differently.

We were encouraged by the interest our webinar received and we hope it progresses planning, encourages better coordination and helps identify the interdependencies between infrastructure sectors such as roading, telecommunications and wastewater.

That benefits many Kiwis, not just our own customers.

Read more here

One of our gas district regulator stations with a raised SCADA cabinet to ensure it's less vulnerable to flooding.

## Base Power

Base Power's stand-alone power systems (SAPS) enable us to provide customers off-grid energy solutions to suit their needs. Sitting outside our regulated operations gives this area of our business the scope to work beyond our distribution footprint and offer non-network solutions.

### Powerco network solutions

A suite of Base Power units has replaced traditional lines and poles for two of Powerco's most isolated customers in a rural area northeast of Taihape. The use of the SAPS units is a more efficient, cost-effective, reliable, and sustainable alternative to the ageing overhead lines for these customers.

Read more.

Powerco's faults response mobile hybrid SAPS unit was paired with a Solar Stack (Base Power's portable solar array) to provide sustainable power to the Morrinsville substation during construction work. This innovative system, with a standing load averaging 1.5kW and generating up to 2.7kW of solar power, significantly reduced the need for the diesel generator to operate, reducing emissions, delivering efficient, quiet, and sustainable power.

### Solutions for off-network customers

During FY25, Base Power launched the first independent solar power microgrid in partnership with Ngāti Kuri, one of five Muriwhenua iwi in the far north of the North Island. The project supplies sustainable, independent, and reliable grid-quality electricity for six 'tiny home' whare for the kaumātua of Ngāti Kuri, as part of the Ngāti Kuri Pā Kāinga Housing Action scheme.

These whare enjoy the benefits from an all-in-one energy solution that uses photovoltaic (PV) solar panels to generate electricity. Excess energy from the 32kW solar array is stored in batteries, ensuring a consistent supply, with a backup generator available for periods of low sunlight or high demand.

### By the numbers

48 units throughout Aotearoa (37 on Powerco's network)

1 unit powering a six-home microgrid

5kVA inverter X 7.6kWh battery (smallest)

90kVA inverter X 160kWh battery (largest)


Powerco's mobile hybrid SAPs unit providing battery energy to a playcentre during a planned outage.

## Case study

### Sustainable energy solution for isolated customers

A 15km stretch of ageing overhead power lines in a remote rural area northeast of Taihape, was replaced with six Base Power SAPS late last year.

Each unit's hybrid power system primarily uses solar energy with backup diesel generation to charge a battery bank, which then provides reliable, cost-effective and sustainable grid quality power to the two customers in the area.

As a result of extreme weather events, ageing infrastructure and isolation, these customers experienced frequent power outages, and the physical environment created significant challenges for rebuilding the line, which would've also left them without power for some time. A SAPS was an ideal solution for this type of challenge, which remote rural customers experience.

Two of the six SAPS units consist of a 30kVA 3-phase output with 32kW DC solar arrays and 60kWh of battery storage, and are the largest and most advanced installed on Powerco's network. All units also have in-built satellite communications providing real-time remote monitoring and fault diagnostics.

The units are designed to withstand extreme weather conditions, including extra high wind zones, heavy snowfall, and persistent cloud cover common to the area.

Before the installation of the SAPs, during outages Timahanga Station relied on its own back-up generators to run power to the five houses, two shearing sheds, three workers' quarters, Chorus communications tower, chillers and workshop required to serve the 10,700ha farm.

Neighbouring Owhaoko C Trust also experienced unreliable power affecting its water supply, communications and the ability to offer a safe meeting place for whānau to connect with their whenua.

Most importantly a lack of reliable power affected the Trust's plans to grow to better serve their community. The fact that the power solution used renewable energy was also appealing to the Trust.

# We distribute electricity and gas to more than 900,000 Kiwis across the North Island

## Our inputs

There's a lot that goes into keeping the lights on and the gas flowing and we're proud to do it.

**Human**
556 Full time equivalent.
We invested $1.49m in training for our team.

**Financial**
$399.1m invested to grow, renew, and maintain our electricity and gas networks.

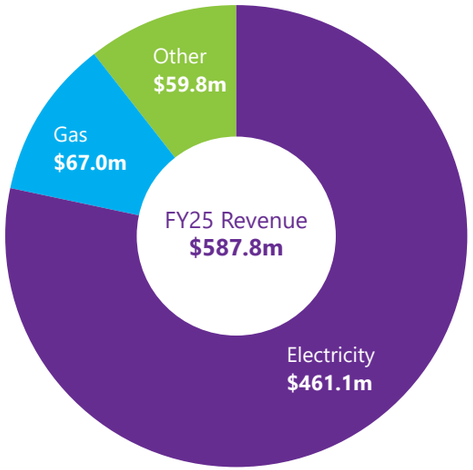
**Manufactured**
1,014 new poles
378 new transformers
Net 94km new conductor and cable
20km new gas pipe

**Intellectual**
Data and digital investment in platforms, integration and AI including SAP, Copperleaf, Salesforce, ADMS, OSI and satellite-based vegetation management,

**Natural**
322,662.62MWh of energy used or lost during our direct operations.

**Social and relationship**
We serve and work with
21 district councils
62 iwi
6 Civil Defence Emergency Management areas across our network.


## Our outcomes

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| **Whirinaki**<br>Ensuring reliable and resilient networks | We kept our customers' electricity on for an average of 99.95% of the time and gas for an average of 99.99%. |
| **Taiao**<br>Contributing to a lower carbon world | Total greenhouse gas emissions increased by 14%, the main contributer being the increase in our scope 3, spend-based purchased goods and services. |
| **Hauora**<br>Promoting health and safety | 48% positive incident reporting rate (near misses, push backs and hazard IDs). |
| **Manaaki tāngata**<br>Supporting our people | We achieved our highest employee Net Promoter Score ever of 47*, with 78% of our people giving a score of 8 or higher. |
| **Whakakotahitanga**<br>Engaging with our communities | We maintained our electricity customer satisfaction score at 59%. Our gas net promoter score was 61, down slightly from the previous year of 64, but above our target of >50. |
| **Te teo**<br>Sustainable governance, financial and risk management foundations | Sustainable growth in our regulated asset base from $3.3b to $3.5b** through disciplined asset management, governance, funding and risk, focused on supporting our customers' needs. |

*eNPS is calculated by subtracting the percentage of detractors (those who score 0 to 6) from the percentage of promoters (those who score 9 or 10) based on responses to the question "How likely are you to recommend Powerco as a place to work?"

**RAB based on 30 Sept 2024 published Gas Disclosures and unaudited figures for 31 March 2025 Electricity Disclosures.

## Case study

### Customer Commitments – a promise to our customers

With customers at the heart of our mahi, we introduced a set of Customer Commitments to reflect our standards around engagement, service, quality, impact, and sustainability.

The commitments are a promise to our customers and a way to ensure we're always striving to meet and exceed their expectations.

Essential for maintaining our customer-centric approach, the commitments ensure we're accountable and that we're continuously improving to meet and exceed our customers' expectations. A key component of our customer-led culture, they guide our interactions with customers and stakeholders, fostering strong relationships and trust.

A dedicated Community of Practice, made up of people from across the business, established a set of five commitments to reflect the standards we work to. Together the group defined a meaning and a way of measuring each commitment to bring the commitments alive for our staff and our customers.

As a result, we now have five Customer Commitments, supported by more detailed definitions and actionable measures.

Read more

Monthly scorecard measures and case studies for each commitment, showing how we live up to our promises, are published on our website.

**Our Customer Commitments**

- We engage with customers and communities to understand their needs.
- We are easy to deal with and quick to respond.
- Our network services and solutions provide value to customers.
- We minimise the impact of our assets and works on customers and communities.
- Our network is future ready and sustainably operated.

# Our people

## Ngā Tikanga – our cultural framework

We remain committed to embedding and living Ngā Tikanga – our cultural framework.

It's based on the te ao Māori concept of the right ways of doing things, and guides how we work with each other, our customers, our industry and our stakeholders to get the best outcomes.

Ngā Tikanga shows how our values and our ways of working help achieve our purpose to connect communities.

## To move forward, together as one, our mahi is guided by four values

**Proud to be here**

We're recognised for the difference we make and are respected for our actions and decisions. Our customers and communities value and trust us.

**Better together**

We're one team and stronger for it, inspired by our purpose to keep our communities connected and supporting each other to achieve great outcomes.

**Working smarter**

Innovating, learning and improving together every day, we keep things simple and streamline our approach.

**Future focused**

We're passionate about making sustainable choices that will help our communities thrive now and into the future.

## Our team

We have a team of 556 FTE based across offices in New Plymouth, Whanganui, Palmerston North, Masterton, Wellington and Tauranga, echoing our electricity and gas footprint.

At Powerco we recognise that creating a truly inclusive workplace starts with building psychologically safe environments. We were proud to be selected as a finalist in the 2024 Deloitte Top 200 Barfoot & Thompson Diversity and Inclusion Leadership Award. This award recognises businesses working to ensure a diverse and inclusive workplace, which is important to us. One of the initiatives that the judges specifically focused on was our Psychological Safety workshops.

Our workshops are run in-house for all leaders and employees. Our people come together to learn how to build an environment where people feel welcome to share their ideas, opinions and who they are at work. This work has been well received by our people and their leaders, so we continue to embed it into our leadership capability.

As part of our commitment to reducing the gender pay gap, we joined Transpower to co-lead an industry wide working group with Champions for Change, running a sector wide survey and analysis of the gender pay gap for the electricity industry. We also advised the Ministry for Women on the development and implementation of New Zealand's new gender pay gap tool, introduced in 2024. Our industry work continues through workstreams led by the industry working group to increase female, Māori, and Pasifika participation and leadership in the industry.

At Powerco, we're pleased to have 50% female representation in senior leadership roles, meeting our 40/40/20 gender diversity senior leadership target for the first time in 2024.

We are proud to be a top 100 New Zealand graduate employer as surveyed by Prosple and a past sector winner. In early 2025, four new graduates joined our graduate programme, bringing the total to nine.

Our annual Employee Net Promoter Score (eNPS), which gauges satisfaction and loyalty, reached an all-time high of 47%. Notably, 57% of our people rated us a 9 or 10 when asked how likely they were to recommend Powerco as a great place to work.

Building on the success of our first in-house Leadership Development Programme (LDP) in 2023, we brought forward the intake of the second programme.

Read more about this bespoke leadership programme that has helped emerging leaders build connections with each other, learn how to lead themselves, lead others and the business.

## Board of Directors

Our Board of Directors provides strategic guidance and oversight of risk management within the business. Their formal objectives are outlined in Powerco's Governance Statement.

Directors are nominated and appointed by the shareholders in accordance with their shareholdings. In addition, an Independent Chair is appointed (by all shareholders) whose primary role is to lead the Board in the best long-term interests of the company.

The Chair advocates Powerco's Ngā Tikanga values, and promotes sound principles of corporate governance, contributing to and facilitating productive and effective Board debate and decision-making.

### Changes to the Board during FY25

Appointment of Richard Van Breda, 19 April 2024

Removal of Sue Jiang (alternate Director), 25 September 2024

Removal of Michael Cummings, 1 January 2025
(replaced by Michael Bessell, formerly an alternate Director)

## Director skills matrix

Our Board of Directors comprises individuals with a diverse set of skills and experience. During FY25, our Board of Directors undertook a competency self-evaluation to highlight and be conscious of areas with lower Board expertise to ensure these are appropriately covered through strength in the management team, through advice, and/or through Director education.

| Key | |
|---|---|
| High level of Board expertise | |
| Lower level of Board expertise | |

| Director expertise (knowledge, skills and experiences) | | | |
|---|---|---|---|
| **Te teo** | | **Whakakotahitanga** | |
| Governance experience | | Branding and marketing experience | |
| Strategic focus expertise | | Customer experience expertise | |
| Financial literacy | | Stakeholder engagement | |
| Understanding of risk and compliance | | New Zealand Government engagement | |
| Legal and regulatory knowledge | | Understanding of te ao Māori | |
| Commercial acumen | | **Manaaki tāngata** | |
| Security, data and technology knowledge | | Leadership experience | |
| **Whirinaki** | | People, remuneration and culture experience | |
| Powerco core business experience – electricity industry knowledge | | **Hauora** | |
| Powerco core business experience – gas industry knowledge | | Health and safety expertise | |
| Understanding of technology and digital business | | **Taiao** | |
| Physical infrastructure expertise | | Environmental understanding | |
| Knowledge of climate-related risks and opportunities | | | |

## Executive Leadership Team

Our Executive Leadership Team drives our strategic direction, and helps lead our business to deliver the company's strategy and annual business plan.

### Changes to the Executive during FY25

Departure of CEO James Kilty, 20 December 2024

Appointment of Acting CEO Chris Taylor, 20 December 2024

Jason Franklin appointed to take up the CEO position, 28 April 2025 (FY26)

# Our governance structure

Powerco has four formal Board sub-committees that assist the Board with discharging its governance responsibilities and provide robust strategic guidance.

Each committee includes at least three Directors (although all Directors have a standing invitation to attend) that meet at least quarterly, or more frequently as required. The committee charters set out any specific expertise required for appointments.

The Health, Safety and Wellbeing function is overseen by the Board as a whole, given the important role each Director plays as an officer in setting the direction for health and safety leadership and fulfilling the Board's due diligence and governance obligations.

**Powerco Board**

Provides strategic guidance and makes sure we're on track to perform well for our customers and are accountable to our shareholders. They also focus on creating value for our shareholders into the future.

| | | | | |
|---|---|---|---|---|
| **Health, Safety and Wellbeing**<br>Health, safety and wellbeing governance is the responsibility of the Board as a whole, as set out in the Powerco Board Health, Safety and Wellbeing Charter. | **Regulatory and Asset Management Committee**<br>Assists the Board with oversight and approval of Powerco's long-term asset management strategy and plans and material decisions, as well as oversight in relation to regulatory and policy affairs. | **Audit and Risk Committee**<br>Assists the Board with ensuring the integrity of financial outputs, internal and external audit processes, and oversight of enterprise risk management systems. | **Treasury Committee**<br>Assists the Board with decisions relating to debt funding, capital structure and treasury management. | **HR and Remuneration Committee**<br>Assists the Board in all matters related to human resources and remuneration. |

**Executive Leadership Team**

The needs of our communities are at the centre of the thinking of our Executive Leadership Team. Driving our strategic direction, they lead our business into the future.

| | | | | |
|---|---|---|---|---|
| **HSE Operational Safety Governance Group**<br>Provides health, safety and environmental (HSE) leadership, learning and continuous improvement through the review and discussion of HSE-related topics, behaviours and performance. | **Asset Management Steering Committee**<br>Provides strategic guidance and oversight on the ongoing development and implementation of Powerco's Gas and Electricity Asset Management Systems (AMS).<br><br>**Data, Digital and Innovation Governance Group**<br>Manages and reviews matters related to the selection, adoption, use, and convergence of digitial systems across Powerco's Information Technology (IT), Operational Technology (OT), and cyber-physical landscape. | **Internal Audit**<br>Provides the Board and management with independent, risk-based, and objective assurance, advice, insight and foresight. | **Due Diligence Committee**<br>Convened as required to provide oversight and management governance for debt transactions. | **People and Culture**<br>Provides the Board and management with advice and reporting on human resources policies and procedures including employment law, remuneration, culture and inclusion and diversity performance. |

# Our climate governance

Our integrated approach to the governance and management of climate-related risks and opportunities aligns with our climate policy. While our over-arching governance structure (displayed on the previous page) provides an overview of general governance responsibilities, this page delves deeper into the specific governance responsibilities in overseeing, assessing, and managing climate-related risks and opportunities.

## Our Board's oversight of climate-related risks and opportunities

The Board approves the company's strategy and annual business plan. As part of this, it oversees Powerco's social, environmental, and governance (ESG) strategies and targets, including those pertaining to climate change.

Decisions are made from an informed perspective and as shown in our Director skills matrix, our Board ensures they have access to the right level of expertise to provide oversight over climate-related risks and opportunities. The Board meets at least quarterly, and all committees generally meet quarterly, or as required. Board oversight includes but is not limited to the following:

- The Regulatory and Asset Management Committee assists the Board with oversight and approval of asset management and investment decisions for consistency with, and to support our climate-related disclosures.
- The Audit and Risk Committee assists the Board in exercising due care, diligence, and skill in relation to climate-related risks and opportunities, including mitigation plans and related disclosure information. The annual audited greenhouse gas inventory report and the appropriateness of assurance of the climate disclosures are both reviewed by this committee.
- The Treasury Committee monitors our financial performance and compliance with policies, including overseeing our sustainable finance framework.
- The Human Resources and Remuneration Committee periodically reviews the effectiveness of remuneration policies, which include requirements for all our team to have a sustainable business measure. At least annually, the committee reviews the remuneration package of the Chief Executive and the Executive Leadership Team, considering and recommending to the Board any performance bonus to be paid in accordance with performance measures, including those relating to climate risks and opportunities.

## Our leadership's role in managing climate-related risks and opportunities

Monthly reporting (and more in-depth quarterly reporting) is provided by our leadership team to the Board and relevant subcommittees with progress against the business plan for all key risks, opportunities, and metrics, including those pertaining to climate-related risks and opportunities.

- The Executive Leadership Team meets weekly. It has the responsibility to oversee and review our strategic and business priority areas relating to climate risks and opportunities. For example, the Chief Financial Officer is responsible for the approval of the disclosure of our climate-related financial impacts. ESG targets (some of which include climate-related metrics) form part of the in-year, short-term, and long-term performance metrics for all executives. The long-term incentive structure includes a consistent 25% of the total incentive, based on achievement against ESG targets. Specifically, 10% is linked to climate-related measures.
- The Asset Management Steering Committee monitors the successful execution of our strategic priorities relating to climate change in the gas and electricity asset management plans.
- The Senior Leadership Team oversees the delivery of our strategic priorities relating to climate-related risks and opportunities. For example, this includes the identification and implementation of specific emission reduction opportunities.

*Ā mātou mahi*

# Strategy

# Our context

In August 2024, our Board and Executive Leadership Team collaborated to confirm our FY26-30 Strategic Plan. Our materiality assessment, which was conducted with our key stakeholder group, was a critical input for this process.

As part of setting our strategy for the next five years, we reviewed our external and internal context to ensure we're ready to respond to the challenges and capture the opportunities ahead.

We also reconfirmed our vision – to be Aotearoa New Zealand's most customer-focused infrastructure owner and operator.

This vision provides our north star for what 'great' looks like, and where the areas for potential growth lie.

> By 2030, Powerco will look very different from how it does today. Our core electricity and gas businesses will evolve to deliver the sustainable energy transition, and to meet the changing needs and expectations of our customers.
>
> We'll also be bigger, having capitalised on opportunities to leverage our significant experience in infrastructure ownership and management to branch out into related areas, and to offer our services and capabilities to new customers.

## A time to reflect

As part of reviewing our strategy, we paused to reflect on progress to-date on delivering our vision.

It was heartening to reflect that during the past four years we've made significant strides.

In collaboration with the Powerco whānau, we established Ngā Tikanga – the values which guide how we work together with each other, and with our customers. We commenced our customer transformation with the formation of our Customer Service and Community Engagement teams and the provision of digital self-service tools. Our new risk management framework is now in place, and we executed our volume to value shift in gas. Modernising our electricity infrastructure and making it more resilient, investing in digital technology and enabling our people to be their best are also key highlights.

Overall, we confirmed that we're on the right path to deliver for our customers, and that we've done much of the foundational work to position ourselves for further growth.

That's why our strategy reflects an evolution in our thinking in response to changes in our wider environmental context, and is not a significant shift away from our existing strategy.

Our strategic pillars remain in place, and we've aligned our 2030 targets to Ngā Pou per our strategic framework.

## The energy partner of choice

Our customer-focused vision provides clarity to our team and makes much of our decision-making easy.

Ultimately, this is what will see us become the energy partner of choice for our customers, communities, industry and investors.

While traditional poles, wires and pipes will continue to deliver energy to many of our customers, more options are emerging.

We're seeing more solar, community energy and embedded network projects as well as more utility-scale distributed generation and electric vehicles (EV) points.

Being easy to do business with, and quick to deliver, helps us to capture those opportunities.

Our customer transformation programme is at the heart of this, and is increasingly based on having a direct relationship with our customers (where formerly they may have interacted solely with their retailer or a contractor). We're working to deliver great customer service experiences, self-serve options via our website, and a seamless experience between the regulated and unregulated parts of our business.

Bringing our customers in to be part of our decision-making and in fact, part of the solution is also key.

We want to bring customers into our planning so they can be part of the investment decisions that affect their community. Surveys, feedback, consultations and customer advisory panels will all help to form that picture.

We'll also be working more closely with them to optimise our electricity network. Working with large customers and retailers to develop flexibility solutions to shift usage outside of peak demand times will help ensure we're making the most of existing capacity and can help defer investment spend.

## Responding to the changing climate

We recognise our role in the transition will have both risks and opportunities associated with the pace and extent to which we ensure our activities help customers to mitigate emissions and adapt to a changing climate.

The energy transition is a challenge, but it is also an opportunity. As noted in the message from our Chair and Chief Executive at the start of this report, we're ambitious to see Aotearoa thrive in a net-zero future through the provision of a plentiful and affordable renewable energy system.

Delivering the energy transition for Kiwis while balancing the energy trilemma (sustainability, affordability and security) remains critical.

Aotearoa remains on track to generate 95% of electricity renewably by 2035, and distribution networks, such as ours, have a critical role to play.

As sectors decarbonise in alignment with New Zealand's net-zero goal, we anticipate changing peaks in demand driven by the uptake of EVs, industrial electrification, and distributed energy resources.

Establishing our Distribution System Operator (DSO) capabilities aims to minimise asset-intensive investments by optimising the use of existing assets.

Additionally our future-ready open-access network will enable increasing two-way flow of energy; delivering both traditionally generated electricity (via the transmission system) and increasingly feeding locally-produced distributed energy resources (DER) (rooftop solar, large-scale solar farms, and battery-stored energy) back into the network.

Managing this safely and effectively means investing in data and digitisation to deliver real-time network visibility and operational capabilities.

We also need to work closely with our customers to make the connection process easy and affordable to ensure we support the pace of electrification.

We have put significant effort into identifying physical climate risks, focused on both the resilience of our network to acute climate events, as well as chronic climate risks.

Our approach to identifying and mitigating physical risks is documented in our Climate Adaptation & Resilience Plan, which we completed in 2024 (and covered in last year's report) and is now being embedded throughout the business – from our strategy and long-term asset management plans, through to our day-to-day network operations.

For adaptation, understanding local councils' plans (protect, accommodate or retreat) ensures we can make sensible network investments and continue to serve those communities. However, we are finding that those plans are at varying levels of maturity, and publicly available data is limited and inconsistent, which impedes our ability to plan.

For resilience, we have a 10-year programme in place to harden our network backbone. This will include activities such as relocating assets that are prone to slips, and reinforcing gas pipes attached to bridges. We're also working with our communities to place off-grid generation and generator cross-over switches at community hubs (such as town halls and marae) to keep customers connected when they are isolated from main supply during major events.

We're sharing our work and learnings with our sector and beyond, and we continue to advocate for national direction on climate adaptation to facilitate a more coordinated approach to both adaptation and event response.

## Keeping gas in the mix

We expect natural gas supply to wind down over time. But believe that natural gas still has a crucial role in our economy and energy transition, and that keeping choice in the energy mix is important for energy resilience and security.

We're working on developing the market for biomethane as a renewable replacement for natural gas, providing benefit to both New Zealand's renewable energy and emissions reductions targets.

There is potential to use organic waste streams to produce enough biomethane for residential customers and small businesses – reducing both the reliance on electricity supply, and the high switching costs that customers will face.

Our challenge is to ensure our gas pipeline assets remain viable through this transition period so our network is here for our customers well into the future.

This year we're preparing for the Commerce Commission's reset of our gas price-quality path, which will take effect from 1 October 2026. These settings will need to support the ongoing viability of the gas pipeline so it is ready to deliver biomethane in the future.

We also need to work with a wide range of policy makers, regulators, investors and customers to help support the establishment of the biomethane market.

## Ready to invest

In times of significant growth, infrastructure businesses cannot rely solely on funding generated from operational cash flows – additional capital is required.

Given the long-lived nature of infrastructure assets, the benefit of today's spend accrues to future generations and therefore the cost shouldn't be solely borne by current customers, but recovered over time.

We continue to see strong appetite from our shareholders and debt investors who are aware that electrification is one of the key tenets of New Zealand's decarbonisation efforts. For them, businesses with sustainability at their core remain attractive.

However long-term, stable policy settings and strategies need to be in place to build confidence to invest in these long-term infrastructure interests.

We are pleased to see some progress in this area. The Government's Global Investment Summit held in March 2025 was aimed at building this confidence (although we note that resource consent for Contact Energy's Southland wind farm was declined the following week).

Similarly, regulatory settings need to reflect our current context – the increasing importance of data and data sharing to enable flexibility for instance – and streamline and standardise wherever possible to enable the sector to coordinate and work quickly.

In many areas, we're moving ahead of regulations and doing what's right for our customers.

Making our high-voltage capacity map available on our website, and collaborating with retailers to deliver hot water control protocols, are just two examples of this.

Overall, collaboration and a joined-up approach is key to a successful outcome not just for our customers, but for all Kiwis. Our industry and stakeholder engagement remains a key priority.

## Leveraging our experience to grow

Our expertise and our customer-focused approach will unlock opportunities for growth.

The regulated parts of our business – distribution networks delivering electricity and gas to our customers – will continue to be core to our business, and it's this experience in infrastructure ownership and operations (coupled with our ability to invest) that provides opportunities outside our core.

We're expanding into other types of infrastructure, such as fibre and meter hardware. We've nearly completed our 164km dark fibre rollout in the Coromandel Peninsula and reached an agreement with Chorus for the use of some of the capacity. We also partnered with Bluecurrent to install gas smart meters for Genesis and Mercury customers.

We continue to look for more opportunities to invest in infrastructure that leverages our existing capabilities.

We're also looking at how our expertise as operators can be used in the wider sector. As we continue to evolve our DSO role, the capabilities of the team at our Network Operations Centre could be extended to offer system operations to other distribution businesses.

As regulations change to enable electrification to continue at pace, we also see opportunities to invest in battery storage and generation.

## The best team to deliver

We need to attract and develop the best talent to deliver for our customers.

Our strategy includes work to support diversity and inclusion. Building on established work on gender and Rainbow diversity, we're excited to start our journey towards becoming a more neuro-inclusive workplace.

In November 2024, the Commerce Commission approved our $6m spend to uplift our Graduate Development Programme during the next five years.

For the wider team, we've developed a bespoke Leadership Development Programme and have implemented a high-performance culture programme focused on delivering key business outcomes.

## AI for productivity

The artificial intelligence (AI) landscape is developing rapidly and we expect it to fundamentally change the way we work.

Our challenge is determining how it fits into our business to deliver real value and meaningful applications that in turn provide better outcomes for our customers.

Our Board and Executive Leadership Team undertook an education session on AI as we navigate the implications for our strategy and our business.

Our approach is to innovate and test new AI technologies to understand their use and the associated risks. This way we can be intentional in leveraging AI to solve challenges – avoiding using it for the sake of it and introducing needless complexity.

We've established foundational risk, governance and policy to ensure adequate oversight. Our use must be responsible, ethical and protect data appropriately.

We must also bring our team on the journey - they're already using AI to deliver insights and productivity gains

The use of AI will continue to grow as the technology matures, and new use-cases emerge, and we recognise the need for our capabilities to develop along with it over time.

# Defining value – Ngā Pou

Ngā Pou – our pillars, represent our key focus areas to provide sustainable value to our stakeholders.

During FY25, we looked for efficiences in our materiality assessments process by integrating specific questions into our regular business stakeholder engagement programme. We have had varying levels of feedback using this method and will assess and refine this approach during FY26.

## Te ao Māori concepts

Ngā Pou and Te teo draw from te ao Māori concepts, where te teo is a hitching stake that safeguards and protects. For Powerco, Te teo provides a foundation and security for the delivery of Ngā Pou.

**Stakeholder engagement:** Material sustainability issues

| | | |
|---|---|---|
| 1 Supporting New Zealand's decarbonisation | ▲ 5 Community engagement | 9 Workforce learning and development |
| 2 Resilience to extreme weather and climate change | 6 Price and reliability | ▼ 10 Industry collaboration |
| 3 Health and safety | 7 Technology and innovation | * 11 Cyber security |
| ▲ 4 A strong organisational culture | 8 Powerco's carbon footprint | |

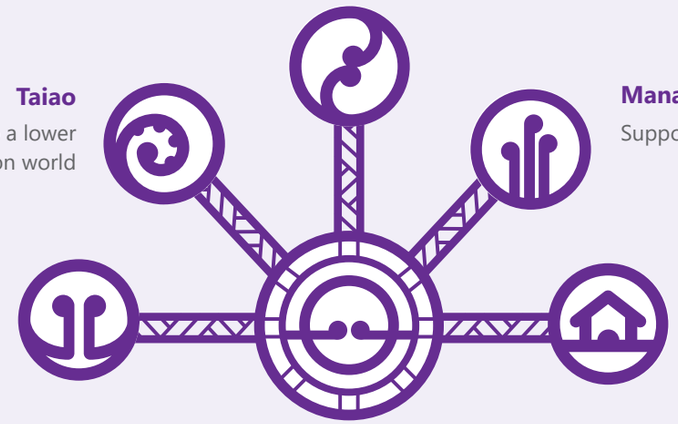
* Cyber security - a new material topic in the 2023 Assessment
˅ Movement down in ranking compared with 2020 Assessment
˄ Movement up in ranking compared with 2020 Assessment

**Ngā Pou:** How we measure and communicate value

**Hauora**
Promoting health and safety

**Taiao**
Contributing to a lower carbon world

**Manaaki tāngata**
Supporting our people



**Whirinaki**
Ensuring reliable and resilient networks

**Whakakotahitanga**
Engaging with our communities

**Te teo**
Sustainable governance, financial and risk management foundations

# Our strategic framework

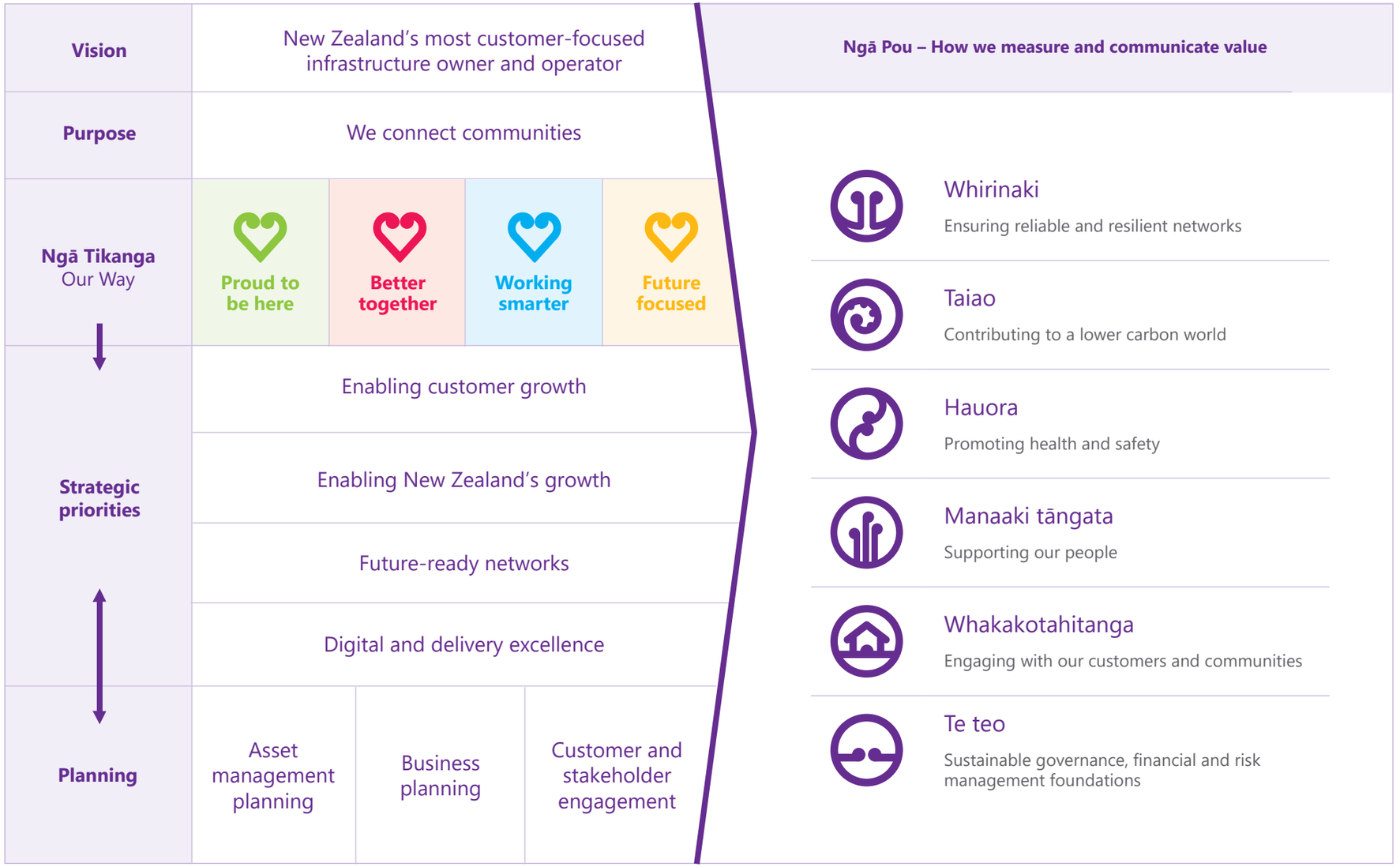
Our framework unites our vision, purpose, values, and strategic priorities, informing the creation of our annual business, asset management, and stakeholder engagement plans.

This ensures we have a strong alignment with our vision right through to the mahi we do to grow, maintain, and secure our electricity, gas, and fibre networks.

We measure the success of our work through Ngā Pou so we can be confident we're delivering sustainable value for our stakeholders and our customers, based on the material sustainability issues they've helped us define.

That's why our targets and results are set and measured against Ngā Pou, and you can find our FY25 performance results, as well as our FY26 targets, in the 'Delivering value' section of this report.

Ngā Pou also informs our strategy, closing the loop between what our stakeholders value and the direction of our business.



# Our strategic priorities

### Enabling customer growth

We're transforming our customer experience to better support our customers through their decarbonisation journey. We want to partner with our customers to deliver innovative, cost-effective, reliable and flexible energy solutions that work for them. Ultimately, we want to create outstanding customer experiences at every interaction and be an energy solutions provider of choice.

### Enabling New Zealand's growth

We're experts in delivering infrastructure for Aotearoa, and we're looking for opportunities to leverage that where there is alignment. We're already taking strides to develop a biogas market, and our Coromandel fibre project shows that we can deliver efficient, cost-effective fibre with multiple benefits for customers. Base Power already has a proven track record of success in delivering innovative off-grid solutions for customers around the country.

### Future-ready networks

We're modernising our electricity architecture to provide smart, flexible, open-access networks for our customers, capable of safely managing the two-way flow of energy to accommodate distributed generation. We're also adapting our networks to ensure they're resilient to the impact of climate change – flooding, coastal inundation and severe weather events. We're working with our communities to implement solutions so they can self-support during events where they may be cut off from the main supply.

### Digital and delivery excellence

We enable productivity and innovation by leveraging digital technology and creating a supportive culture that attracts, develops, and retains the diverse talent we need to deliver to our customers. Through continuous improvement, we're also strengthening our delivery muscle with better decision-making data, resilient management systems and robust business processes. We are assessing our technology landscape to identify opportunities to utilise leading-edge technology such as AI.

## Delivering our strategy – our plans

Our plans align our work across our business to ensure we're working together to deliver our strategy and create value for our customers and shareholders.

### Annual business plans

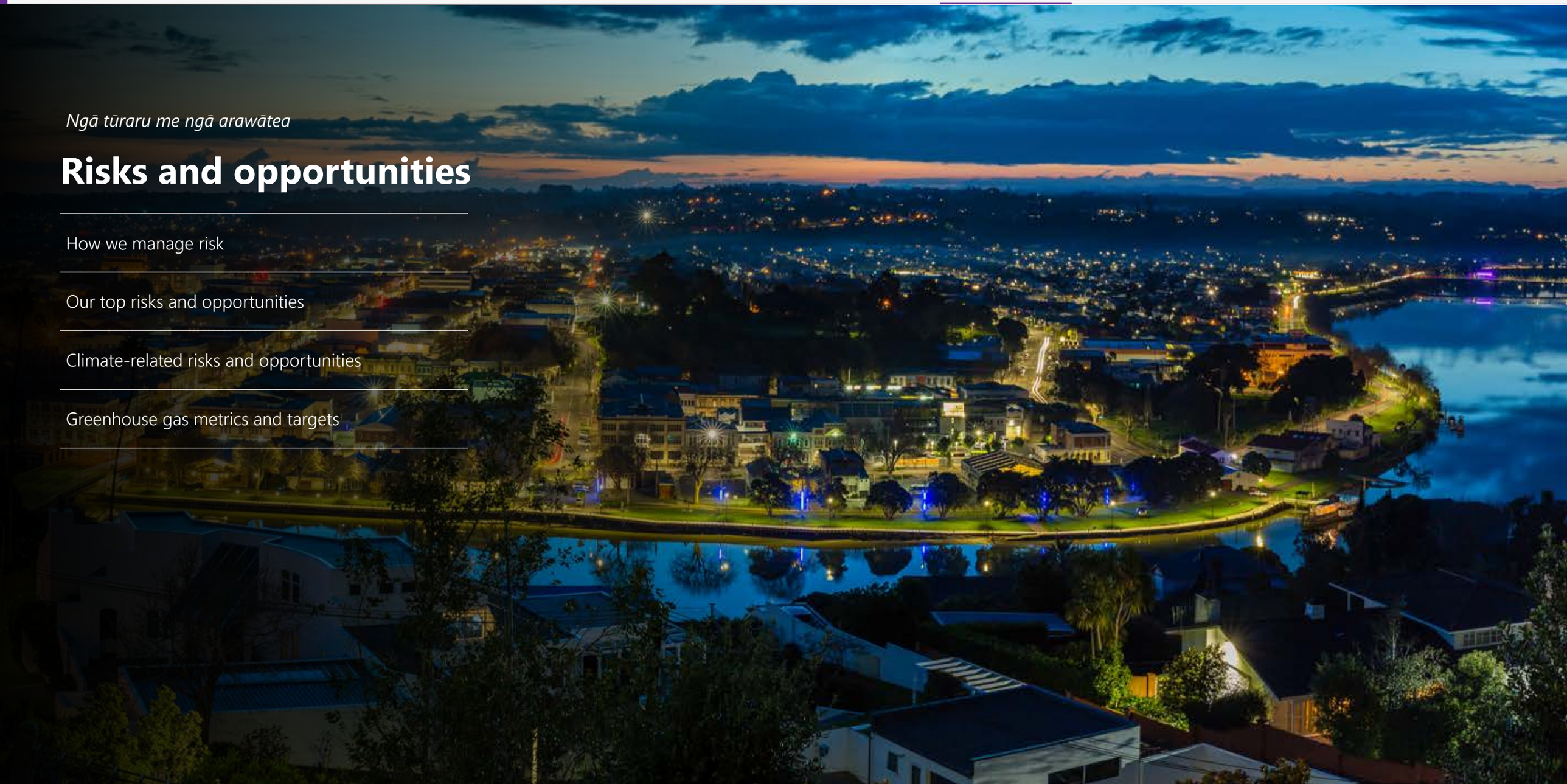
Our business plans put our strategic priorities into action by defining the projects and initiatives our teams will collaborate on to deliver within each financial year.

### Asset management plans

Our electricity and gas asset management plans map how, where and when we'll be investing in our networks during the next 10 years. These plans provide assurance to our customers and our regulators that we're managing our networks with the future in mind.

### Customer and stakeholder engagement

Our customer and stakeholder engagement planning supports our entire strategic framework, ensuring that we're consulting, listening and responding to their needs.



*Ngā tūraru me ngā arawātea*

# Risks and opportunities

# How we manage risk

## Risk appetite

We take a measured and informed approach to risk to ensure we deliver value for our customers, communities and partners. We do this by ensuring the safe, reliable, sustainable and future focused provision of all our essential services.

- We have no appetite for any risk that will consciously compromise the safety of our people, contractors or the public, or which results in a serious safety event that jeopardises Powerco's licence (both actual and social) to operate.
- We have no appetite for any action or inaction that will jeopardise our long-term sustainability as a business (ie, reputational or regulatory).
- We have no appetite for any action or inaction that results in a downgrade of our credit rating below BBB and/or loss of utility status credit rating.

## Our risk management framework

Good risk management will help us manage the risks and opportunities that face our business. To enable this, our risk management framework (aligned to the principles of ISO 31000: 2018 Risk Management Guidelines, and with the values of Ngā Tikanga) provides a single, priority-based tool to promote prudent decision-making and is reviewed in conjunction with any material updates to our strategic objectives or operating environment.

The framework enables us to maintain a consistent and comprehensive understanding of risks and opportunities, including those that are climate-related, and involves a systematic approach.

Our risks are categorised using environmental, social, governance and operational, and are informed by the results of internal risk and maturity assessments, risk assurance work, and emerging insights from several industry and global publications.

## Risk identification and assessment

The initial step performed during our risk assessment involves identification and framing – setting the boundaries of the risks, the assessment process, and other key elements, including:

- What are the risks and opportunities that may relate to our strategic priorities and business plan.
- Who are the key stakeholders across the organisation who may be impacted by the risk or opportunity and, therefore, should be members of the risk assessment team.
- How are the risks and opportunities integrated with our risk framework categories.
- What are the characteristics of the risk and opportunity, notably impact, likelihood and time horizon.
- What are the controls/mitigations that are needed to be in place to manage the impact of each risk/groups of risks to our organisation.

Risks and opportunities are assessed and prioritised using our risk management framework, including a series of risk deep-dives, bringing together senior leaders and subject matter experts across Powerco. All risks need to be acceptable in terms of Powerco's risk appetite and risk reduction measures may be required.

The most significant risks and opportunities are presented and confirmed with the Executive Leadership Team (ELT) before being incorporated in our broader risk status update to our Audit and Risk Committee. All parts of our gas and electricity network value chain have been included in the risk assessment.

## Frequency of assessment

Our risk and opportunity assessments are completed as focused deep-dive assessments for the current financial year. These are maintained continuously through our top priority-based risk assessments and reported regularly to the ELT and Audit and Risk Committee.

# Our top risks and opportunities

## New Zealand's journey towards a net-zero emissions future by 2050 will present both challenges and opportunities.

We review our risks and opportunities on a quarterly basis with our ELT and then our Board. In support, quarterly emerging risk intelligence from around the world is provided in our quarterly Board report.

During FY25, we redefined the process to identify, assess and manage our opportunities in the same way we do with our risks. Growth of electricity distribution and services was identified as an opportunity for us. This recognises our role in New Zealand's energy transition.

On the following pages, we have outlined our top risks and opportunities, including those that are climate-related, which encompass various aspects of our business operations.

Additionally, our climate-related risks and opportunities section provides disclosure information in alignment with the Aotearoa New Zealand Climate Standards.

External forces are also a driver of our risks and are why we monitor the global trends. Powerco business owners ensure the appropriate controls are in place and that the mitigation strategy aligns with our strategic priorities and Ngā Pou.

## Our top risks and opportunities

**Related pou**

- **Whirinaki** — Ensuring reliable and resilient networks
- **Taiao** — Contributing to a lower carbon world
- **Hauora** — Promoting health and safety
- **Manaaki tāngata** — Supporting our people
- **Whakakotahitanga** — Engaging with our communities
- **Te teo** — Sustainable governance, financial and risk management foundations

**Trends**

Increasing | Reducing | Stable

**Risk velocity**

Slow: Medium to long-term, potentially over decades
Rapid: Expected to occur in the short term, 1-2 years
Immediate: The risk is occurring now

| Risk | Risk velocity | Powerco trend | Global trend | Current and future mitigations and opportunities | Related pou | Material issue |
|---|---|---|---|---|---|---|
| **Environmental** | | | | | | |
| **Physical impacts of climate change** | Slow | = | ↑ | • Implement the Climate Change Adaptation & Resilience Plan<br>• Continue to progress resilience repair projects (high criticality/ vulnerable)<br>• Undertake planned feasibility assessments<br>• Incorporate climate hazard mapping into our investment tools<br>• Continually communicate and share information with lifelines groups on our network to further understand our interdependence and vulnerabilities<br>• Improve our self-assessment asset management using the Resilience Management Maturity Assessment Tool (RMMAT) | Whirinaki, Taiao | • Supporting New Zealand's decarbonisation<br>• Resilience to extreme weather and climate change<br>• Community engagement<br>• Technology and innovation<br>• Powerco's carbon footprint<br>• Industry collaboration |
| **Natural disasters** | Immediate | = | ↑ | • Revision to and exercise of Crisis Response Plan<br>• Procurement and critical spares review<br>• Industry standardisation | Whirinaki | • Resilience to extreme weather and climate change<br>• Industry collaboration |

| Risk | Risk velocity | Powerco trend | Global trend | Current and future mitigations and opportunities | Related pou | Material issue |
|---|---|---|---|---|---|---|
| **Social** | | | | | | |
| **Work-related illness or injury** | Immediate | = | ↑ | • FY25 high safety risk asset reduction programme<br>• Stop for Safety, Contractor FY25 safety programme collaboration<br>• Introducing a learning management system<br>• Review of our health and safety assurance programme | | • Health and safety<br>• A strong organisational culture<br>• Price and reliability |
| **Public safety** | Immediate | = | = | • Implementing improvement opportunities arising from the Health and Safety Strategy/outcomes of sources of assurance (eg NZS7901 – Public Safety Management System)<br>• Implementing the outcomes of our high-risk power pole assessment, safety in design (lines down monitoring) and defect management (eg use of pole-top photography) | | • Health and safety<br>• Community engagement |
| **Poor customer service** | Slow | ↓ | ↑ | • Implementing our customer experience transformation<br>• Developing our digital customer journey<br>• Implementing a new Customer Initiated Works (CIW) model<br>• Commencing phase one of our Advanced Data Management System (ADMS)<br>• Working towards becoming a Distribution System Operator (DSO) enabled network<br>• AI adoption plan | | • A strong organisational culture<br>• Community engagement<br>• Price and reliability |
| **Talent acquisition and retention** | Slow | ↓ | ↑ | • Developing diversity and inclusion programmes<br>• Introducing a bespoke in-house Leadership Development Programme<br>• Growing a positive workplace culture<br>• Graduate and early career programmes<br>• Review compensation strategy for targeted roles | | • A strong organisational culture<br>• Workforce learning and development<br>• Industry collaboration |
| **Data protection and privacy** | Immediate | = | ↑ | • Implementing recommendations from an independent privacy health check | | • A strong organisational culture<br>• Workforce learning and development<br>• Cyber security |

| Risk | Risk velocity | Powerco trend | Global trend | Current and future mitigations and opportunities | Related pou | Material issue |
|---|---|---|---|---|---|---|
| **Long-term regulatory changes** | Slow | = | = | • Executing our stakeholder plan to deliver regulatory and policy outcomes that enable us to support the transition<br>• DSO initiatives to minimise asset-intensive investments and increase utilisation of existing assets<br>• Biogas strategy to minimise asset stranding risk of existing natural gas pipelines |  | • Supporting New Zealand's decarbonisation<br>• Resilience to extreme weather and climate change<br>• Price and reliability<br>• Industry collaboration |
| **Regulatory misalignment** | Immediate | = | = | • Executing our stakeholder plan to deliver regulatory and policy outcomes that enable us to support the energy transition<br>• Achieving appropriate funding levels through either default price-quality path (DPP) and flexibility mechanisms, or customised price-quality path (CPP) routes<br>• Live within regulatory outcomes, except where it creates value otherwise |  | • Supporting New Zealand's decarbonisation<br>• Resilience to extreme weather and climate change<br>• Price and reliability<br>• Industry collaboration |
| **Loss of critical systems/information** | Immediate | = | ↑ | • Enhance content and awareness of Powerco's Crisis Response Plan<br>• Review and implement refreshed stakeholder communication process<br>• Periodic testing and awareness of failover process<br>• Enhance resilience of internet connections to support situational awareness |  | • Resilience to extreme weather and climate change<br>• Health and safety<br>• Cyber security |
| **Cyber security** | Immediate | ↑ | ↑ | • Physical security enhancements<br>• Embedding data management framework<br>• Vendor risk management<br>• Ongoing investment and improvement in our cyber security system |  | • Cyber security |

| Risk | Risk velocity | Powerco trend | Global trend | Current and future mitigations and opportunities | Related pou | Material issue |
|---|---|---|---|---|---|---|
| **Operational** | | | | | | |
| **Technological change and artificial intelligence (AI)** | Rapid | = | ↑ | • Implement the Data and Digital Strategy<br>• Implement AI governance, policy and guidelines<br>• AI maturity assessment and target setting<br>• Workforce training and development<br>• Implement an AI deployment roadmap<br>• IT investment programme<br>• Modernised network architecture and DSO strategies<br>• External collaboration and partnerships | | • Technology and innovation<br>• Cyber security |
| **Uptake of gas renewables** | Slow | = | = | • Implementation of the renewable gas roadmap<br>• Wind down scenario captured in corporate model, accelerated depreciation captured | | • Supporting New Zealand's decarbonisation<br>• Resilience to extreme weather and climate change<br>• Powerco's carbon footprint |
| **Infrastructure interdependencies** | Immediate | = | = | • Opportunity to leverage lifelines advisory group co-ordination in FY25, to align infrastructure owner adaptation plans | | • Resilience to extreme weather and climate change<br>• Industry collaboration |
| **Supply chain** (our ability to secure services, assets or materials in a timely manner) | Immediate | = | ↑ | • Extensive review of our procurement practice<br>• Acceleration of equipment standardisation to enhance holding effectiveness and reducing costs | | • Supporting New Zealand's decarbonisation<br>• Resilience to extreme weather and climate change<br>• Health and safety<br>• Price and reliability |

| Risk | Risk velocity | Powerco trend | Global trend | Current and future mitigations and opportunities | Related pou | Material issue |
|---|---|---|---|---|---|---|
| **Major network outage** | Immediate | = | ↑ | • Procurement and inventory remediation included in the supply chain assessment<br>• Alternative network supply options to reduce impact, such as distribution batteries | | • Resilience to extreme weather and climate change<br>• Community engagement<br>• Price and reliability<br>• Cyber security |
| **Opportunity – Growth of electricity distribution and services** | Rapid | ↑ | ↑ | • Develop 30-year investment forecast using electricity demand drivers aligned to the Powerco climate scenarios<br>• Undertake proactive customer consultation to understand their plans<br>• Establish our DSO capabilities to minimise asset-intensive investments and increase utilisation of existing assets | | • Supporting New Zealand's decarbonisation<br>• Price and reliability<br>• Technology and innovation<br>• Industry collaboration |

# Climate-related risks and opportunities

Our role in the transition will have both risks and opportunities associated with the pace and extent to which we ensure our activities help customers to mitigate emissions and adapt to a changing climate.

In the past 12 months, we have integrated our climate-related disclosures into a wider Integrated Report (this report). This was a natural evolution conveying how climate-related matters are integrated into our strategic framework and asset management expenditure plans in a way that is meaningful to our organisation and adds value to our customers.

Our top risks and opportunities section provides an overview of the top risks facing our business, this climate-related section delves deeper into the specific risks and opportunities related to climate change. This detailed disclosure is in alignment with the Aotearoa New Zealand Climate Standards set by the External Reporting Board (XRB). This offers a robust, credible framework to ensure we understand and are prepared for the impacts associated with climate change. We have provided a climate standards index to clearly outline the connections to the climate standard requirements of NZCS1.

Our new Waitoa Industrial Estate Limited substation in the final stages of construction. In the foreground is the Powerco mobile hybrid SAPs unit, which provided temporary builders supply for the construction project.

## Our climate scenarios

Powerco has developed four challenging and unique scenarios, specific to the Powerco gas and electricity networks. They are centred on how New Zealand and the global transition to a net-zero carbon future (or lack of) will plausibly affect us over the short (2035), medium (2050) and long term (2080). Previous scenarios have been developed by both the energy sector and Powerco. This project has utilised and leveraged this previous work and aligned scenarios where appropriate[1]. These existing scenarios helped provide useful context and identify relevant drivers for the scenarios. During 2024, we have participated in the recent development of the New Zealand Energy Sector Scenarios and will utilise this work to determine any emerging risks and opportunities not previously considered.

Our scenarios describe the driving forces of climate change, building high-level assumptions about each of the plausible worlds. Policy ambition (either coordinated or delayed, global or local) are relevant to Powerco and, therefore, are seen as foundational to the scenario development. The warming scenarios include several representative concentration pathways adopted from the Intergovernmental Panel on Climate Change (IPCC) and consider a range of possible greenhouse gas (GHG) concentration trajectories. These are also aligned with the Socio-economic Shared Pathways (SSPs) of the recent IPCC AR6 report. In addition to the three Climate Standards mandated scenarios, Powerco has also elected to include a fourth scenario, New Zealand Greenhaven, which allows for a future where Powerco would need to consider both network resilience and decarbonisation aligned with a planned approach focused largely on electrification.

The time horizons in which climate-related risks and opportunities are identified are integrated into our strategic planning processes. The short-term time horizon (2035) captures part of our asset management planning period (10 years) and a variety of transitional risks and opportunities. The medium-term planning horizon (2050) aligns with New Zealand and international emissions targets. The long-term planning horizon (2080) accounts for the lifecycle of our network assets and variety of physical risks that we may encounter when we replace these assets.

**Global Alignment**

The globe and New Zealand pursue aggressive emissions reductions, and this succeeds in limiting global temperature increases to 1.5°C (above pre-industrial temperatures), with global net-zero emissions being achieved by 2050. The transition occurs in a coordinated manner across government and the energy sector, with clearly signalled policy changes.

- **1.5˚C policy ambition**
- **RCP 2.6 (0.9-2.3˚C by end of century)**
- **Lower increase in severe weather events**
- **Policy change is clearly signalled and smooth**

**Hothouse**

Global emissions continue to grow unabated largely due to a failure (reversal) of key emissions reduction policies both in New Zealand and in key developed, high-emitting countries. This leads to warming levels that reach 2°C by 2050, and continue to increase steeply thereafter, reaching 4°C by end of century. Climate 'chaos' enters mainstream discourse, across all sectors and communities.

- **No ambition**
- **RCP 8.5 (3.2-5.4˚C by end of century)**
- **Extreme increase in severe weather events**
- **No new policies, possible reversal**

**Global Delay**

The globe and New Zealand are delayed in their transition, resulting in a steady increase in temperature between 2020-2030. The New Zealand energy sector direction is unclear, and decisions are protracted. Realisation occurs in 2030 that action is urgently needed. However, this results in abrupt and poorly coordinated policy and market changes.

- **2˚C policy ambition**
- **RCP 4.5 (1.7-3.2˚C by end of century)**
- **Moderate increase in severe weather events**
- **Policy change is delayed and chaotic**

**New Zealand Greenhaven**

New Zealand and most of the developed world continue to pursue net-zero targets by 2050. However, the rest of the developing world do not follow suit, leading to a rise in global temperatures between 2-3˚C by end of century. New Zealand is viewed as a 'greenhaven' by many in the world and attracts investment and immigration as a result.

- **1.5˚C policy ambition**
- **RCP 4.5 (1.7-3.2˚C by end of century)**
- **Moderate increase in severe weather events**
- **Policy change is indicated and smooth for New Zealand**

[1]Electricity Networks Association (ENA) – Network Transformation Roadmap, 2019; The Future is Electric (Boston Consulting Group, 2022); Whakamana i Te Mauri Hiko (Transpower, 2020); Gas Infrastructure Futures in a Net Zero New Zealand (Vivid Economics, 2018); Gas Industry Company, Gas supply and demand study, (EY, 2023); Energy Sector Climate Change Scenarios (The Aotearoa Circle, 2024)

## Scenario analysis

Powerco's most material climate-related risks and opportunities are summarised in the following table. These risks and opportunities are integrated with our risk framework categories (environmental, social, governance, operational).

We have used scenario analysis to identify and evaluate our material climate-related risks and opportunities using the following methods:

- Drivers are identified and shortlisted.
- Shortlisted drivers are evaluated and prioritised in a qualitative manner in terms of their impact, climate-related velocities, current management response or proposed future mitigation.
- The risk assessment outcomes are aggregated to give a high-level indication of the relative importance of the climate-related scenario.
- The outcomes are further evaluated and integrated into our risk management framework the same manner as any other risk at Powerco.

More information on the methodology we used to develop our scenarios and identify climate drivers can be found here on our website.

In the following pages, for each climate-related risk or opportunity, we have detailed the current and anticipated impacts, along with our transition strategies. We have used climate-related metrics and targets to measure and monitor our progress towards our transition strategies. Where appropriate, the assumptions in this report align with our gas and electricity asset management plans, which provide context for these disclosures.

| Climate driver | Business | Climate scenario | | | | Time horizon | | |
|---|---|---|---|---|---|---|---|---|
| | | **Global Alignment** | **Global Delay** | **Hothouse** | **New Zealand Greenhaven** | Short – 2035 | Medium - 2050 | Long - 2080 |
| **Transitional risks** | | | | | | | | |
| Regulatory misalignment | Gas and electricity | Governance | Governance | | Governance | | | |
| Uptake in gas renewables | Gas | Operational | | | Operational | | | |
| **Physical risks** | | | | | | | | |
| Sea level rise and managed retreat | Gas and electricity | | Environmental | Environmental | Environmental | | | |
| Severe weather events | Gas and electricity | Environmental | Environmental | Environmental | Environmental | | | |
| **Transitional opportunities** | | | | | | | | |
| Growth of electricity distribution and services | Electricity | Operational | Operational | Operational | Operational | | | |

We have re-evaluated and tested the foundational assumptions underlying our material climate drivers in alignment with our scenarios and risk management framework. Below are the key changes between our FY24 and FY25 material climate-related risks and opportunities.

**Supply chain impacts:** Our procurement review focused on inventory and achieving greater visibility. Although this remains a top risk for Powerco, supply chain impacts are not currently climate driven.

**Customer behaviour and uptake in electricity renewables:** These have been regrouped as transitional opportunities under 'Growth of electricity distribution and services'. The transition plan will now focus on potential demand drivers for electrification to support long-term customer decarbonisation. Uptake in gas renewables has remained a material climate transitional risk.

## Regulatory misalignment

| Time horizon | | |
|---|---|---|
| Short – 2035 | Medium – 2050 | Long – 2080 |

## Current and anticipated impacts

Regulatory and policy settings can impact our ability to implement lower-carbon, resilient energy for New Zealand.

The Government has prioritised a market-driven energy transition with a focus on affordability and security[2]. This change impacts the policy environment which supports investment in the transition towards a target of net-zero emissions by 2050.

We remain concerned that short-term changes in policy settings, in particular short-term government pressures, may impact regulatory settings, which are focused on the long-term best interests of consumers. Our customer interests are best served by a sustainable (affordable, secure and environmentally sound) net-zero pathway[3].

Although greater certainty in the regulatory environment for electricity emerged in late 2024 (as the Commerce Commission delivered its final decision on the settings for regulated electricity distribution businesses for the period 2025 to 2030), uncertainty for the gas business will remain until 2026, when the gas regulatory settings are reset for the period from 1 October 2026. Over the long term, there is a risk that the costs associated with a changing climate could exceed our current regulated allowances and we will not be able to recover these costs.

There is also uncertainty with government policy reviews underway and recent market conditions (such as those experienced in winter 2024)[4] that may influence the direction of investment in energy and our role in supporting the energy transition. These include, for example, outcomes of the Energy Competition Taskforce, the market review, lifting the ban on gas exploration, regulatory changes to electricity pricing, and Resource Management Act national policy direction.

## Current and anticipated financial impacts

Aligned with our strategic framework, our 10-year asset management plans set the direction for growing and managing our gas and electricity assets[5].

Our regulatory settings are important to our business and customers. They underpin how much we can spend on our networks and the amount of revenue we are able to recover from our customers.

With the approval of the electricity DPP4 settings, we have certainty over our allowed expenditure for the next five years. The Commerce Commission approved 91% of our Capex expenditure and 88% of our Opex expenditure that we requested. The gas DPP4 process has commenced, however the final settings will not be confirmed until mid-2026, for commencement October 2026, causing some financial uncertainty beyond 2025.

As highlighted above, with expenditure allowances less than investment previously signalled, we will need to make trade-offs in our short-term investment plans. At this point in time, we do not see this significantly curtailing our ability to fund the costs of a changing climate. But there is a risk, longer term, that these costs cannot be recovered through the approved regulatory allowances, or that our customers may be unable or unwilling to fund these additional costs.

Our methods for quantifying anticipated financial impacts associated with a changing climate includes the audited values from our regulatory asset base (RAB) and associated revenue. These values are published on our website (see Financial and technical information disclosures, schedule 4) and includes the gas values (as of 30 September 2024) and electricity values (as of 31 March 2024).

## Transition strategy

We will continue to engage with regulators, policy makers and the broader energy sector. This is aligned with our financial stability target to secure regulatory settings that enable us to fund and deliver our strategy.[6]

**Our focus is on:**

- Adjusting our expenditure plans to reflect DPP4 allowances as set out in our 2025 Electricity AMP Update[7]. For example, the reduced operational expenditure allowances are likely to slow down our transition to a Distribution System Operator (DSO), however we remain committed to this path[8].
- Being ready to engage in a customised price-quality path application for the electricity business, price path reopener, or innovation processes to enable alternative outcomes if necessary.
- Ensuring the outcome of the Gas DDP4 process supports our role in the transition towards biogas, which is part of our mitigation plan for our regulated gas business.

[2]Government policy statement to the Electricity Authority, October 2024: GPS - gazette notice

[3]New Zealand Government, New Zealand's Second Emissions Reduction Plan 2026-30, December 2024: ERP2

[4]Transpower, Security of supply review – Winter 2024, November 2024

[5]Powerco, and Gas Asset Management Plan 2024, Schedule 11a and 11b) Report on forecast capital and operational expenditure.

[6]For progress against target, see Te Teo, Sustainable governance, financial and risk management foundations.

[7]Powerco, Electricity Asset Management Plan 2025, Section 5.4. Schedule 11a and 11b: Forecast capital and operating expenditure

[8]Powerco, Electricity Asset Management Plan 2025, section 4. The default price-quality path (DPP4) final decision (Page 26).

## Uptake in gas renewables

| Time horizon | | |
|---|---|---|
| Short – 2035 | Medium – 2050 | Long – 2080 |

## Current and anticipated impacts

We are currently experiencing a reduction in consumption and lower residential customer connection growth on our natural gas network. This is from the combined effects of gas supply constraints and a sluggish economy, coupled with uncertainty about the future of gas, leading to a notable decline in new residential gas connections, which are approximately 30% down against FY24 actuals[9]. We are, however, maintaining our existing residential customer base.

Our New Zealand Greenhaven scenario anticipates the wind-down of natural gas, phasing out over the short to medium-term timeframes. Under this scenario, there is a risk that our gas network assets could become stranded because of the forecasted steady reduction in natural gas usage as Aotearoa moves towards a target of net-zero emissions by 2050. There is, however, a high degree of uncertainty associated with this scenario because of the critical role gas plays in New Zealand's energy industry sectors, and our high levels of low-carbon energy resources[10]. New Zealand's Second Emissions Reduction Plan 2026-30 confirms that gas will continue to play a role in generation out to 2050. This is because the electricity system currently relies on gas and a limited amount of coal to meet peak demand in winter and to cover dry years.

Under our Global Alignment scenario, substituting natural gas use with biogas will support a low-carbon sustainable transition[11]. The Blunomy report[12] titled 'Vision for biogas in Aotearoa New Zealand' confirms the potential to capture and use biogas in New Zealand. The report found that New Zealand has the potential to produce 23.4PJ of biogas a year, which is more than enough to meet residential and commercial natural gas demand[13]. During the next 10 years as this potentially unfolds, we anticipate our revenue and gas volumes will remain steady.

## Current and anticipated financial impacts

Our current financial impacts relate to the reduction in revenue through lower anticipated natural gas volumes. We have calculated a revenue reduction of $226,793 for the gas regulatory reporting year, looking at the difference between the actual and forecast residential volumes for this period[14]. A large portion of this revenue reduction can be attributed to gas transition impacts, however the impact on total revenue is not significantly material (0.34%).

In the long term, if there was a wind-down of the natural gas network under the New Zealand Greenhaven scenario, the total carrying value of the gas network is at risk as the network becomes stranded. The regulated asset base of the Powerco distribution gas network is $454,818 million[15]. However, as we have noted, there is a high degree of uncertainty associated with the phase out of the gas network entirely.

Under the Global Alignment scenario, natural gas will gradually be replaced by renewable gas to support the overall energy system. While there is still a risk of stranded assets under this scenario, we have identified that only part of the gas network is at risk. Assets vulnerable to transitional risks (at risk of stranding) are included in the table below. This shows that in the short term, two network gates are at 'high risk' of becoming stranded, representing approximately $0.5 million of our RAB. In the long term, nine network gates are vulnerable to becoming stranded, representing approximately $9 million of our RAB. Our asset strategies focus on reducing the potential impacts of stranding on healthy gas gates.

**Table 1. Assets vulnerable to transitional risks (at risk of stranding)**

| Network gate categories | Total number of network gates (% of network) | ICPs | Revenue (million) | Total net asset value (RAB) (million) |
|---|---|---|---|---|
| Healthy | 25 (70%) | 112,728 | $55.9m | $407.6m |
| Vulnerable | 9 (25%) | 1,110 | $4m | $9m |
| High risk | 2 (5%) | 8 | $0m | $0.5m |
| Total | 36 | | | |

The following methods and assumptions support our revenue calculations:

- We have calculated the revenue lost from our standard residential customers which contribute to 61% of our revenue (compared to industrial customers at 8% of base revenue).
- The residential revenue lost has been calculated using the difference between the forecasted residential connections in the Gas AMP 2023 and the actuals in the Gas AMP 2024.
- The revenue calculation uses average regulatory year/per year 2024 revenue for a standard residential customer (from published Gas Distribution Methodology).

The vulnerability assessment included parts of our network that are at risk to asset stranding. We modelled our 36 gas gate networks against customer composition, gas volumes and financial performance and grouped them into categories: healthy, vulnerable and high-risk networks. The high-risk networks cost more to run than they recover in revenue.

[9]Powerco, Gas Asset Management 2024, Forecast Schedule 12c, Residential connections RY24 forecast versus actual

[10]Powerco, Grow to zero, November 2024

[11]New Zealand Government, New Zealand's Second Emissions Reduction Plan 2026-30, December 2024: ERP2 (Page 40, Paragraph 3)

[12]Blunomy: Vision for biogas in Aotearoa New Zealand, October 30, 2023

[13]Gas Transition Paper - Biogas Research Report, 17 February 2023, Table 3-1

[14]Gas information disclosures. Schedule 1 and 2

[15]Gas information disclosures, financial and technical 1 October 2023 – 30 September 2024, Report of value of regulatory asset base, page 12 (includes non-network assets)

## Uptake in gas renewables – Transition strategy

Our strategy provides a coordinated pathway towards a low-carbon sustainable future for the gas network focused on a transition to biomethane (renewable natural gas). Biomethane is a renewable gas that can be used the same way we use natural gas today, without adding additional emissions into the environment[16]. This strategy aligns with our 'Enabling New Zealand's growth' strategic priority.

As part of our commitment to use renewable natural gas in our networks in the future, we have two renewable gas projects under way, with a view to capturing biogas and upgrading it into biomethane to use in our gas network[17]. Our target is to have 20% of our residential and small commercial gas volumes renewable by 2030[18]. The production of renewable gas will be undertaken outside of our regulated asset business.

While we work on the production of renewable natural gas, our business-as-usual asset management planning strategy[19] is to support and maintain a steady residential and commercial gas customer base and transition our industrial gas customers to electricity over time. To monitor this strategy, we annually report on forecasted demand (new customer connections) over a five-year regulatory period in our Gas Asset Management Plan. Our forecasted demand target aligns with the Global Alignment scenario.

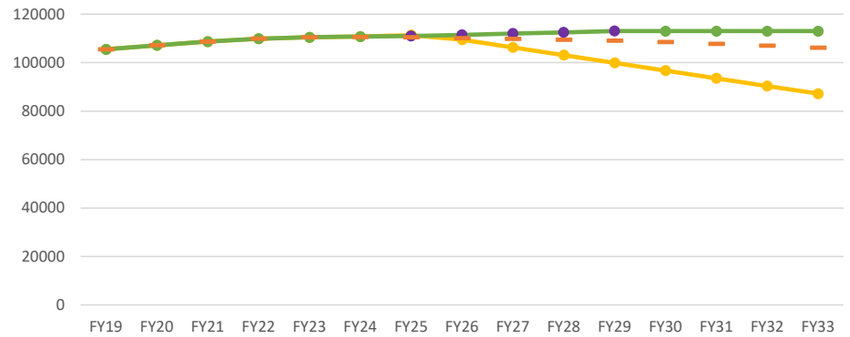
To track this target, we have modelled potential future pathways for the gas network, aligning them with our climate scenarios. The diagrams below illustrate the scenario assumptions relevant to both the New Zealand Greenhaven and Global Alignment scenarios. This includes the number of new connections for our residential, commercial, and industrial customers, and supports our expenditure forecasts[20]. These scenarios include assumptions about the future that are uncertain. They are neither a forecast nor prediction and only represent potential outcomes.

To provide additional context, we have also mapped the Powerco climate scenarios alongside the Ministry of Business, Innovation and Employment (MBIE) Electricity Demand and Generation Scenarios (EDGS) produced in 2024[21]. Our climate scenarios have been updated to reflect the MBIE EDGS industry reference scenario and a potential future where current trends continue alongside anticipated changes and predicted future gas connections.

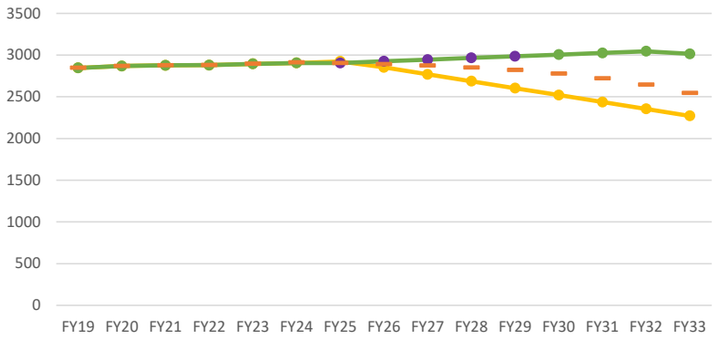
As projected by our Gas Asset Management Plan 2024, the anticipated demand is depicted in concordance with the Global Alignment scenario.

We are also considering the future of those small or non-viable networks identified to avoid stranding further assets and reduce cost impacts for customers. Decommissioning networks identified as 'high risk' of stranding would allow us to invest in areas of our healthy networks that have high growth and volume throughput, further protecting those assets and reducing costs to remaining customers.

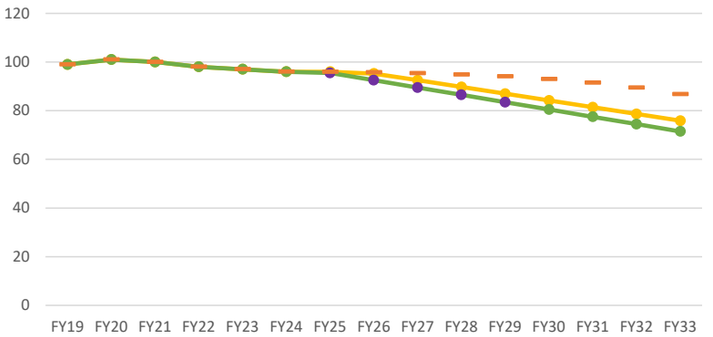
**Residential gas connections**




**Commercial gas connections**




**Industrial gas connections**




Customer connections under New Zealand Greenhaven scenario
Customer connections under Global Alignment scenario
MBIE EDGS industry reference scenario
Gas Asset Management Plan 2024 (target)

[16]Powerco, The future of gas, what is renewable gas (biomethane)
[17] Powerco, The future of gas, the journey to renewable gas
[18] For progress against target, refer to Taiao, Contributing to a lower carbon world,
[19]Powerco, Gas Asset Management Plan 2023, Section 6, Network Strategies
[20]Powerco, Gas Asset Management Plan 2024, Section 7.2 Forecast inputs and assumptions, 7.2.1 Consumer Connections
[21]MBIE: Electricity Demand and Generation Scenarios: Results Summary, July 2024

## Sea level rise and managed retreat

Time horizon

| Short – 2035 | Medium – 2050 | Long – 2080 |
|---|---|---|

## Severe weather events

Time horizon

| Short – 2035 | Medium – 2050 | Long – 2080 |
|---|---|---|

## Current and anticipated impacts

During FY25, we published our first Climate Adaptation & Resilience Plan[22]. This plan includes details of our regional-wide climate hazard modelling of our gas and electricity network against acute and chronic climate impacts, drawing on insights from previous weather events and validated with desk top site assessments.

We also published our Gas and Electricity Asset Management Plans (AMPs), which integrate our adaptation and resilience planning into our asset management strategies, supported by investment to mitigate impacted assets, further strengthening our asset management framework.

Although, last year, we experienced only one 'major event day', caused by significant gale force winds between the 16 and 18 September 2023[23], we continue to undertake resilience repair work associated with the impact of Cyclone Gabrielle.

Our Climate Adaptation & Resilience Plan includes detailed regional hazard vulnerability maps of the anticipated climate impacts on our assets in each region (refer to Climate Adaptation & Resilience Plan, appendix 5, pages 72-130).

We anticipate:

- Severe weather events to increase in frequency and severity with inland flooding and slips further impacting our networks and communities.
- Increasing sea level rise potentially submerging electricity and gas assets, exacerbated by storm surges and river and coastal erosion.
- Increasing interdependencies between infrastructure providers to initiate community level planning, with local councils facilitating managed retreat on an ad hoc basis. This will prompt the need to relocate existing infrastructure and change the ways we invest new infrastructure provisions accordingly.

## Current and anticipated financial impacts

As disclosed in our FY24 climate-related disclosure report, we calculated the financial impact of Cyclone Gabrielle on our network ($9.1m for the electricity network and $4.8m for the gas network[24]). While storm events are typically accounted for in our reactive and emergency forecasts within the network capital expenditure (Capex) and operational expenditure (Opex) categories, in this instance, we overspent in these categories, and as a result, underspent in other asset management categories to stay within our regulated allowances.

Our anticipated financial impacts include gas and electricity assets 'vulnerable' to damage over the short-medium and long-term timeframes. Assets are identified as 'vulnerable' where they are key points of supply to customers. The table below shows the number and percentage of these assets and the total net value of these assets[25]. The insurance replacement values associated with total impacted assets is also shown (true replacement value).

**Table 2. Assets vulnerable to physical risks (at risk of damage)**

| Fleet categories | Total number of assets (% of fleet) | Total net asset value (RAB) | Insurance replacement value (min) | Insurance replacement value (max) |
|---|---|---|---|---|
| Gas regulator stations | 47 (25%)* | $1.80m | $4.7m | $47m |
| Gas special crossings | 13 (4%)** | $0.38m | | $5.46m |
| Gas high pressure pipes (new) | 892.6m (0.0137%) | $0.14m | | |
| Electricity zone substations | 28 (21%)*** | $64.91m | $32m | $1.9b |
| Elecrtricity subtransmission poles (66kV/33kV) (new) | 174 (4%) | $1.15m | | |

*Includes one new station vulnerable to slips

** Number adjusted align with 2024 Gas Asset Management Plan

***We note there are 21 zone substation assets with flood protection provided by regional and local council flood mitigation assets, such as stop banks, flood gates and flood pumps. We acknowledge that our asset resilience relies on the adequacy of these flood protection measures, and we are actively working with councils to improve our understanding of these services.

The vulnerability analysis is supported by our regional-wide geospatial analysis outlined in our Climate Adaptation & Resilience Plan. The analysis included assets exposed to the following climate drivers:

- Inland flooding (1% AEP) and sea level rise scenarios (SSP 1-1.9 and SSP 2-4.5). The worst-case SSP 5-8.5 scenario was analysed; however, these assets were not included as it was deemed a reasonable approach to not impose unnecessary costs on our customers given the uncertainty of actual future projections[26].
- Coastal erosion based on a 150m buffer from the mean high-water spring (MHWS) tide level (used to define the coastline).
- Active slips, erosion and slip-prone soils classified into severity based on a 5m buffer using data from New Zealand Land Resource Inventory and GNS Science.

[22]Powerco, Climate Adaptation & Resilience Plan, July 2024
[23]Powerco, Default Price-Quality Path Annual Compliance Statement (01 April 2023 - 31 March 2024). August 2024
[24]Powerco, Climate-related disclosure report, page 22, July 2024
[25]Further details on our exposure analysis, including methods and assumptions, is detailed in the Powerco Climate Adaptation & Resilience Plan, section 6
[26]Annual exceedance probability (AEP) is the probability of an event occurring each year. Our climate scenarios include several warming scenarios aligned with Socio-economic Shared Pathways (SSPs) for New Zealand sea level rise predictions.

## Sea level rise, managed retreat and severe weather events – Transition strategy

Our gas and electricity networks that serve our communities cannot be separated from the physical environment risks where they are built. Therefore, our strategy is to ensure we deliver a level of network energy resilience that balances our customers' expectations, considering supply risk, exposure and upgrade costs. This aligns with our 'Future-ready networks' strategic priority.

To support this strategy, our Climate Adaptation & Resilience Plan outlines actions and strategies for managing physical climate risks. This includes a programme of resilience projects, supported by resilience investment in our 10-year gas and electricity AMPs[27] (electricity network $113m, gas network $20m). Our Gas AMP initiative, 'Embedding Resilience into a Renewable Future,' highlights the progress we have made in adapting to climate change.

We are currently progressing or, have completed, the following resilience repair projects (high criticality/ vulnerable):

- **Gas regulator stations:** Georges Drive renewal and SCADA relocation (complete)[28]
- **Gas special crossings:** Ngaruroro River bridge reinforced bracket replacement (underway)
- **Electricity subtransmission pole relocations:** Colville slip remediation (under construction)[29]
- **Community PowerHubs:** Ākitio (complete)[30]

Note, community PowerHubs will not reduce the percentage of vulnerable assets, but will support our customers during prolonged outages for events such as storms.

The actual expenditure towards these projects as of 31 March 2025 (our annual financial reporting period) is shown below. This expenditure will be publicly disclosed in our gas and electricity information disclosures – financial and technical once available[31].

**Table 3: Expenditure towards physical risks**

| | FY25 actual expenditure | Total allocated expenditure (10 years) (m) |
|---|---|---|
| Gas network | $0.1m | $20m |
| Electricity network | $0.4m | $113m |

As we work through the Climate Adaptation & Resilience Plan 10-year programme, our goal is to undertake site and feasibility assessments for the vulnerable assets as shown on the previous page.

For our gas business, we have planned feasibility assessments beginning in FY26 to assess options for future improvement initiatives. For our electricity business, we incorporate climate hazard mapping into our decision-making framework/investment tool for project optimisation[32].

[27]Investment is publicly disclosed in our report on forecast capital expenditure, available in our gas and electricity asset management plans, asset replacement and renewal expenditure category forecast
[28]Gas Asset Management Plan 2024, page 13-14
[29]www.powerco.co.nz/what-we-do/our-projects/keeping-colville-connected
[30]www.powerco.co.nz/what-we-do/our-projects/Ākitio-and-pongaroa-community
[31]Electricity Asset Management Plan 2025 and Gas Asset Management Plan 2024, Capex schedule 11a) Asset replacement and renewal expenditure categories
[32]For progress against target, see Whirinaki – Ensuring reliable and resilient networks.

## Sea level rise, managed retreat and severe weather events – Transition strategy

As our resilience projects will take several years to complete, we have a short-term goal to improve our self assessment for asset management using the Resilience Management Maturity Assessment Tool (RMMAT) in which resilience maturity is aligned on the 4Rs of the Civil Defence and Emergency Management (CDEM) framework.

- **Reduction –** Identification and mitigation of network vulnerability risks
- **Readiness –** Contingency planning training and exercising before an event
- **Response –** Immediate actions after an event assessment, repair and restoration of supply
- **Recovery –** Long-term reinstatement of network to provide pre-event security of supply service standards

As our understanding of our asset exposure has improved since we published our Climate Adaptation & Resilience Plan, and will continue to do so as we roll out our programme of resilience works, we expect this will be reflected in the RMMAT score. An RMMAT assessment of the gas network will be completed as part of the Gas AMP 2025.[33] Our current score for our electricity network is 2.25 (2023) and will also be updated.

The intention is that the RMMAT will be updated every two-to-three years, with an annual check-in.

We are continually communicating and sharing information with lifelines groups on our network, to further understand our interdependence and vulnerabilities. For example, the gas business has been working with lifelines groups in the Hawke's Bay region, focusing on sharing the locations of vulnerable assets and the roads needed to access them during a severe weather event.

As previously noted, we anticipate that severe weather events will increase in frequency and intensity, and that the financial impacts associated with severe weather events on our network may be significantly broad and ongoing. To monitor this assumption, we are tracking the historical impacts of severe weather events on our network by using industry metrics. For our electricity network we use 'major event days – SAIDI' to measure this impact, which is the days of severe weather that breach our System Average Interruption Duration Index (SAIDI) boundary value for unplanned interruptions (a value set by the Commerce Commission)[34]. For our gas network, we use outages (leakage).

As shown in the table, in 2024, our electricity network had one SAIDI major event day caused by significant gale force winds between 16 and 18 September 2023. There were no gas outages.

**Table 4. Historical impacts of severe weather events on our network**

| | 2023 Number. of major event days (electricity) or number of outages (gas) | 2023 Customer outages per day | 2024 Number. of major event days (electricity) or number of outages (gas) | 2024 Customer outages per day |
|---|---|---|---|---|
| Electricity network | Three - Cyclone Gabrielle | 34,000 | One | 11,256 |
| Gas network | No outages (leakage) | - | No outages (leakage) | - |

We will report on our 2025 'major event days – SAIDI' in FY26. As this metric provides a historical view of severe weather events, there is no target.

[33]For progress against target, see Whirinaki – Ensuring reliable and resilient networks.
[34]See FY24 Annual Compliance disclosure published 31st August 2024

## Growth of electricity distribution and services

| Time horizon | | |
|---|---|---|
| Short – 2035 | Medium – 2050 | Long – 2080 |

### Current and anticipated impacts

As an energy distribution company, we have a huge opportunity to help New Zealand decarbonise and grow our network. This includes helping customers connect to renewable energy in various forms[35].

In our 2024 Electricity Asset Management Plan, we formed a long-term base scenario of system peak demand using the following drivers of major growth:

- Process heat conversion
- Domestic gas conversion to electricity
- Electric vehicle uptake
- Organic growth
- Demand management (such as distributed energy resources)[36]

As sectors decarbonise in alignment with New Zealand's net-zero goal, we anticipate changing peaks in demand driven by the uptake of electric vehicles, industrial electrification and distributed energy resources[37]. These shifts will require a more flexible and resilient network, capable of accommodating new demand profiles and bidirectional energy flows.

To help us better understand anticipated electricity demand under various decarbonisation pathways, we have started work to align the system peak demand forecasts to the four Powerco climate scenarios (as shown on the next page). This is to acknowledge that electricity demand impacts and asset management decisions will differ under each climate scenario depending on policy and or ambition (both locally and globally).

There are also several less understood but highly impactful drivers that could affect electricity demand moving forward. These drivers are mostly centred on technological advancements, digital infrastructure surges, and the investment landscape in New Zealand, because of increased 'green tech' adoption and the attractiveness of renewable resources for overseas investment[38].

### Current and anticipated financial impacts

In order to achieve an energy system that supports net-zero by 2050, it has been estimated that $22 billion investment in distribution infrastructure is needed, in the short term, to prepare networks for electrification[39]. Network investment will be required to support this growth.

Our Electricity Asset Management Plan incorporates the costs we expect to incur to meet the future needs of existing customers as well as our best view of customers decarbonising and transitioning to electricity during the 10-year planning period. The Electricity Asset Management Plan forecasts show increasing network investment to support electrification (in real terms), albeit with investment constrained to spending allowances in the near term[40].

We recognise there may be a tipping point, where higher electricity network charges to recover sunk and future costs drive disconnection or reduced use or reliance, leaving fewer customers to shoulder an increasing cost base. Delivering the energy transition for Kiwis while balancing the energy trilemma (sustainability, affordability and security) remains critical[41].

As our knowledge of electrification drivers develops under future climate scenarios, in alignment with our customers' decarbonisation goals, so will our ability to refine the costs that Powerco will need to incur and the timing of those, within our asset management plans.

[35]Boston Consulting Group. 2022. The Future is Electric.
[36]Electricity Asset Management Plan 2024, Section 2.2 Electricity consumption trends
[37]New Zealand's Second Emissions Reduction Plan 2026-30, December 2024: ERP2 (page 34, figure 7.1)
[38]Electricity Asset Management Plan 2025, Section 2.2 Electricity consumption trends
[39]Boston Consulting Group, The future is electric, Published Oct 2022
[40]Electricity Asset Management Plan 2025, Schedule 11a) Capital expenditure forecast total.
[41]Powerco, Grow to zero, published November 2024

## Growth of electricity distribution and services – Transition strategy

At Powerco, we recognise our pivotal role in enabling the transition by supporting the electrification of transport, industry and process heat, as well as facilitating the integration of renewable energy sources. Developing a long-term investment plan of the electricity business is key to this and aligns with our 'Enabling New Zealand's growth' strategic priority.

To support this strategy, we are developing our own modelling and analysis to support a 30-year investment forecast for the regulated electricity business, using factors influencing electricity use (such as population trends, economic growth and the most recent consumption patterns), as well as future anticipated factors (demographics, distributed energy resources and flex uptake, technology change, electrification, climate change factors, etc).

The diagram below illustrates our current electricity demand scenario assumptions relevant to our four climate scenarios. We will be checking our assumptions every two-to-three years to update the Electricity Asset Management Plan and inform our investment plans.

We acknowledge it will take time to track clear patterns that contribute to overall energy demand and, to support that, we are:

- Proactively engaging with our customers to understand their long-term decarbonisation plans.
- Actively working in partnership with regulators to ensure there are the right incentives to invest.
- Ensuring our network decisions manage the energy trilemma (with our DSO capabilities a tactic to manage this).

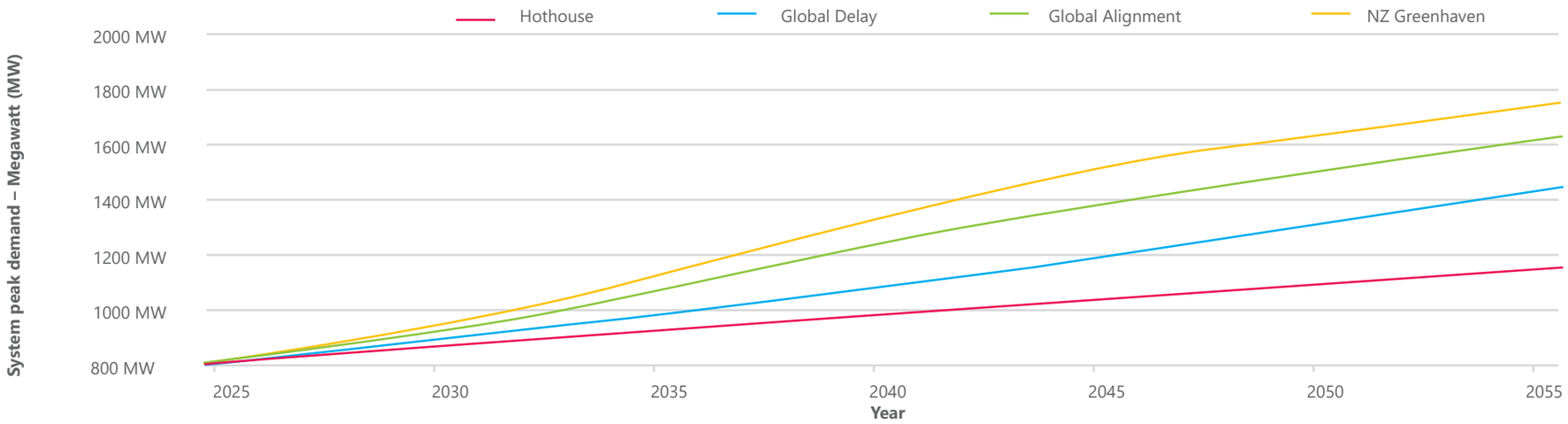
The demand forecasts are driven by an organic growth assumption and electrification scenarios.
The electrification scenarios either directly link to the climate scenarios or have developed analysis and research linked to demand forecasts and assumptions and climate narratives. Key updates include:

- Interplay between increased electrification demand, but DER moderating the resultant peak demand.
- Moderation of electric vehicle uptake rate to more closely align with industry views.
- Process heat assumptions from the recent Regional Energy Transition Accelerator (RETA) studies.
- Alignment with the future transition pathway assumptions for the gas network.
- Longer term work will look to include other potential electrification drivers/disruptors, eg data centres.

We note that the rate of electrification uptake may be slower than earlier Powerco forecasts, although the overall potential demand increase is similar.

This brings forecasts more in line with others (eg MBIE). We acknowledge that local and international policy will continue to be influential on Powerco's future demand forecasts.

### Electricity demand pathways



# Greenhouse gas metrics and targets

We measure and publicly disclose our greenhouse gas (GHG) emissions inventory annually. Our latest GHG Inventory Report was published in July 2025 and covers the financial year ending 31 March 2025 (FY25). By measuring and publicly disclosing our annual GHG inventory, we are accountable for the emissions that relate to our business operations.

As one of Aotearoa New Zealand's largest electricity and gas distributors, we also play a critical role in our customers' transition to a sustainable and low-carbon energy future. By enabling decarbonisation through electrification, and by preparing our gas network for low-carbon alternatives, we aim to contribute to New Zealand's net-zero 2050 target.

We recognise that reducing emissions while transitioning and adapting to the changing climate is a challenge.

Aligned with our strategic priorities to enable our customers to decarbonise and provide resilient energy, while also making sustainable choices in our own operations, we have set an emissions reduction target. This target is underpinned by our Emissions Reduction Plan, which sets out further detail on how we anticipate meeting our target.

The following pages summarise our GHG emissions along with details on our emissions reduction target, Emissions Reduction Plan and current progress towards meeting our target. Key underpinning methodologies and assumptions are included in our GHG Inventory Report.

## Greenhouse gas emissions

Since FY20, we have measured and publicly disclosed our GHG Inventory Report annually.

Our GHG inventory is prepared in accordance with the GHG Protocol, using the operational control consolidation approach, and is annually verified by a third-party assurance provider against the ISO 14064-1:2018 and ISO 14064-3:2019 standard. Emissions factors and any exclusions are included under the methodology section.

The table below contains a high-level summary of our emissions[42]. It also shows our overall emissions in comparison with our base year (FY21). Our FY25 GHG Inventory Report provides comparative metrics and an analysis of trends for our overall emissions, as well as by category and individual emission source[43]. As detailed in the table, our overall emissions have decreased compared with our base year (FY21) but have increased compared with FY24.

Compared with the FY21 base year, the most material changes in emissions are due to our gas and electricity line losses:

- The decrease in scope 1 emissions compared with the base year is mainly driven by a reduction in our reported gas line losses.
- The decrease in scope 2 emissions compared with the base year is mainly driven by a reduction in our electricity line losses (due to a change in emissions factor).

Our total reported emissions for FY25 compared with FY24 have increased. This was largely due to the increase in our spend-based purchased goods and services. The increase in scope 1 is a result of using an updated Global Warming Potential for gas line losses.

**Table 5: Powerco's emissions by scope in tonnes of carbon dioxide equivalent (tCO2e).**

| Scope | FY25 tCO2e | FY24 tCO2e | Base year FY21 tCO2e | Variance (FY25 vs Base Year) | |
|---|---|---|---|---|---|
| | | | | tCO2e | % |
| **1** | 59,592.44 | 54,049.44 | 85,702.25 | -26,109.81 | -30.47 |
| **2** | 20,266.91 | 20,352.92 | 28,184.97 | -7,918.06 | -28.09 |
| **3** | 101,650.06 | 85,285.79 | 79,858.56 | 21,791.50 | 27.29 |
| **Total** | **181509.41** | **159,688.15** | **193,745.77** | **-12,236.36** | **-6.32** |

[42] Our definition of scopes 1, 2 and 3 emissions are based on the GHG Protocol ( https://ghgprotocol.org/calculation-tools-faq)
[43] Powerco Greenhouse Gas Emissions Inventory Report, Emissions by GHG emissions source, Table 6.
FY25 GHG emissions (tCO2e) by activity, published July 2025.

## Intensity metric

Emissions intensity metrics are a useful way of providing a normalised view of emissions when energy delivered fluctuates or to provide proportionality to emissions sources. We believe a relevant emissions intensity metric for energy distributors, such as Powerco, is scope 1 and 2 emissions per gigawatt hour (GWh) of energy delivered. This helps explain Powerco's scope 1 and 2 emissions footprint relative to the amount of energy we distribute.

The figure below shows our FY25 GHG emissions intensity for scope 1 and 2 emissions as 11.06tCO2e per GWh of energy transported through our networks. This is a decrease from 15.61tCO2e in our base year of FY21.

The main impact on this is the change in reported emissions from gas line losses. You can read more about our gas line loss emissions methodology in our FY25 GHG Inventory Report (see the explanatory text for table 10 and App A – Marcogaz model).

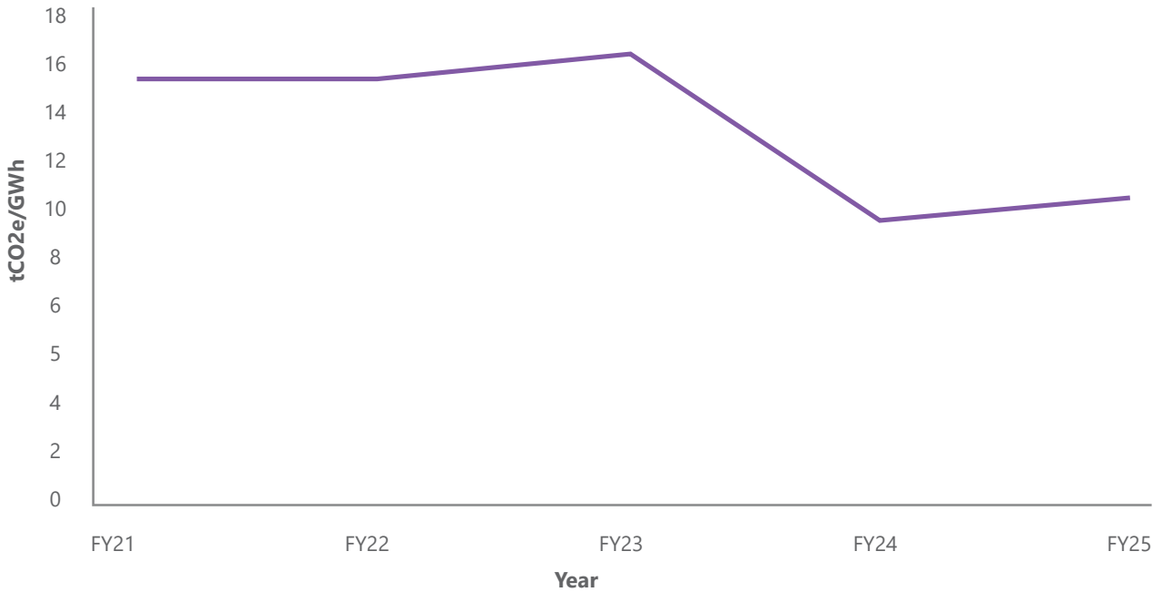



**Figure 1: Comparison of scope 1 and 2 emissions intensity over time.**

## Emissions reduction target

During FY25, with support from an independent specialist sustainability firm, we set an absolute emissions reduction target of 57% reduction in scope 1 and 2 emissions (excluding electricity distribution line losses) by 2030 from an FY21 base year. This target was developed using Science Based Target Initiative (SBTi) methodology. However, our target has not been validated by SBTi because SBTi's methodology provides for the inclusion of emissions related to electricity distribution losses, which we have excluded. We can therefore not attribute our target to being entirely consistent with keeping global warming to 1.5°C, but we believe to include electricity line losses could inhibit New Zealand's efforts to decarbonise.

## Why electricity line losses are excluded from our target

Electrification of Aotearoa New Zealand's economy will play an important role in the country's decarbonisation and net-zero by 2050 ambition. To enable electrification, it is expected that networks like ours will need to increase capacity to meet the additional demand, correlating with potential increases in line losses, a factor that is largely an inevitable by-product of electrical conduction, and outside of Powerco's control.

As we trial emerging technologies, such as battery energy storage systems, and develop Distribution System Operator (DSO) capabilities that facilitate Distributed Generation/Distribution Energy Resources and flexibility uptake, reduced demand and flattened load profiles can be expected to result in a modest reduction in electricity line losses.

The cost of any significant reduction in line losses needs to be balanced against any possible barrier it creates to this transition and the overall cost of electricity to our customers. As the percentage of electricity generated from renewable sources increases, this will reduce the carbon intensity of electricity supplied and, therefore, the emissions associated with network line losses. Line losses are therefore currently excluded from our emissions reduction target.

## Emissions Reduction Plan

Our reduction target is underpinned by an Emissions Reduction Plan, which outlines emissions pathways for each emissions source. On this basis we believe a 57% reduction is achievable by 2030, and does not include the use of carbon offsets.

The figure below demonstrates our anticipated emissions reductions to meet our target. Key underpinning assumptions and dependencies are included in Table 9 of our GHG Inventory Report.

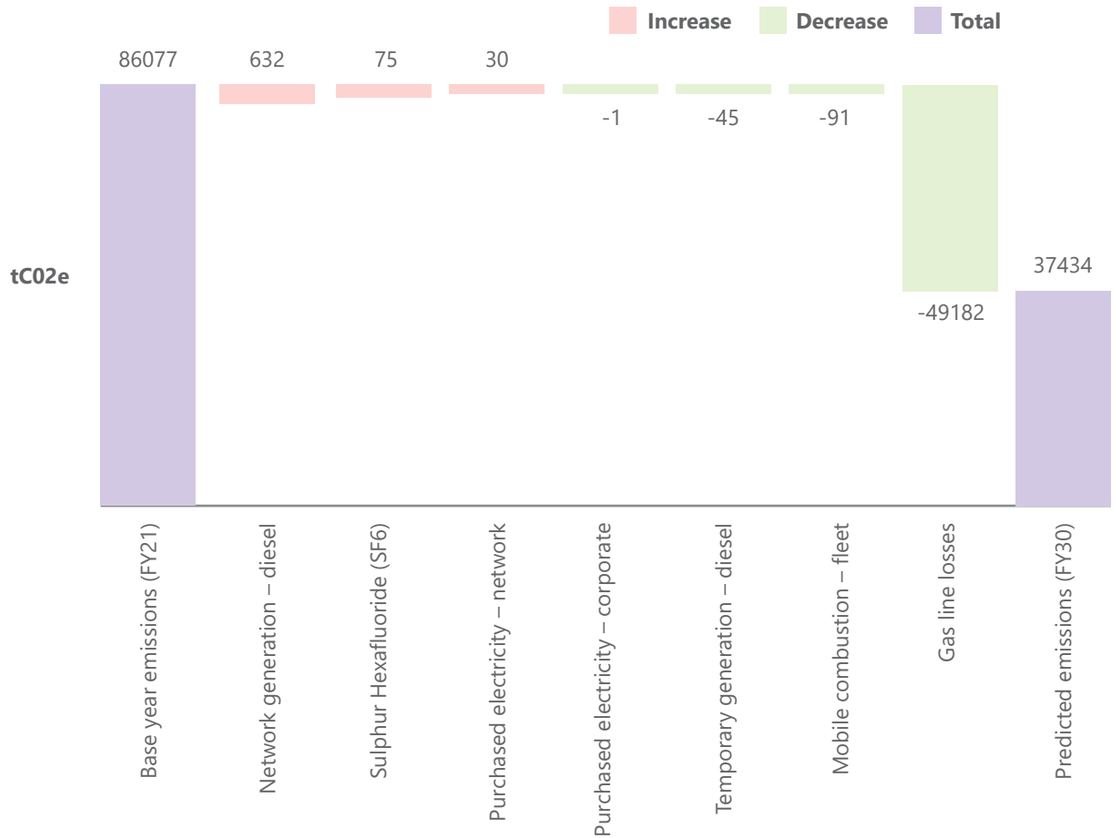



**Figure 2: Powerco's anticipated emissions reductions**

## Emissions reduction target – progress update

During FY25, total target emissions were 30.44% lower compared with the FY21 base year. This is largely because of a reported decrease in gas line losses.

Compared with the previous year (FY24), our target emissions have increased by 10.19%. This is largely due to the change in global warming potential for natural gas.

### Internal emissions price

We have used a cost of carbon of $140/tCO2e when applying carbon abatement cost curves, to help with decisions around mitigation options to pursue for our target emissions. This was based on the Climate Change Commission's 2021 modelling, which indicated that meeting New Zealand's 2050 target would involve marginal abatement costs to reduce emissions from energy use at around $140 in 2030.

Our FY24 climate-related disclosure reported that the electricity value framework included a carbon price. This has been updated to reflect the $140/tC02e used in our abatement curves. This carbon price is overseen by the Asset Management Steering Committee and will be re-reviewed.

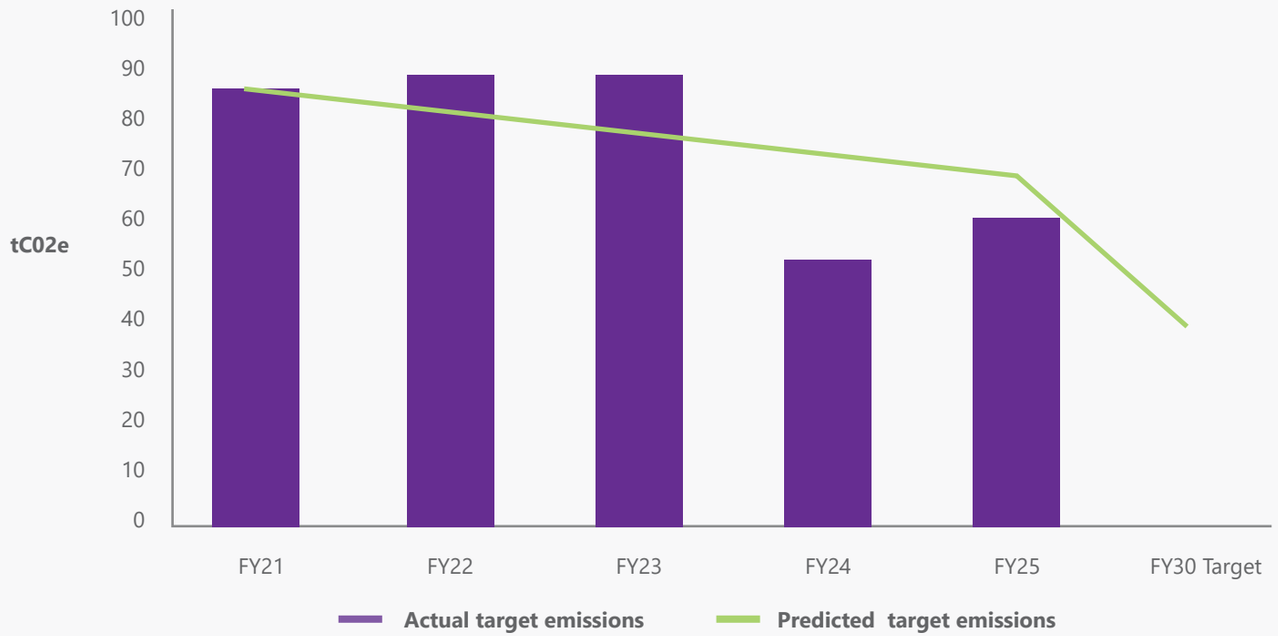



**Figure 3: Annual actual and predicted target emissions**

# Delivering value




Whirinaki
Ensuring reliable and
resilient networks

## **Case study –** *Whirinaki*

### Scenario-based disaster assessments boost resilience

As a lifeline infrastructure owner and operator, we work closely with other lifeline groups throughout the areas we operate to ensure we're resilient, co-ordinated and can respond in a major event such as a cyclone, earthquake, volcanic eruption or other emergency.

Close working relationships with other lifelines ensure we're prepared, particularly as climate change increases extreme weather events.

During FY25, we've contributed to three scenario-based assessments across our footprint, which included:

- The national oil and gas outage exercise in response to a volcanic eruption of Taranaki Maunga (Mt Taranaki).
- A critical contingency response to a sizeable earthquake and tsunami centred in the capital, Wellington.
- Helping pinpoint priority evacuation and essential service routes as part of the New Zealand Lifelines Council North Island Priority Routes Project.

As well as having a Powerco presence at the table of all the lifeline advisory groups in communities throughout our electricity and gas network areas, our Head of Risk, Carl Wallworth, was appointed Chair of the Taranaki Lifelines Advisory Group (LAG) in July 2024 and represents Powerco on the New Zealand Lifelines Council.

This led to a visit to Powerco by David Gawn, Chief Executive of the National Emergency Management Agency (NEMA), in November. David received a tour of our Network Operations Centre 'storm room' – our specialised control centre during major events. During major events we work closely with other lifeline agencies using the co-ordinated incident management system (CIMS).

In the coming year, our involvement in the Taranaki LAG will see us help lead a pilot programme to establish co-ordinated long-term infrastructure planning among lifeline agencies, so that we're working in collaboration rather than in parallel on resilience projects.

"In New Zealand, we're not always good at co-ordinating and sequencing work that different lifeline agencies are doing. This can mean a road, for example, being dug up a number of times in a relatively short timeframe, as various agencies upgrade or move infrastructure," Carl Wallworth says.

> "What we want to be able to do is collate the likes of all the various councils' long-term plans, national roading plans, other infrastructure companies' asset management plans, along with our Climate Adaption & Resilience Plan, to identify common areas of resilience work and then collaborate to progress projects in a co-ordinated and sequenced way."

Green = On track or completed Amber = Still in progress or target modified Red = Limited progress or change in direction

| Term | Target FY25 | Performance FY25 |
|---|---|---|
| Short | **Resilience to climate change** – Undertake site and feasibility assessments to determine the impact of assets identified as vulnerable to physical climate risks and prioritise according to our decision-making framework/investment tool. | We only partially completed our planned site feasibility work during FY25. It was paused while we focussed on planning, resulting in the publication of our Climate Adaptation & Resilience Plan. This documents our approach to identify, mitigate and adapt to climate change. A number of climate resilience projects were also completed including:<br><br>**Gas network:**<br>Vulnerable gas assets were identified and prioritised using exposure maps. Physical feasibility assessments will now be undertaken in FY26. Timing for remediation work will be confirmed from FY27.<br><br>**Electricity network:**<br>• Our first community PowerHub (Ākitio) was established to improve community resilience for electricity.<br>• Network hardening projects were undertaken to improve identified priority climate change risks.<br>• We contributed to the Electricity Engineers Association Resilience Guide update.<br><br>Our gas and electricity networks now have different short-term resilience initiatives and so separate FY26 targets have been set. |
| Short | **Cyber risk management –** Maintain our independent certification under the ISO 27001 Information Security management standard. | We successfully maintained our independent certification under the ISO 27001 Information Security management standard. However, reflecting on this target we believe it is more a measure of data privacy than cyber risk. The FY26 target has changed accordingly. |

| Term | Current targets FY26 |
|---|---|
| Short | **Resilience to climate change** – Undertake physical feasibility assessments to determine the impact of gas assets identified as vulnerable to physical climate risks. |
| Short | **Resilience to climate change**<br>• Establish a second community PowerHub to improve community electricity resilience.<br>• Incorporation of climate change hazard data into our investment optimisation tool (Copperleaf) to include as part of our long-term electricity asset replacement criteria.<br>• Publish our climate hazard maps to be used by electricity network designers and defect managers. |
| Short | **Cyber risk management** – Set a baseline measure for cyber security using the Australian Energy Sector Cyber Security Framework (AESCSF) and establish key areas for improvement. |

| | | |
|---|---|---|
| Short | **Reliable energy supply** – Keep our customers' power on for an average of 99.95% of the time. | During FY25, we kept our customers' power on for an average of 99.95% of the time. |
| Short | **Resilience to climate change** – Publication of our first Climate-related disclosure report, and our Climate Adaptation & Resilience Plan. | Our inaugural Climate-related disclosure report, and our Climate Adaptation & Resilience Plan were published in July 2024. These climate-related publications present our transparent approach to the challenges and opportunities of a changing climate and set out our plan to transition to a low-emission climate resilient state. |
| Short | **Resilience to disaster** – Collaboration with other key infrastructure operators to identify interdependencies for resilience to disaster events. | We are now a member of the regional lifeline advisory groups across its footprint, and a contributing member of the New Zealand Lifelines Council. We have collaborated through these forums on both regional and national interdependencies. A more formal approach has commenced through a pilot co-ordination of infrastructure adaptation plans across the Taranaki Lifelines Group and recurring agenda discussions at NZLC. |
| Medium | **Resilience to disaster** – Complete regionally based scenario assessments to test our proposed likely response capabilities for critical customers during high impact, low probability events. Develop community acceptable response targets and where appropriate, improvement plans. | As a lifeline infrastructure owner and operator, We have contributed to a number of scenario-based assessments across our footprint during FY25. These include the national oil and gas outage and response exercise following a Taranaki eruption, Exercise Harunga (critical contingency response to an earthquake) and the NZ Lifelines Council North Island Priority Routes. |
| Medium | **Reliable energy supply** – Implementation of our Advanced Distribution Management System (ADMS) to support the reliability and resilience of supply. | In November 2024 we went live with our first Advanced Distribution Management System (ADMS) upgrade, implementing an updated geospatial visualisation of the electrical network. Work continues towards intelligent switching and developing an operator training simulator. |
| Short | **Reliable energy supply** – Deliver energy security to gas customers by keeping gas flowing 99.99% of the time. | During FY25, we kept gas flowing to our customers, an average of 99.99% of the time. |

| | |
|---|---|
| Short | **Reliable energy supply** – Keep our customers' power on for an average of 99.95% of the time. |
| Short | **Resilience to climate change** – Improvement in our self-assessment for resilience using Resilience Risk Management Maturity Assessment Tool (RMMAT). |
| Short | **Resilience to disaster** – Formalise the co-ordination of infrastructure interdependencies during disaster events, through a Taranaki Lifelines Advisory Group pilot. |
| Medium | **Resilience to disaster** – Update emergency response plans in co-ordination with regional and national emergency management agencies to define community acceptable response targets. |
| Medium | **Reliable energy supply** – Continue the rollout of further ADMS modules and functionality as per our roadmap, including the business adoption of intelligent switching and developing an operator training simulator. |
| Short | **Reliable energy supply** – Deliver energy security to gas customers by keeping gas flowing 99.99% of the time. |
| Short | Update our 30-year electricity demand forecast scenarios to inform our network strategies and planning. |


Taiao
Contributing to a lower carbon world

## **Case study –** *Taiao*

### Here comes the sun

The sun's rays are helping power our head office campus in New Plymouth.

In early 2025, the roof of our Pouakai building in Junction St was fitted with 480 x 440W photovoltaic (PV) modules to enable more of our New Plymouth campus, where about 40% of Powerco people work, to be powered by the sun.

The solar panels are an initiative to reduce our reliance on the electricity grid by utilising the roof space to harness the sun's renewable energy, says Head of Corporate Property, Dave Circuitt.

> "The panels cover around 50% of the building. We're expecting to consume everything we produce."

The new arrays complement the smaller arrays already on the roof of our Network Operations Centre and Kaimai buildings, which are on the same campus.

As it's expected we will consume all the power we generate, and continue to use the grid when required, we are not purchasing battery storage at this stage, Dave Circuitt says.

Modelling predicts the new solar panels will annually produce about 364 megawatt hours of renewable energy. Combined with the existing solar arrays, it means at least a third of our energy consumption at the Junction St site will be produced by the sun.

As we do not own the buildings where our other offices are located, solar panels are not an option at this stage for our other sites. We will, however, looking at the potential for more solar at our New Plymouth site in the future.


Green = On track or completed Amber = Still in progress or target modified Red = Limited progress or change in direction

| Term | Target FY25 | Performance FY25 |
|---|---|---|
| Long | **Reduce corporate emissions** – Reduce leaks (and related emissions) on the gas network over the next five years. | Previously our calculation for greenhouse gas emissions from gas line losses, was based on the amount of gas passing through our pipes. This was inherently inaccurate (being based on a set leakage rate) and did not reflect the outcomes of our targeted pipeline replacement programme. During FY25, we began utilising the Marcogaz model, which uses actual leakage data. In combination with this, our new leakage detection vehicle means we can find gas leaks faster and this greater data collection is helping to inform our decisions on future improvements to leak repair times and emissions. |
| Short | **Reduce corporate emissions** – Survey our entire gas network (usually this would take five years), using our improved leakage detection vehicle. | Our new leakage detection vehicle has allowed us for the first time to survey our entire gas network in one year. This is now part of our standard leakage detection programme. |
| Short | **Reduce corporate emissions** – Evaluate gas leakage data quarterly while refining Marcogaz leakage model in preparation for setting a baseline for emissions reductions. | Using the past five years of actual gas leakage data, we have successfully established a more accurate baseline emissions value. This has been reviewed externally and verified as part of Powerco's GHG inventory reporting. |
| Short | **Customer decarbonisation** – Measure our contribution to customer decarbonisation through:<br>1. Forecast MWh electricity enabled through committed industrial decarbonisation projects (customers changing to a lower carbon energy source).<br>2. Additional MW capacity through public EV chargers on our network.<br>3. Additional MW capacity of Distributed Renewable Energy delivered directly into Powerco's electricity network (projects over 100kW).<br>4. Fossil gas volumes (GJ) displaced by renewable gas. | 1. 3.65MW of forecast electricity was enabled though committed industrial decarbonisation projects (customers changing to a lower carbon energy source);<br>2. >7 MW of additional EV charger capacity was made available on our network;<br>3. 4.45 MW of additional distributed renewable energy was delivered directly into Powerco's electricity network (projects over 100kw); and<br>4. No fossil gas was displaced by renewable gas. |
| Short | **Reduce corporate emissions** – Reduce carbon emissions from our vehicle fleet by an additional 6%. | During FY25, carbon emissions from our vehicle fleet reduced by 14%, which far exceeded our target of a 6% reduction. |
| Short | **Reduce corporate emissions** – 100% of scope 1 and 2 target emissions sources have an Emissions Reduction Plan demonstrating a holistic reduction target. | During FY25, with support from an independent specialist sustainability firm, we set an absolute emissions reduction target of 57% reduction in scope 1 and 2 emissions (excluding electricity distribution line losses) by 2030 from a FY21 base year. |

| Term | Current targets FY26 |
|---|---|
| Long | **Reduce gas fugitive losses** – 25% reduction in gas line losses emissions by 2030, based on an FY25 base year. |
| | Complete. Replaced with emissions reduction target. |
| | Complete. Emissions reductions target is based off this work. |
| Short | **Customer decarbonisation** – Measure our contribution to customer decarbonisation through:<br>1. Forecast MWh electricity enabled through committed industrial decarbonisation projects (customers changing to a lower carbon energy source).<br>2. Additional MW capacity through public EV chargers on our network.<br>3. Additional MW capacity of Distributed Renewable Energy delivered directly into Powerco's electricity network (projects over 100kW).<br>4. Fossil gas volumes (GJ) displaced by renewable gas. |
| | **Reduce corporate emissions** – Annual emissions reductions to meet our absolute emissions reduction target of 57% reduction in scope 1 and 2 emissions (excluding electricity distribution line losses) by 2030 from a FY21 base year. |
| Long | **Reduce corporate emissions** – Meet our annual planned emissions reductions of 57% reduction in absolute contraction of scope 1 and 2 emissions (excluding electricity line losses) by 2030 from our FY21 baseline year. |

| | | |
|---|---|---|
| Medium | **Reduce corporate emissions** – Reduce generator usage through the management of reactive fault management. | During FY25 we began tracking our specific spend on temporary generation used for electricity faults, with the aim of being able to show the impacts of initiatives focused on reducing generator costs. Some of these initiatives will also reduce the emissions associated with generator use on our network. These include proactive involvement with generator plans, monitoring of generator use, and having a specific resource focused on network faults. |
| Medium | **Customer decarbonisation** – Reduce the average connection time for EV chargers to be installed on the Powerco network. During FY25 we will baseline connection times and adopt Powerco-managed connection process. | Our existing connection system and contractor model, makes it difficult to monitor or report accurately on EV connection timeframes. From September 2025, Powerco will shift to a Powerco-managed direct customer connection model. At the same time, our connection system will be upgraded. This change will give Powerco greater oversight of connection management, enabling us to track and report on connection timeframes by the end of FY26. For this reason, our FY25 target has been rolled over to FY26 while we make these changes. |
| Short | **Customer decarbonisation** – Complete our renewable natural gas feasibility and network integration project. | We undertook feasibility and network integration work to advance our understanding of the technical and economic feasibility of upgrading biogas from landfills and wastewater treatment plants for renewable natural gas integration. |
| Long | **Customer decarbonisation** – 20% of residential and small commercial gas volume going through our network is renewable by 2030. Identification of a specific year-on-year targeted renewable gas volume supply for FY25-FY30. | In FY25, we made progress towards our 2030 renewable gas target by advancing integration planning, engaging with potential developers, and exploring supply opportunities for our distribution network. |

| | |
|---|---|
| Medium | **Reduce corporate emissions** – Reduce generator usage through the management of reactive fault management. |
| Medium | **Customer decarbonisation** – Reduce the average connection time for EV chargers to be installed on our network. During FY26 we will baseline connection times. |
| Short | **Customer decarbonisation** – Reach Final Investment Decision (FID) on at least one biogas project. |
| Long | **Customer decarbonisation** – 20% of residential and small commercial gas volume is renewable by 2030. Identification of a specific year-on-year targeted renewable gas volume supply for FY26-FY30. |


Hauora
Promoting health and safety

## **Case study -** *Hauora*

### Stop for Safety to help address critical risk events

Our contracting crews – those fixing faults and maintaining and building our networks – have been downing tools for safety.

In June and July 2024, our health and safety (H&S) and operations teams, along with executive leaders, visited 25 contractor depots throughout our electricity and gas network areas for 'Stop for Safety' – an initiative focusing on critical safety risks.

It hadn't been a great start to the year. One of our contractors had fallen from height off a ladder, one received burns from a flashover, one had been struck on the head by a falling object, and another was involved in a serious motor vehicle accident, all within only a couple of months.

> "We've had a huge focus in the past year on critical risks – incidents that can potentially permanently harm or be fatal, which are preventable through training and discipline. We're working with our contractors to emphasise the importance of addressing these risks so that every one of them can safely go home to their whānau each and every day."

Head of Health and Safety
**Craig Stewart**

Stop for Safety was the first of several initiatives to address high-risk contractor activities in the past year, including:

- Workplace safety interactions (WSI) where our Board of Directors, Executive Leadership Team (ELT) and other members of the Powerco team visited operational sites to talk with frontline providers. Directors carried out 15 WSI (target 15) in FY25, ELT members 82 (target 80), while Powerco team members, representing H&S, environment, project management and operations, carried out 657 (well exceeding the 380 target). These workplace safety interactions enable two-way communication and feedback, with the common goal of improving safety and efficiency on our networks.
- Powerco contractor H&S forum, held in late 2024, brought together representatives from all of Powerco's contractors. The forum was an opportunity to learn from expert guest speakers, receive H&S-related business updates, network with other contractors, and celebrate H&S excellence with our annual H&S performance awards.

### Cutting speed

Motor vehicle crashes are one of the highest safety risks for our team members. As such, we have been cracking down on speeding by setting targets and improving the electronic system that gives drivers real-time prompts if they go over the speed limit. Our leaders, including the CEO, have personally addressed speeding breaches with individual workers to understand the reasons behind their speeding and prompt change.

These measures have resulted in the frequency of speeding incidents decreasing. Our target for FY25 was 1.70 overspeed events per 10,000km travelled (or less), which was achieved with a year-end figure of 1.28.

### New learning management system

During FY25, we launched a new online learning management system (LMS). Where previously we had (or didn't have) training records scattered across different teams, programmes and systems, our new LMS provides one source of truth, to enable consolidation of all learning material and training records for Powerco employees.

The LMS is important in that it provides reassurance that the right level of training is in place, particularly for safety-sensitive roles, and easily accessible for managers to review.

Green = On track or completed Amber = Still in progress or target modified Red = Limited progress or change in direction

| Term | Target FY25 | Performance FY25 |
|---|---|---|
| Medium | **Keep our people safe** – Establish a Psychosocial Risk Management metric, target and report monthly. | Limited work was undertaken during FY25 to establish a Psychosocial Risk Management metric, but this is still a goal for our company. |
| Short | **Health and safety systems risk management** – Develop and deploy a Learning Management System. | During FY25 we developed and deployed a Learning Hub to capture all our training records and support our people with easy-to-access online training. |
| Short | **Health and safety systems risk management** – Establish a benchmark for the percentage of scoped projects with H&S risk assessments, then establish a % target. | During FY25, 91% of scoped projects included H&S risk assessments. This target has been updated for FY26 based on our findings when reviewing FY25 project risk assessments. Focus for FY26 will be on improving the quality and timing of the H&S risk assessments for project work. |
| Short | **Keep our people safe** – Driving overspeed frequency rate <1.70. | Our driving overspeed frequency rate for FY25 was 1.28. This was better than our target of <1.70. |
| Short | **Health and safety systems risk management** – Achieve Workplace Safety Interaction targets at three levels: Directors (15) Executive Leadership (80) and Powerco team (250). | We achieved or exceeded all of our Workplace Safety Interaction targets: Directors (15) Executive Leadership (82) and Powerco team (657). |
| Short | **Health and safety systems risk management** – Achieve 25% positive incident reporting rate (near misses, push backs and hazard IDs). | We achieved 48% positive incident reporting rate (near misses, push backs and hazard IDs). This exceeded our target of 25%. |
| Short | **Keep our people safe** – 10% reduction in higher safety risk assets (electricity). | We reduced our higher safety risk assets by 15.55% during FY25. This exceeded our target of 10% reduction but will continue to be a focus for FY26. |
| Short | **Keep our people safe** – Deliver quarterly workshops to all of our gas network service providers to improve our safety relationships with our contractors. | During FY25 we met with all of our service providers three times with a direct focus on safety. These included 'Stop for Safety' sessions, a review of safety performance for the year and back-to-work safety sessions. We also attended service providers' monthly toolbox meetings, covering all of the regions we distribute gas. These meetings discussed incident findings, KPI's changes in standards, proactive reporting, new tools and operations, machinery, working around other's assets, interaction with customers, working around gas, and driving. |

| Term | Current targets FY26 |
|---|---|
| Medium | **Keep our people safe** – Establish a Psychosocial Risk Management metric, target and report monthly. |
| Short | **Health and safety systems risk management** – Expand our offering of training topics and use our system reporting as a lead Indicator of H&S performance. |
| Short | **Health and safety systems risk management** – Review the process, timing and content of risk assessments following the work done in FY25. |
| Short | **Keep our people safe** – Driving overspeed frequency rate <1.70. |
| Short | **Health and safety systems risk management** – Achieve Workplace Safety Interaction targets at three levels: Directors (15) Executive Leadership (80) and Powerco team (450). |
| Short | **Health and safety systems risk management** – Achieve 25% positive incident reporting rate (near misses, push backs and hazard IDs). |
| Short | **Keep our people safe** – 10% reduction in higher safety risk assets (electricity). |
| Short | **Keep our people safe** - Deliver quarterly workshops to all of our gas network service providers to improve our safety relationships with our contractors. |


Manaaki tāngata
Supporting our people

## **Case study -** *Manaaki tāngata*

### Growing people leaders

Last year our People Team launched a bespoke in-house Leadership Development Programme, known as LDP, for emerging leaders within Powerco.

LDP was developed in consultation with leaders in the Māori community and experts across Powerco, and is built on a foundation combining Te Mason Durie's Te Whare Tapa Whā model and Ngā Tikanga – our company's way of working.

Structured into four modules, the programme starts with a focus on the four cornerstones of holistic wellbeing inspired by Te Whare Tapa Whā. This includes taha whānau (family and social wellbeing), taha hinengaro (mental and emotional wellbeing), taha tinana (physical wellbeing), and taha wairua (spiritual wellbeing).

The second module dives into self-leadership, looking at the integration of mind, body, soul, and values, empowering leaders to align their inner world with their outer actions.

Leading others is the focus of the third module. Participants learn how to build an environment of trust and collaboration.

The programme finishes by concentrating on strategic thinking, mentoring skills, and the ability to influence and innovate, equipping new leaders to drive impactful change and inspire others to excel.

Across two cohorts, 29 people have completed LDP. Nearly three quarters of the first cohort in 2024 secured new leadership positions or increased responsibilities in their roles. All participants reported a significant lift in leadership capability and confidence.

Results from the programme have seen a number of Māori participants promoted into leadership.

All emerging leaders also reported an improved awareness and understanding of tikanga, kawa, and te ao Māori's relevance to the mahi undertaken at Powerco.

The development of the programme resulted in multiple policy and process reviews, driving meaningful change and a wider organisational impact. Leaders across the business have been equipped with the knowledge to understand and identify unconscious bias, particularly in the screening and selection processes, and our recruitment process has been examined for any discrimination towards Māori and other minority groups.

Māori and other minority employees also have leadership opportunities and access to mentors, supporting their professional growth and broadening their networks and influence.

There's greater cultural awareness in policies including clarifying the significance of tangihanga leave for Māori and the cultural importance of moko kauae, ensuring respectful and informed policies.

Development of LDP has also led to gathering more robust information about our employees' affiliation to iwi and hapu.

In just over a year, LDP has delivered meaningful results – transforming emerging leaders and embedding te ao Māori values into the heart of Powerco's leadership journey.

This success has also been recognised externally, with Powerco named a finalist in the Deloitte Top 200 Awards for Diversity and Inclusion in Leadership, and our Leadership and Capability Manager Kacey Graham winning Mana Tangata Emerging Māori HR Award at the New Zealand HRNZ awards – encouraging validation of the quality and impact of the programme.

Green = On track or completed Amber = Still in progress or target modified Red = Limited progress or change in direction

| Term | Target FY25 | Performance FY25 |
|---|---|---|
| Medium | **Enable diversity, equity and inclusion** – Achieve equal gender representation (40/40/20) within all leadership roles.<br>(50/50 +/- 10%) by FY27<br><br>Tier 2 40/40/20 FY24<br>Tier 3 40/40/20 FY25<br>Tier 4 40/40/20 FY27 | Equal gender representation (40/40/20) is on track for all leadership roles (50/50 +/- 10%) by FY27.<br>• Tier 2 leadership was achieved early in FY22.<br>• Tier 3 leadership was achieved early in FY24.<br>• Tier 4 is on track for FY27 36% Women at the end of FY25.<br>To make our target clearer and simpler (and a little more challenging), we have changed the FY26 target to one all people leadership" target. |
| Medium | **Enable diversity, equity and inclusion** – 10% workforce identify as Māori by 2025. | When we set targets in FY21, our Māori workforce participation was 3%. In FY25 it increased to 9.7%. |
| Short | **Enable diversity, equity and inclusion** – Closing the gender pay Gap:<br>Continue to reduce our gender pay gap.<br>FY24 levels >FY25 levels. | We have continued to reduce the gender pay gap with FY25 level < FY24. |

| Term | Current targets FY26 |
|---|---|
| Medium | **Enable diversity, equity and inclusion** – Achieve equal gender representation (40/40/20) within all people leadership roles.<br>(50/50 +/- 10%) by FY27. |
| Short | **Enable diversity, equity and inclusion** – 10% workforce identify as Māori by 2025. |
| Short | **Enable diversity, equity and inclusion** – Closing the Gender Pay Gap:<br>Continue to reduce our gender pay gap.<br>FY25 levels >FY26 levels. |


Whakakotahitanga
Engaging with our communities

## **Case study –** *Whakakotahitanga*

### Making investment decisions more accessible

We regularly publish comprehensive asset management plans (AMP) that detail our long-term plans for our electricity and gas networks across the North Island.

Each AMP plots the work we've planned for the next decade to ensure we can continue to deliver safe, secure and reliable electricity and gas to communities now, and to allow for future growth.

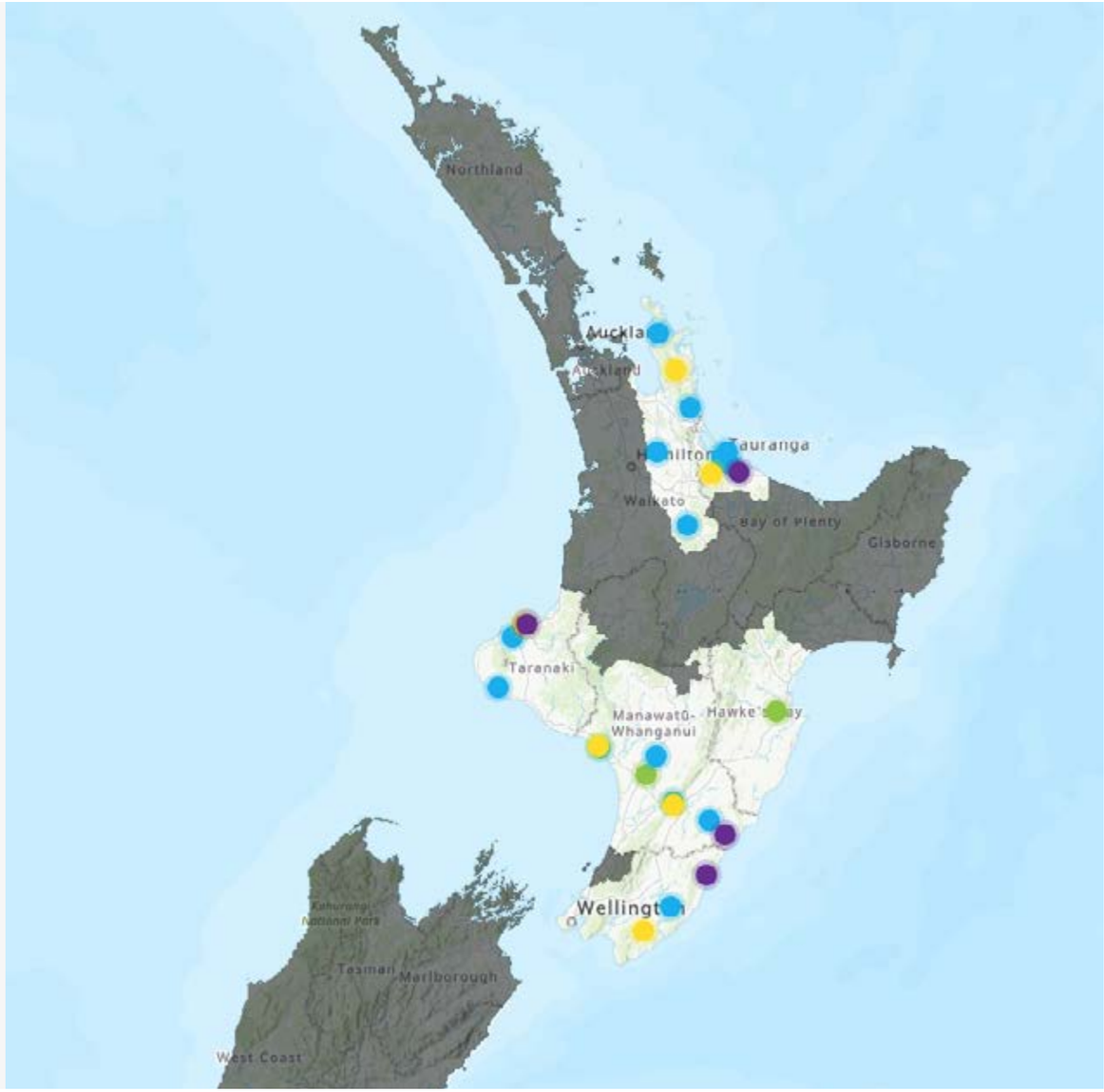
They are sizeable documents – the Electricity AMP alone comprises 484 pages, while the Gas AMP is 312 pages.

So that our customers can find what work and investments are happening more easily in relation to their individual communities, during the past year we've developed an online community investment map.

As well as electricity and gas AMP information, we've also included some of our community engagement (collaborating with communities for feedback on network decisions) and community partnership (where we support events and organisations across the regions where we operate) activities on the map.

Initial feedback from the New Zealand Commerce Commission, which regulates our electricity and gas businesses, has been positive. While it's a regulatory requirement that we actively engage with communities about future investments being carried out in communities on our networks, we believe it's also the right thing to do.

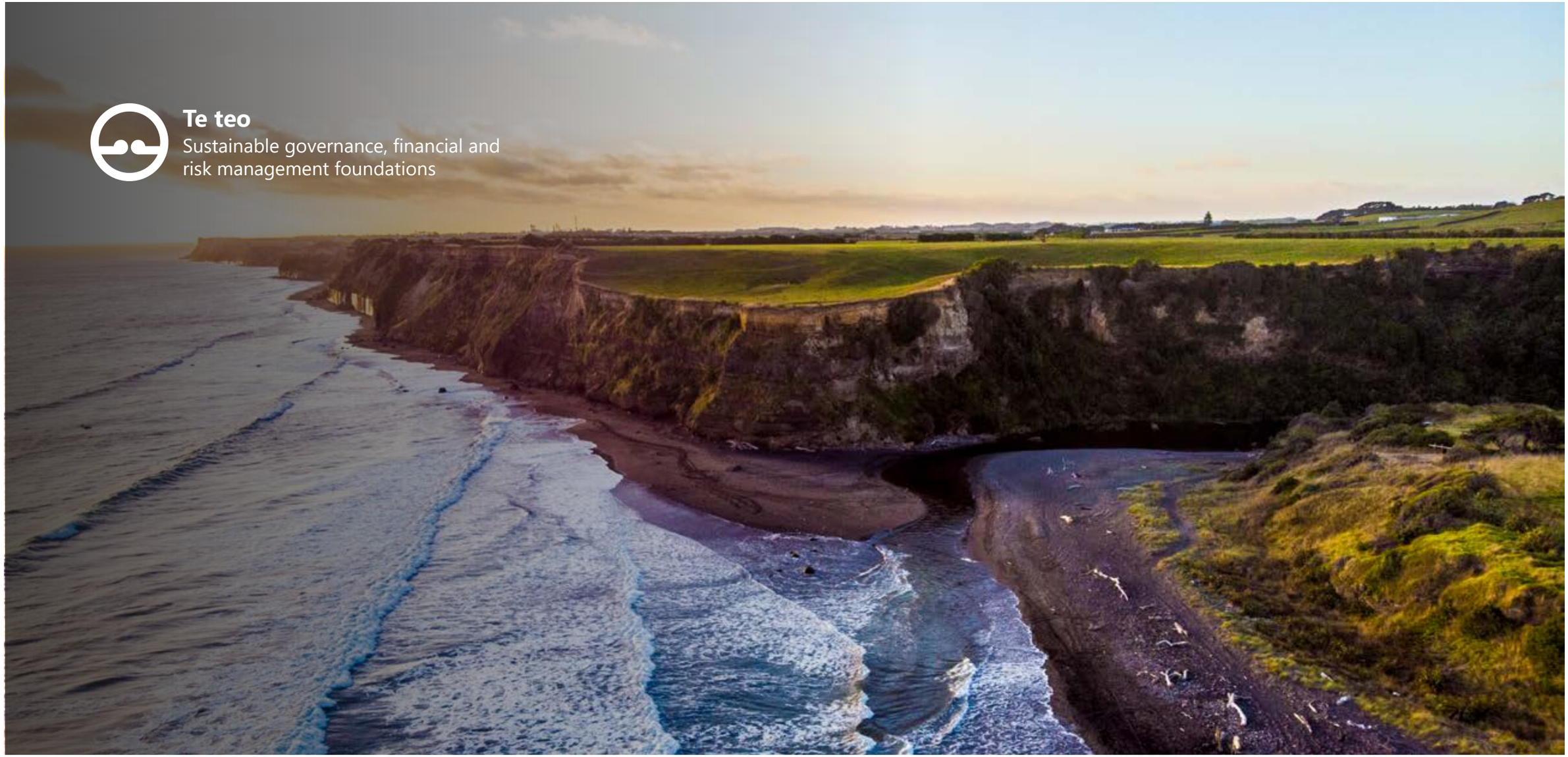
The community investment map is something we'll continue to refine and improve, so that our customers can not only learn about our future projects, but can provide feedback and meaningfully engage in investment planning for their communities.



Green = On track or completed Amber = Still in progress or target modified Red = Limited progress or change in direction

| Term | Target FY25 | Performance FY25 |
|---|---|---|
| Short | **Delivering value for customers** – Successfully trial varying low voltage network battery configurations, as a proof of concept for deferring higher cost upstream lines investments and to prepare for a future larger scale roll-out. | During FY25, we installed four low voltage network battery configurations, as a proof of concept for deferring higher cost upstream lines investments and to prepare for a future larger scale roll-out. The units will alleviate power quality issues to customers in the suburb by storing electricity in its batteries and then releasing it to the suburb when demand exceeds supply. |
| Long | **Delivering value for customers** – Establish and embed a Distributed System Operator (DSO) programme where we partner with customers to optimise opportunities for distributed energy resources and other flexibility applications. | During FY25 our long-term DSO transformation goals and plan were agreed with our Board. All of our DSO1.0 targets were delivered. Initial potential for $127m deferable capex was identified over the next 10 years (through flex services and associated initiatives). |
| Short | **Delivering value for customers** – Continue to improve our customers' experience across our electricity footprint, by a 5-point increase in Customer Satisfaction score. | We maintained our overall Customer Satisfaction score of 59%. While this in isolation did not meet our target of a 5-point improvement in Customer Experience across our electricity footprint, customer satisfaction with quality of supply and communication both improved by approximately 2-points. |
| Short | **Delivering value for customers** – Maintain net promoter score of >50 to measure our quality of gas customer service and customer experience. | We maintained our net promoter score of >50 which is a quality measure for our gas customers' service and experience. |
| Short | **Delivering value for customers** – 5-point increase in brand and reputation score from the FY24 Quarterly Customer Survey average of 40%. | Customers' perception of Powerco's Brand and Reputation remained steady with a score of 40%. This did not meet our target of a 5-point increase but remains a goal for FY26. |
| Medium | **Delivering value for customers** – Improve pricing methodology and contributions policy – as reviewed in the Electricity Authority scorecard. | The Electricity Authority did not release a scorecard during FY25 – the next updated scorecard is due in FY26. During FY25 we have made significant steps to improve our pricing methodology, which will be implemented in the FY26 pricing update. |
| Short | **Understanding our customers' needs** – Publish annual customer insight information and how this has guided our decision-making. | During FY25, an Executive-endorsed Customer Insight Framework, was developed. This will embed customer research into BAU decision-making and be publicly available via our AMP. |

| Term | Current targets FY26 |
|---|---|
| Short | **Delivering value for customers** – Expand our trial of low voltage network batteries to also include ground-mounted units, allowing their use in areas with underground electrical services. Follow up on learnings from our earlier pilot trial to identify further locations for applying low-voltage batteries. |
| Long | **Delivering value for customers** – Establish and embed a (DSO) programme for Powerco where we partner with customers to optimise opportunities for distributed energy resources and other flexibility applications. |
| Short | **Delivering value for customers** – Procure flex services to allow the substantial deferral of at least $20m of network capacity projects, gaining the associated benefits from avoiding emissions associated with manufacturing and installing network assets, without compromising customers' service quality. |
| Short | **Delivering value for customers** – Improve Customer Experience across Powerco's electricity footprint by achieving a minimum Customer Satisfaction score of 60%. |
| Short | **Delivering value for customers** – Maintain net promoter score of >50 to measure our quality of gas customer service and customer experience. |
| Short | **Delivering value for customers** – Improve customer perception of Powerco's Brand and Reputation though a 5-point increase from a score of 40% in FY25. |
| Short | **Delivering value for customers** – Improve pricing methodology and contributions policy – as reviewed in the Electricity Authority scorecard. |
| Short | No further target. |


Te teo
Sustainable governance, financial and
risk management foundations

## Applying best practice

Having a range of complementary skills and expertise on our Board and Executive Leadership Team (ELT) helps ensure robust governance, and that our strategic development and execution is well-balanced and stems from diverse viewpoints.

During FY25, (following a skills matrix assessment conducted with both the Board and the ELT in FY24), a number of upskilling sessions were conducted to help with better-informed business decision-making.

Strengthening our capabilities in both existing and emerging areas relevant to our mahi is a continual process that supports best practice in the evolving energy landscape.

## The risks and rewards of AI

In June 2024, our Board and ELT undertook a learning session on Artificial Intelligence (AI).

The rapid advancement in AI capabilities and the proliferation of readily-available tools has seen a massive uptake in the use of AI both within businesses and in our personal lives.

This session supported ongoing work in this area to ensure we have appropriate governance in place, and understand the potential uses, as well as the risks, of using AI to deliver our strategy.

Led by our Operational Systems Manager and our Principal Enterprise Architect the session focused on the fundamentals of the changing AI landscape and both the application and business risks associated with its use.

The ELT was keen to understand the use-cases, value and benefits that AI can provide, as well as the supporting factors, such as team training. Risks around privacy, confidentiality and bias were also key to the session.

Understanding these fundamentals and the key considerations will support the quality of ongoing conversations and decisions in this area.

## Health and safety essential

Everyone has the right to return home from work safe and well and our Board has overall accountability for this.

In July 2024, the Institute of Directors and WorkSafe published new guidance on Health and Safety Governance.

In response to the new guidance and developments in case law, at the March 2025 Board meeting the Board took the opportunity to refresh their knowledge of their responsibilities, and what they look like in practice. The session was led by external expert firm, Duncan Cotterill.

The Board's obligations don't end with understanding regulations and putting the right governance, policies and reporting in place.

They're equally responsible for verifying the real-world application of these systems and processes (work as done vs work as imagined) so they can ensure they're fit for purpose and appropriately applied. Leading with care and curiosity, conducting site visits and acting promptly to mitigate risk are all part of this due diligence.

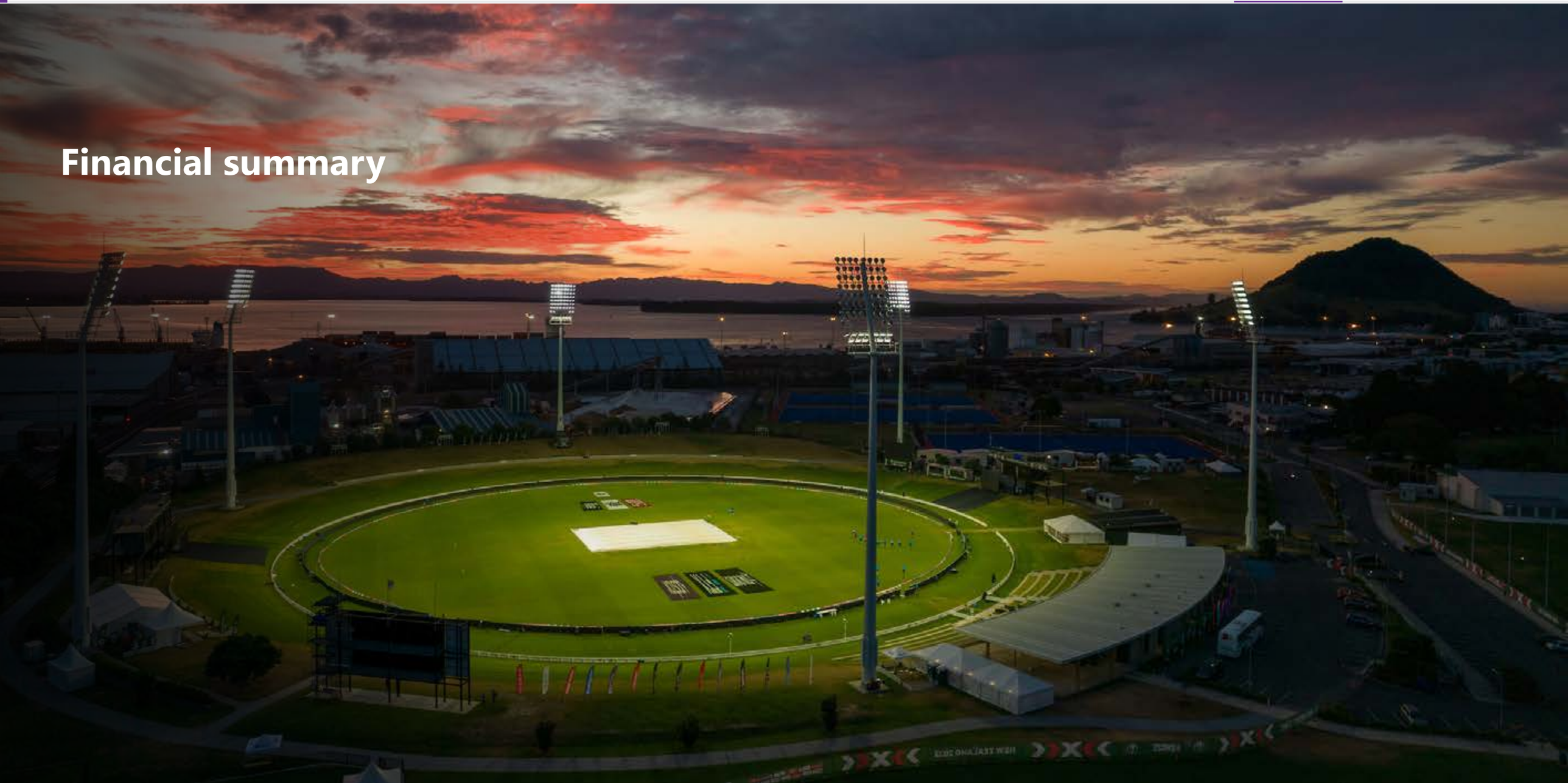
The Board also reviewed and updated the Health, Safety and Wellbeing Charter to reflect this.

Green = On track or completed Amber = Still in progress or target modified Red = Limited progress or change in direction

| Term | Target FY25 | Performance FY25 |
|---|---|---|
| Short | **Enterprise risk management** – At least a third of FY25 business plan initiatives include uniform risk assessment, Risk Appetite Statement, and action plan. | We exceeded our target of a third of our FY25 business plan initiatives having a consistent risk assessment approach delivered. These are aligned to our Enterprise Risk Management framework, risk acceptance criteria and mitigation responsibilities. Response plans to these events have been formulated in co-ordination with regional and national emergency response agencies and other key infrastructure owners. |
| Short | **Financial stability** – Maintain our existing S&P credit rating (BBB). | Our S&P credit rating was maintained at BBB, providing confidence in our financial stability. |
| Short | **Financial stability** – Secure regulatory settings that enable us to fund and deliver our strategy. | Proactive engagement with the Commerce Commission, fully informed and supported information provisions, and the ability to apply for extra funding throughout the regulatory period, have assisted in delivering regulatory settings that provide certainty on our ability to fund the growth and renewal of our electricity network. |
| Short | **Sustainable governance** – Minimum of two ESG professional education sessions undertaken by our Board. | Our Board undertook two ESG professional education sessions on Cyber/AI and Health and Safety. |
| Short | **Sustainable governance** – Undertake an annual review of the performance of the Audit and Risk, Regulatory and Asset Management, Treasury and HR and Remuneration committees' performance against their Charters, and the Board's performance against the Health and Safety Charter. | Reviews of performance against all Board charters in FY25 with no material non-conformances. |

| Term | Current targets FY26 |
|---|---|
| Short | **Enterprise risk management –** At least a third of FY26 business plan initiatives include uniform risk assessment, Risk Appetite Statement, and action plan. |
| Short | **Financial stability** – Maintain our existing S&P credit rating (BBB). |
| Medium | **Financial stability** – Secure gas regulatory settings that enable us to fund and deliver our gas strategy. |
| Short | **Sustainable governance** – Undertake Director professional education sessions that align with current or anticipated gaps identified through the FY25 Board competencies evaluation. |
| Short | **Sustainable governance** – Undertake an annual review of the performance of the Audit and Risk, Regulatory and Asset Management, Treasury and HR and Remuneration committees' performance against their Charters, and the Board's performance against the Health and Safety Charter. |

# Financial summary



# Financial summary

The financial information provided on the following pages is based on a subset of Powerco's fully audited financial statements. It details key financial metrics and aspects of our operations to provide stakeholders with a clear and concise overview of our financial performance. While this subset reflects the integrity and accuracy of the full audited financials, it is important to note that it does not encompass all disclosures included in the complete financial statements.

### Revenue

In FY21, electricity network revenue was reset lower by the Commerce Commission as we entered a new five-year regulatory period (DPP3), where our returns were reset to reflect lower observed interest rates at that time. Since then revenues have grown strongly reflecting customer growth and the continued investment in our asset base. In FY26 we enter a new five-year regulatory period (DPP4) for our electricity business that will drive increased investment in our network, and higher revenue to support the investment required. Gas network revenue was reset by the Commerce Commission during FY23 with the full impact of the revenue uplift reflected in FY24. This reset allowed for an increase in revenue to capture accelerated depreciation on the gas network, reflecting the uncertainty associated with future utilisation of gas networks. Other revenue is dominated by capital contributions which reflect the contributions that our customers have made to connect to our network. These grew considerably during the period, until FY24 when the economic downturn started to negatively impact the number of customer connections which has continued in FY25, eg. through stifled demand for residential property connections.

| Item | FY2021 ($M) | FY2022 ($M) | FY2023 ($M) | FY2024 ($M) | FY2025 ($M) |
|---|---|---|---|---|---|
| Electricity Revenue | 355.6 | 365.8 | 392.6 | 431.1 | 461.1 |
| Gas Revenue | 54.9 | 55.4 | 55.8 | 61.1 | 67.0 |
| Other Revenue | 36.3 | 54.4 | 64.6 | 57.6 | 59.8 |
| **Total Revenue** | **446.8** | **475.6** | **513.0** | **549.8** | **587.8** |

### EBITDAF

Our EBITDAF largely tracks our revenue profile. In particular, EBITDAF dropped in FY21 following the DPP3 electricity regulatory reset, but has experienced strong growth since then, on the back of our revenue growth and disciplined cost control in a high inflationary environment. EBITDAF margin (excluding the impact of pass-through costs) has remained relatively consistent over the five-year period peaking in FY25, following the step-down in FY21 after the regulatory reset.

### Network investment

We have continued to invest heavily to provide the energy solutions our customers need. Over the last five years, expenditure on our networks through a combination of maintenance and capital expenditure has increased by over 60%. Our investment reflects our commitment to ensuring that our networks support our customers to deliver their electrification goals, improve both the resilience and reliability of our networks, and to provide energy options to our customers.

| | | | | | |
|---|---|---|---|---|---|
| EBITDAF $ | 230.4 | 241.0 | 267.7 | 304.1 | 341.9 |
| EBITDAF Margin % (excluding pass though costs) | 67.5% | 65.9% | 66.9% | 67.6% | 70.7% |
| Maintenance | 48.0 | 56.2 | 59.5 | 60.6 | 61.8 |
| Capital - Renewal/Replacement | 124.9 | 115.5 | 105.6 | 120.2 | 126.0 |
| Capital - Growth | 121.4 | 139.7 | 190.1 | 172.9 | 211.3 |
| **Total network investment** | **294.3** | **311.4** | **355.2** | **353.7** | **399.1** |

**Fixed assets**
Our network assets underpin our ability to serve our customers and reflect our investment in continuing to ensure we can meet their needs. As highlighted above, we have invested heavily over the last five years in our network assets, which manifests in an asset base that has grown from $2.6b to $3.3b over that time.

| Item | FY2021 ($M) | FY2022 ($M) | FY2023 ($M) | FY2024 ($M) | FY2025 ($M) |
|---|---|---|---|---|---|
| Electricity Assets | 2,177.4 | 2,327.2 | 2,521.9 | 2,683.2 | 2,899.4 |
| Gas Assets | 394.5 | 399.9 | 408.3 | 416.8 | 428.0 |
| **Total Fixed Assets** | **2,572.0** | **2,727.1** | **2,930.2** | **3,100.0** | **3,327.4** |

## Capital structure

**Credit rating**
Our credit rating provides an independent view of the credit worthiness of our business. We target an S&P BBB rating, which represents an investment grade rating (ie. signifying a low risk of default). This rating provides the right balance of risk and reward for our capital providers. We manage our business and its capital structure to maintain this rating. This ensures we can attract capital that allows us to fund our business to meet the needs of our customers, at the right cost.

**Funding**
As a monopoly service provider operating under a well-established regulatory framework, we generate stable cash flows from our business. In addition to ensuring fair outcomes for customers, the regulatory framework also allows us to earn a fair return on our investment. This return is underpinned by our regulated assets, or more specifically our regulated investment value (RIV). As a result, we have structured our debt levels such that they are supported by these assets. This approach is relatively common for regulated assets in countries with similar regulatory frameworks. Our internal target for gearing (net debt/RIV) is 77.5%. We have been operating below this level for the past five years, and most recently due to uncertainties regarding the economic environment and the DPP4 electricity reset we have maintained a conservative buffer below this level.

In addition, to further reduce volatility in our returns, we hedge our interest rate costs to reduce exposure to movements in rates due to macro-economic events. Our regulatory hedging approach largely aligns our interest costs with the interest rates that underpin our regulatory return, reducing volatility in our overall financial returns.

| | | | | | |
|---|---|---|---|---|---|
| Net Debt to RIV - Treasury Policy Target | 77.5% | 77.5% | 77.5% | 77.5% | 77.50% |
| Net Debt to RIV - Actual | 72.71% | 74.98% | 71.16% | 70.10% | 71.57% |
| Dividends | - | 100.0 | 100.0 | 60.1 | 18.5 |

# Reference

| NZCS1 requirement | Link to disclosure requirement in report |
|---|---|
| Governance | |
| Identity of the governance body responsible for oversight of climate-related risks and opportunities | Board of Directors , Executive Leadership Team |
| The organisational structure showing where the management-level positions and committees lie | Our governance structure |
| Board oversight of climate-related risks and opportunities | Our climate governance |
| The skills and competencies to provide oversight of climate-related risks and opportunities | Director skills matrix |
| Management's role in managing climate-related risks and opportunities | Our climate governance |
| Strategy | |
| Business model | Business model |
| How the entity positions itself as the global and domestic economy transitions towards a low-emissions, climate-resilient future | Our context |
| Strategy | Our strategic framework. Also see, our strategic priorities |
| Internal capital deployment and funding decision-making processes | Our strategic priorities. Asset Management Plans |
| Scenario analysis undertaken | Our climate scenarios |
| Material climate-related risks and opportunities | Scenario analysis |
| Current impacts and anticipated impacts, including financial impacts | Regulatory misalignment<br>Uptake in gas renewables<br>Sea level rise, managed retreat and severe weather events<br>Growth of electricity distribution and services |
| Transition strategies | Regulatory misalignment – Transition strategy<br>Uptake in gas renewables – Transition strategy<br>Sea level rise, managed retreat and severe weather events – Transition strategy<br>Growth of electricity distribution and services – Transition strategy<br>*Our transition strategies include associated targets and link to allocated investment where appropriate.* |

| NZCS1 requirement | Link to disclosure requirement in report |
|---|---|
| **Risk management** | |
| Processes for identifying, assessing and managing climate-related risks | How we manage risk |
| Integration with overall risk management processes | Scenario analysis |
| **Metrics and targets** | |
| Greenhouse gas emissions and intensity metric | Greenhouse gas emissions |
| Assurance of greenhouse gas emissions | FY25 Greenhouse gas inventory report |
| Percentage of assets vulnerable to transition risks | Uptake in gas renewables |
| Percentage of assets vulnerable to physical risks | Sea level rise, managed retreat and severe weather events |
| Business activities aligned with climate-related opportunities | Growth of electricity distribution and services |
| Actual expenditure towards climate-related risks and opportunities | Sea level rise, managed retreat and severe weather events – Transition strategy |
| Internal emissions price | Internal emissions price |
| Remuneration linked to climate-related risks and opportunities | Our climate governance |
| Industry-based metrics | Sea level rise, managed retreat and severe weather events – Transition strategy |
| Other key performance indicators | GRESB sustainability benchmarking<br>Asset Management certification ISO 55001<br>*We do not include comparative metrics for these indicators as they do not materially change year on year.* |
| Greenhouse gas emissions targets | Emissions reduction target |

Our Disclaimer on Page 4 of this integrated report includes our statement of compliance.

# Links used in this report

Here is a list of links to the reports, disclosures, plans and website pages referred to within our integrated report.

| Disclosures |
| --- |
| Electricity disclosure 1 April 2023 - 31 March 2024 |
| Gas disclosure 1 October 2022 – 30 September 2023 |
| Climate-related disclosures report 2024 |

| Reports |
| --- |
| Blunomy: Vision for biogas in Aotearoa New Zealand, October 30, 2023 |
| New Zealand Government, New Zealand's second Emission Reduction Plan 2026-30, December 2024: ERP2 |
| Climate Change in New Zealand: The Future is Electric |
| Gas Transition Paper - Biogas Research Report, 17 February 2023, Table 3-1 |
| FY25 Greenhouse Gas Inventory Report |

| Powerco website pages |
| --- |
| BESS Units |
| Climate resilience webinar |
| Climate Change Policy |
| Community engagement |
| Community partnerships |
| Contact us |
| Customer commitments |
| Our materiality assessments |
| Our people |
| Powerco Community Fund |
| Powerco community investment map |
| Powerco climate scenarios |
| Powerco Governance Statement |

| Other websites |
| --- |
| Aotearoa New Zealand Climate Standards |
| Base Power |
| Champions for change |
| Dexus |
| Integrated Reporting Framework |
| Prosple |
| QIC Limited |
| The Gas Hub |

| White papers |
| --- |
| Grow to zero |

| Plans |
| --- |
| Climate Adaptation & Resilience Plan |
| Gas Asset Management Plan 2024 |
| Electricity Asset Management Plan 2025 |

# Glossary

## Te reo

We support the revitalisation of te reo Māori. Here are the reo words and phrases we use in our report.

**Aotearoa**
New Zealand

**Hauora**
Health

**Kia ora koutou**
Greetings to everyone

**Kōrero**
Conversation

**Mahi**
Work

**Manaaki**
Caring/uplifting

**Tāngata**
people

**Maunga**
Mountain

**Ngā mihi nui**
Thank you

**Ngā Pou**
Our pillars

**Taiao**
The natural environment

**Te ao Māori**
The Māori worldview

**Te teo**
Strong bollard

**Tikanga**
Traditional values and customs, the right way of doing things

**Wananga**
To meet and discuss or learn

**Whakataukī**
Māori proverb

**Whakakotahitanga**
Unifying or bringing together

**Whare**
House

**Whānau**
Family

**Whirinaki**
Reliable and dependable

## Terms used in our report

### Coordinated incident management system (CIMS)

A framework for managing emergencies and incidents. It provides a consistent set of structures, processes, and terminology for agencies to use when responding to an incident.

### Dark fibre

Fibre optic cables with no transmission equipment attached. Used to create a private network for exclusive access.

### Default price-quality path (DPP)

Applies to most electricity distributors in New Zealand. This type of path is intended to influence the behaviour of the businesses by setting the maximum average price or total allowable revenue that the businesses can charge. They also set standards for the quality of services that each business must meet. This ensures that businesses do not have incentives to reduce quality to maximise profits under their price-quality path.

### Distribution System Operator (DSO)

A DSO is an emerging model for how electricity is delivered and, increasingly, provided by local consumers. It requires Distributed Network Operators (DNOs), Powerco's current model, to take on additional system operator functions, such as active network management, using new technology and real-time data to make interventions on the network. This is a more sophisticated role, driven by the increasing complexity to manage supply and demand, higher use of electricity, and energy flowing in multiple directions.

### EBITDAF

Earnings before interest and taxation, depreciation and amortisation and fair value adjustments.

### EDB

Electricity Distribution Business.

### GDB

Gas Distribution Business.

### GRESB

The Global Real Estate Sustainability Benchmark is an international survey that benchmarks environmental, social and governance performance across companies in North America, Europe and Australasia.

### IAP2 Spectrum of Public Participation

Designed to assist with the selection of the level of participation that defines the public's role in any public participation process. The spectrum is used internationally and is found in public participation plans around the world.

### Lifeline utilities

Entities that provide essential infrastructure services to the community. For example, water, wastewater, transport, energy and telecommunications. These services support communities, enable business, and underpin the provision of public services.

### National Emergency Management Agency (NEMA)

NEMA is the Government lead for emergency management.

### Climate-related physical risks

Physical risks are risks resulting from climate change that are event-driven (acute risks), including increased severity of extreme weather events, such as cyclones, high winds, and floods. They also relate to longer-term shifts in climate patterns (chronic risks) that may cause sea level rise or chronic heat waves.

### Climate-related transitional risks and opportunities

Our role in the transition will have both risks and opportunities associated with the pace and extent to which we ensure our activities help customers to mitigate emissions and adapt to a changing climate.

### SAPs

Stand-alone power system.

### SCADA

Supervisory Control and Data Acquisition. Our SCADA system allows us to monitor and control our network assets remotely.

| | |
|---|---|
| Scope 1 emissions | As defined by the GHG Protocol, Scope 1 accounts for direct greenhouse gas emissions that occur from sources that are owned or controlled by the company. |
| Scope 2 emissions | As defined by the GHG Protocol, Scope 2 accounts for greenhouse gas emissions from purchased electricity by the company. |
| Scope 3 emissions | As defined by the GHG Protocol, Scope 3 emissions account for other indirect greenhouse gas emissions (outside of Scope 2). |


POWERCO