Statement of Corporate Intent

Date: 1 July 2025

Contents

This Statement of Corporate Intent sets out Transpower's activities, objectives and performance targets for three years from 1 July 2025.

This Statement of Corporate Intent (SCI) is submitted by the Board of Directors of Transpower New Zealand Limited, in accordance with Section 14 of the State-Owned Enterprises Act 1986 (the Act). It sets out the Board's overall intentions and objectives for Transpower New Zealand Limited and its subsidiary companies (the Transpower Group)[1] for the year commencing 1 July 2025 and the following two financial years through to 30 June 2028.

The Transpower Group is referred to as "Transpower" throughout this SCI.

[1] The companies that comprise the Transpower Group are listed in Appendix 1.

1.0 Role and Objectives

1.1 Transpower's Role

Transpower is central to the New Zealand electricity industry. We connect generators to distribution companies and large users over long distances, providing open access and helping to balance supply and demand. The nature and scope of the activities we undertake are:

- as grid owner, we own, build, maintain, replace, and enhance the physical infrastructure that connects those who generate and those who need electricity to live, work and play across the country; and
- as system operator, we operate the electricity market, through a service provided under contract to the Electricity Authority under the Electricity Industry Participation Code, managing supply and demand for electricity in real time to ensure that the power system remains stable and secure.

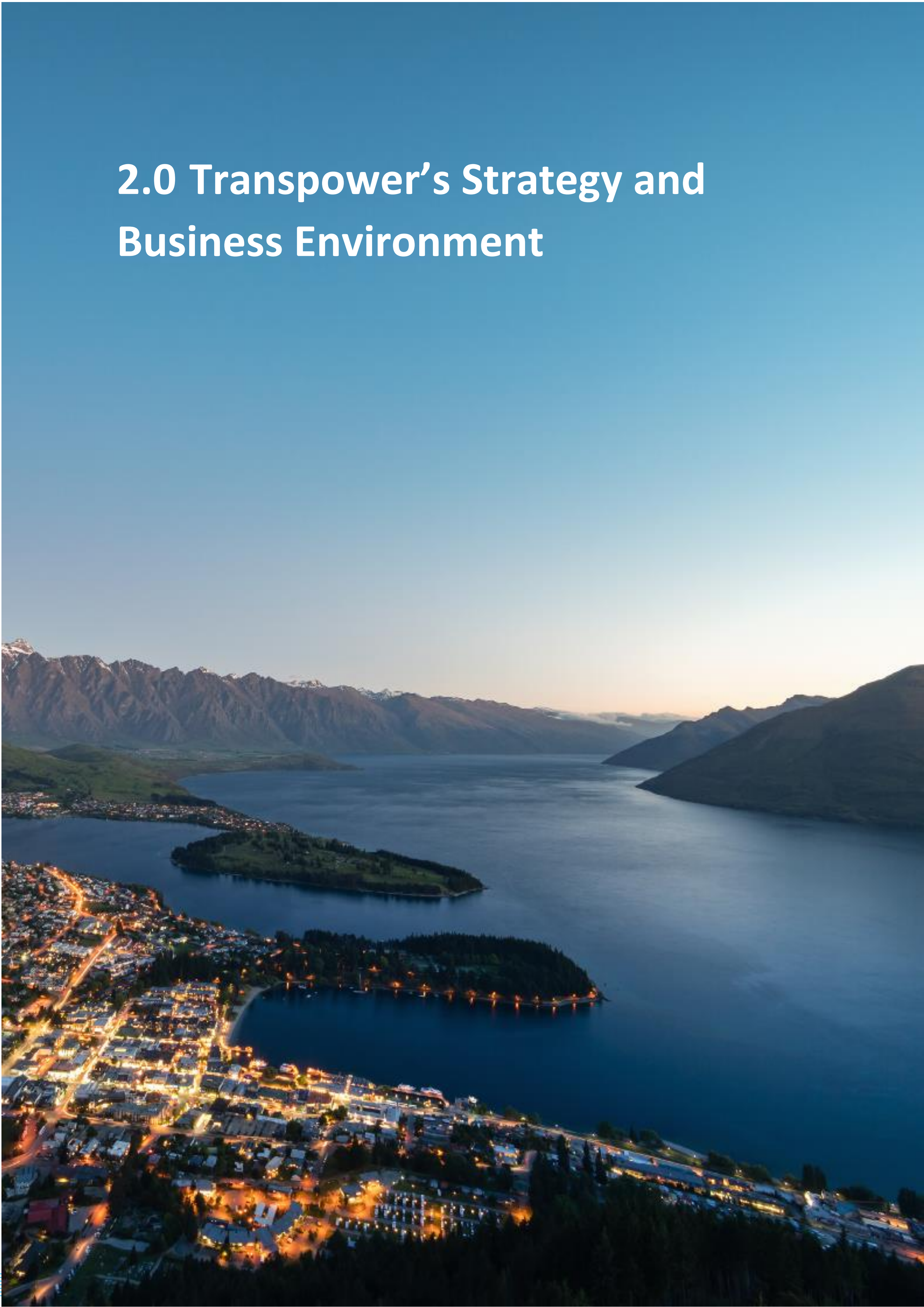
1.2 Transpower's Objectives

Our principal objective, as set out in Section 4 of the Act, is to operate as a successful business.

Section 4 Objective	Our Operations
As profitable and efficient as comparable businesses that are not owned by the Crown.	Within regulatory and commercial parameters: • Deliver and operate a safe, reliable, cost-efficient transmission grid that meets New Zealand's needs now and into the future. • Deliver an efficient system operator service that supports competition and provides a reliable and efficient supply of electricity.
A good employer.	• Promote a high level of health, safety and wellbeing, taking all practicable steps to provide safe working conditions. • Maintain a well-qualified and motivated workforce that we treat fairly and properly in all aspects of recruitment, retention and employment.
An organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates and	• Build and maintain effective relationships with landowners, occupiers and other community representatives and interest groups affected by our activities.

Section 4 Objective	Our Operations
by endeavouring to accommodate or encourage these when able to do so.	• Transpower is committed to the principles of Te Tiriti o Waitangi in our operations as an SOE and as a company owned by the Crown as Treaty partner. We seek to build and maintain effective relationships with Māori, including acknowledging their interests in land. • Work in partnership with communities to plan, deliver, and operate efficient and effective infrastructure while managing adverse social and environmental impacts of our activities.

2.0 Transpower's Strategy and Business Environment

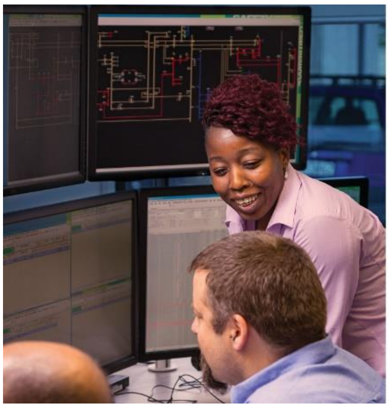


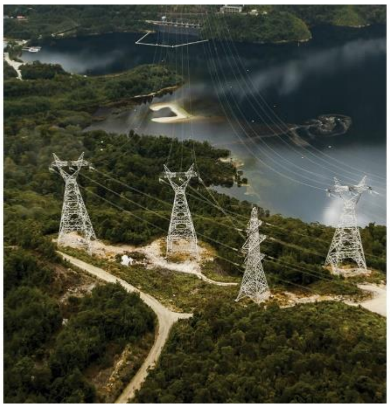
2.1 Our Strategic and Performance Framework

We have a company-wide strategic and performance framework that links our purpose and values to our strategic priorities plans and performance measures. This is shown below:

Whakamana i Te Mauri Hiko describes our changing context, with climate change and other key trends creating the foundation for a scenario-based view of New Zealand's Energy Future. Our Strategy builds on this context to describe our business choices and identifies our five key strategic priorities:

- Enhance our social licence to operate;
- Deliver services that meet our customers' needs;
- Facilitate delivery of an optimised transition path for the New Zealand energy system;
- Accelerate electrification through our asset investments;
- Advance our organisational effectiveness.





2.11 Transmission Services

The Commerce Commission regulates grid services, which account for over 90% of our revenue, under Part 4 of the Commerce Act (1986). Part 4 aims to ensure we:

- have incentives to invest;
- have incentives to innovate, to improve efficiency and to provide services at a quality that reflects consumer demand;
- share the benefits of efficiency gains with consumers, including through lower prices;
- are limited in our ability to extract excessive profits.

We publish an update of our asset management strategies and our service and expenditure plans each year[2]. In November 2024 the Commerce Commission approved our operating and capital expenditure allowances for Regulatory Control Period (RCP) 4, the five-year regulatory period operating from 2025 to 2030. After extensive review the Commission approved 98% of the funding we requested and set our regulated rate-of-return at 7.1% up from 4.57% in RCP3.

Overall, we are on a path of improving network performance and efficiency while managing increasing reinvestment pressures for lines built during a period of major grid expansion from the 1950s to the 1980s.

New grid connections are typically funded directly by the connecting customer under an access regime governed by the Electricity Authority; these account for less than 4% of our revenue.

2.12 System Operation Services

The Electricity Industry Act (2010) requires the Electricity Authority to contract with Transpower for operation of the New Zealand power system. Our System Operator Service Provider Agreement (SOSPA) provides a fixed fee for the majority of these services and includes mechanisms for agreeing funding for service enhancements and for setting annual performance and delivery incentives. System operator services account for approximately 5% of our revenue. The fixed fee component currently covers the period 2022 to 2025. We are nearing completion on agreeing the next three-year funding period from 2025-2028 with the Electricity Authority.

[2] We update our Integrated Transmission Plan annually and publish it on our website – https://www.transpower.co.nz/our-work/industry/regulation/rcp4/our-proposed-five-year-workplan

2.2 Key Assumptions

The regulatory reset process for determining Transpower RCP4 (2025-2030) revenue and regulated allowance has now been completed. The Commerce Commission published [Transpower's Individual Price-Quality determination 2025] on the 20 November 2024.

Our financial plan is based on the following key assumptions for the years 2025/26 to 2027/28:

- our operating expenditure will be $464m in 2025/26;
- renewal base capex will average $516m across the next three years;
- listed, resilience under uncertainty mechanism and major capex will average $267m across the next three years;
- enabling new connections, System Operations and other customer capex will average $135m over the next three years; and
- regulatory allowances are adjusted for the latest CPI information.

3.0 Performance Measures and Targets

We measure our performance against a range of safety, operational, financial and non-financial performance targets. These targets are set out below. A comparison with prior-year performance targets is in Appendix 2.

3.1 Safety and Our People Performance Targets

We strive to provide a working environment in which there are no fatalities or injuries causing permanent disability. In addition, we continuously seek to reduce the rate at which our activities cause injury[3].

Safety Performance Targets	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
Number of fatalities or injuries causing permanent disability	0	0	0	0
Total Recordable Injury Frequency rate (TRIFR)	≤ 6	≤ 6	≤ 6	≤ 6
High Potential Incident Frequency Rate (HPIFR)	<3	≤ 3	≤ 3	≤ 3

We recognise that our people are key to our success. An engaged workforce can lead to innovative solutions to overcome challenges and realise our opportunities.

Our People	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
Staff engagement	Top 25% score for energy and utilities sector	Top 25% score for energy and utilities sector (12 month rolling average)		

[3] Refer to Appendix 3 for definitions of safety performance targets.

3.2 Service Performance Targets

We have set our service measures and targets for 2025/26 aligned to the annual assessment of quality standards set out in our RCP4 Individual price quality path determination[4], but to enable performance to be measured in a particular year the pooling approach in the RCP4-determined measures has been restricted for the SCI targets to pooling across subcategories for each of GP1, GP2 and AH within a year (but not also across years). These encompass:

- **Grid Unplanned Interruptions** – targets for frequency (occurrence) GP1 and average duration of interruptions GP2. There are different targets for the six subcategories under each measure.

  The target for GP1 and GP2 is to achieve four or more of the six points of service sub-categories limits under each measure. Not meeting the quality standards can result in an enforcement process by the Commerce Commission, which can lead to imposition of pecuniary penalties.

  If the target of ≥4 is achieved, the quality standard is met. If the target is not met in the current year there is not a breach of the quality standard, if the performance against the target in the previous two years is achieved.

  Our GP1 and GP2 SCI performance targets are set in alignment with the annual assessment for the RCP4 quality limits across six points of service sub-categories.

- **Grid availability** – there are quality standard targets for the inter-island high-voltage direct current (HVDC) link availability (AP1) and for selected (i.e. market-sensitive) assets availability within our high-voltage alternating current (HVAC) (AP2) networks.

Each year we agree system operator service targets with the Electricity Authority. There is a financial incentive to meet or outperform these targets. We aim to achieve a result above the 70% target which is an incentive neutral outcome .

Service Performance Targets	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
GP1 Achieve collars for occurrence (unplanned interruptions)	≥ 4 out of 6	≥ 4 out of 6	≥ 4 out of 6	≥ 4 out of 6
GP2 Achieve collars for average unplanned interruption duration	≥ 4 out of 6	≥ 4 out of 6	≥ 4 out of 6	≥ 4 out of 6
AP1 HVDC availability	97.79%	>96.00%	>96.00%	>96.00%
AP2 HVAC availability	97.34%	>97.45%	>97.45%	>97.45%
Achieve System Operation Targets	70%	TBD	TBD	TBD

[4] Transpower-Individual-Price-Quality-Path-Determination-2025.pdf.

The AP2 HVAC availability measure forecast for 2024/25 has been adversely impacted by the Pakuranga-Whakamaru cable repair outage. Failure to meet the measure is not remedied by ensuring service by alternative means. For the case in point, there is a temporary by-pass line in place which ensures continuing supply and resilience to the Auckland area.

3.3 Asset Health Target

The ability to predict time-dependent risk of physical assets is an essential component of asset management. Our Asset Health Framework provides a common Asset Health (AH) score approach across asset classes known as the Asset Health Index (AHI).

An AHI is an indicator representing an asset’s proximity to the end of its useful life, being the period when an asset will either need replacement or major life-extending refurbishment. This period is hard to predict, but when a combination of information is considered, an AHI can inform the expected time when intervention is likely to be required (typically an AHI of eight or higher).

We measure and report the AHI for seven key asset classes[5] for the RCP4 quality standard. Asset health performance is assessed annually against quality limits based on the percentage of assets with an AHI of eight or higher. Four or more asset health asset classes must not exceed the quality limits. If the target of ≥4 is achieved, the quality standard is met. If the target is not met in the current year there is not a breach of the quality standard, if the performance against the target in the previous two years is achieved. In FY26, this measure is reporting only, while the RCP4 asset health quality standard is introduced.

Our Asset health SCI performance targets are set in alignment with the annual assessment for the RCP4 quality limits across seven asset classes.

Asset Health Targets	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
Asset Health – Number of asset classes achieving annual asset health quality limits	On track[6]	≥ 4 out of 7	≥ 4 out of 7	≥ 4 out of 7

[5] Conductors, insulators, power transformers, outdoor circuit breakers, protection relays, tower grillage foundations, and tower protective coatings. Some results are weighted to reflect the criticality of the assets.
[6] Based on RCP3 Quality standards

Financial Performance Targets

Our four key financial performance targets[7] are focused on:

- **Maintaining our credit rating** – we track free funds from operations (FFO) to interest cover and FFO to debt. Our credit rating is important to maintain continuing access to debt capital markets through economic cycles and to achieve favourable pricing;
- **Balance sheet strength** – we hold leverage at a level that provides an efficient return on equity, while maintaining resilience to withstand financial shocks and fund future capex programmes;
- **Financial returns** – we measure our return on equity and overall return on capital employed. Return on capital employed tracks relatively close to the allowable return on our regulated transmission assets.

Our financial return metrics are impacted by the reset of the allowable return on our transmission assets. The regulated rate-of-return for RCP4 - 1 April 2025 to 31 March 2030 is 7.10% vanilla WACC (6.44% post tax nominal), up from 4.57% vanilla WACC (4.23%, post-tax nominal) in RCP3.

Financial Performance Targets	Target Credit rating metrics	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
Free Funds from Operations (FFO) Interest Coverage (# of times)	>2.8	4.4	3.4	3.8	3.6
FFO / Debt	>9.5%	12.4%	11.7%	13.3%	12.7%
Return on equity	-	6.0%	7.2%	11.5%	10.7%
Return on capital employed	-	3.5%	4.2%	5.5%	5.6%

[7] Refer to Appendix 3 for definitions of the financial performance targets.

3.4 Sustainability Targets and Actions

Our Sustainability Strategy is focused on improving the sustainability of our ongoing operations both in terms of adaptation and resilience while driving long term change. It is underpinned by an extensive implementation programme to ensure that individual activities are delivered across all divisions and teams within Transpower as well as with our service provider, supplier and community partners. Over the long term we are striving to drive behaviour change so that sustainability becomes business as usual.

Our Sustainability Strategy sets out goals and enabling actions across four challenge areas:

- climate change;
- environmental stewardship; and
- sustainable business.

This year we will continue to deliver against our Sustainability Strategy milestones. These include a continued focus on measuring and reducing our greenhouse gas emissions, influencing our supply chain towards more sustainable practices, waste minimisation activities and sustainable design opportunities.

We will also deliver climate reporting to Aotearoa New Zealand Climate Reporting Standards requirements for the 2025/ 2026 financial year. We have published a Transpower Adaptation Plan, and we are now focusing on implementing improvements identified in the Plan.

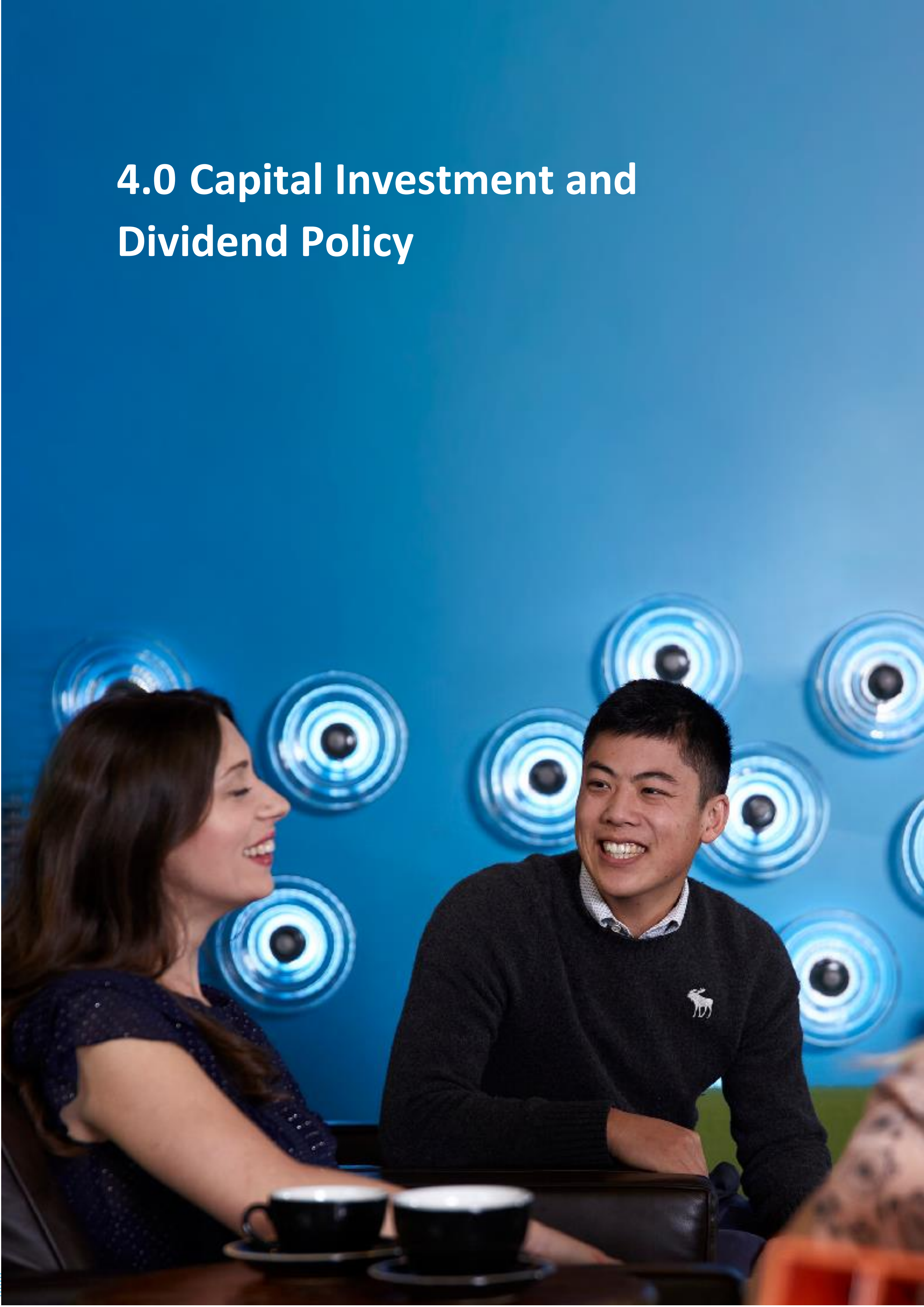
This year's SCI sustainability measures and targets are focused on our greenhouse gas emissions and waste reduction goals.

Sustainability Performance Targets	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
Progression toward Scope 1 & 2 GHG emissions targets – 3,484 tCO2e by 2030 (44% reduction from base year of 2021)[8]		< 4,681 tCO2e	< 4,381 tCO2e	< 4,082 tCO2e

[8] Transpower's FY2024 Climate Statement provide comprehensive list of climate related metrics and targets.

Waste Reduction - 30% reduction in proportion of waste sent to disposal from 2022/23 levels by 2030 (From 53.6% in 2022/23 to 37.93% by 2030).		<= 46.7% of total	<= 44.4% of total	<= 42.1% of total

4.0 Capital Investment and Dividend Policy



4.1 Capital Structure and Investment

Transpower's forecast capital structure at 30 June 2025 and for the following three financial years is set out below.

Capital Structure and Investment[9]	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
Debt ($ million)	4,044	4,406	4,666	4,941
Equity ($ million)	1,681	1,723	1,900	2,082
Capital Investment ($ million)	622	759	973	1023

Most investment in transmission assets (and assets required to support our transmission services) is recovered through our regulated revenues. A key objective of the Commerce Act is to ensure we have incentives to invest. Some investment in transmission assets (forecast to be 15% of total capex in the three years from 1 July 2025) is recovered through bilateral contracts with transmission customers, most of which are electricity distribution businesses or large generators.

Investment in system operation assets is recovered through a contract with the Electricity Authority, the costs of which are recovered by the Electricity Authority through levies which ultimately are paid by consumers.

We maintain a capital structure that, absent the requirement for substantial investment outside existing regulatory frameworks, will enable us to manage future capital requirements without recourse to equity injections from our shareholders. Retaining our credit rating ensures access to a wide range of debt capital markets allowing us to fund our balance sheet efficiently and to access the incremental debt that will be required as a result of our forecast investment programme.

We have prudent liquidity management policies, consistent with our credit rating, to ensure we have sufficient funding, and to provide protection against any unexpected deterioration in credit markets.

[9] The figures in this table are expressed on the basis of New Zealand International Financial Reporting Standards (IFRS) in accordance with Transpower's accounting policies. Refer to Appendix 3 for definitions relating to capital investment.

4.2 Dividend Policy and Estimates

We will distribute funds to our shareholder that are surplus to our financing and operating requirements. Each financial year, we will determine the level of surplus funds by having regard to:

- a sustainable financial structure;
- interest coverage;
- group capital expenditure and working capital requirements;
- economic regulation; and
- forecast macro-economic conditions

The majority of Transpower's business operates in RCPs. Each RCP sets the revenue for the Transmission business, as well as the expectations around operating expenditure and base capital expenditure. Forecasting the dividend level across each RCP recognises that performance is best viewed across an RCP rather than in any one year.

The dividend level is therefore forecast with the aim of consistency, but we retain flexibility over the RCP to adapt the forecast dividend level, and the amount of any surplus funds to be distributed to our shareholder in a particular financial year, with the capacity of the company to pay dividends.

The application of the dividend policy should mean that Transpower:

- sustains key metrics at a level that allows us to retain an Issuer rating in the AA band ("AA-" or better) with Standard and Poor's Global Ratings, which in turn helps ensure our ongoing access to debt capital markets; and
- subject to adjustment consistent with its capacity to pay surplus funds, would:
    - pay out 60%-80% of free cashflows less maintenance capex over RCP3, for the financial years through to 2025; and
    - pay out 30%-60% of free cashflows less maintenance capex over RCP4, for the financial years from 2026.

The dividend level for each regulatory control period is impacted by the allowable return on transmission assets for that period, capital investment requirements and any changes to the regulatory framework impacting revenue.

The combination of:

- the Commerce Commission decision to inflation index Transpower's regulated asset base;
- smooth the step up in revenue in the first two years of RCP4; and
- the forecast increase in the capital investment programme,

results in lower forecast dividends for the 2025/26, 2026/27 and 2027/2028 financial years.

The forecast dividend level for RCP4 is determined after considering an appropriate balance between returning dividends to the shareholder and maintaining prudent leverage levels over the period. The Dividend Policy has been revised by the Board to reflect the growth phase we are anticipating. In addition to the criteria outlined in the Policy the Board considered sustainable leverage levels, including with reference to peer companies in the transmission sector globally.

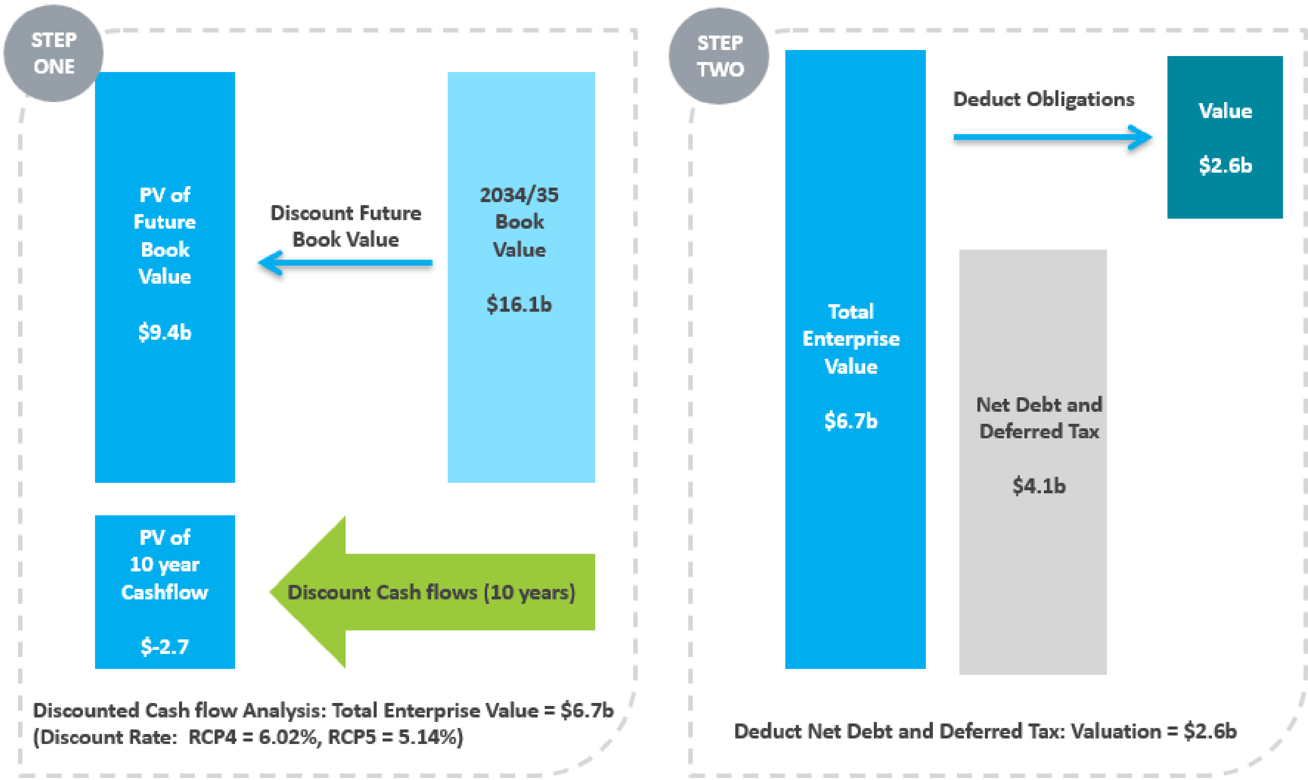
Dividends and Guidance	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
Estimate of dividends declared ($ million)	120	40	40	40
Dividend Pay-out Ratio -% Free cash Flow after maintenance capex[10]	429%	49%	52%	44%

We schedule dividend payments as an interim dividend paid in March, and a final dividend paid in September. In recommending the payment of dividends Directors will comply with obligations under the Companies Act.

[10] Over the five-year RCP3 period the average forecast % free cashflow pay-out after maintenance capex is 80%. In the earlier years of RCP3 the maintenance capex was low, due to the impact of Covid 19 and supply chain challenges resulting in lower pay-out ratios in the early years of RCP3. The higher forecast maintenance capex in 23/24 and 24/25 enables Transpower to catch up for the Covid 19 affected years resulting in the higher pay-out ratio.

5.0 Commercial Valuation

The Board's estimate of the commercial value of the Crown's investment in Transpower at 30 June 2025 is $2.6b up $200m from last year's valuation. This estimate is based on the methodology illustrated below.



The valuation is based on the present value of forecast cash flows for the next 10 years plus the present value of the forecast book value of assets at 30 June 2035. Combining these components produces an estimated total enterprise value of $6.7b. Deducting net debt and deferred tax liabilities of $4.1b produces an estimated commercial value of $2.6b.

Key assumptions underlying the valuation and information sources are:

	Source	Comment
Cash flows	Financial Plan	Regulatory arrangements support a relatively reliable forecast of cash flows for RCP4. Cash flows are on an after-tax basis, using nominal future cash flows set out in our Business Plan.
Terminal value	Financial Plan	The terminal value is based on the forecast asset book value at 30 June 2035, discounted back to June 2025 (with no terminal growth factor), and assumes the Commerce Commission will allow recovery of our

		determined weighted average cost of capital (WACC) beyond 30 June 2035.
Discount factor	Allowable Rate of Return	We assume the discount factor matches our post-tax allowable return or projected return for the corresponding regulatory period RCP4 6.02% and RCP5 5.14%. (adjusted for the interest component of WACC for being set at the 50% percentile).
Other		The valuation assumes the continuation of the current ownership structure and current regulatory rules within which Transpower operates. The model contains revenues which are based on the continuation of existing regulatory rules and allowable returns.

The financial model was prepared internally for the purpose of determining the commercial value as at 30 June 2025 and was reviewed by EY for logical integrity and mathematical accuracy.
EY last reviewed the valuation methodology in 2018.

6.0 Other Matters

6.1 Information to be provided to Shareholding Ministers

To enable Shareholding Ministers to assess the value of their investment in Transpower, any information that would normally be supplied to a controlling private shareholder will be made available. An Annual Report for each financial year, including audited financial statements, will be submitted in accordance with Section 15 of the Act. The Annual Report will:

- contain sufficient information to enable an informed assessment to be made of Transpower's operations, including a comparison with the SCI; and
- state the dividend payable to the Crown for the relevant financial year.

We will also submit to Shareholding Ministers:

- half-yearly reports, in accordance with Section 16 of the Act; and
- our Business Plan and a final SCI, which will be made available prior to commencement of the financial year to which they relate.

We will also provide other information relating to the affairs of Transpower that is requested by shareholding Ministers pursuant to Section 18 of the Act, that is in accordance with Ministers' expectations, including the "no surprises policy", and in accordance with other requirements as outlined in the Treasury's Owner's Expectations document.

6.11 Consultation

We will, in relation to any single transaction or series of transactions, consult with Shareholding Ministers on items outside normal operations that have a material impact on our financial position not contemplated in the Business Plan. This will include:

- any substantial capital investment in activities within the scope of core business;
- any substantial expansion of activities outside the scope of our core business;
- the subscription for, or sale of, shares in any company or equity interests in any other organisation which are material, involve significant overseas equity investment or are outside of our core business;
- the sale or other disposal of the whole, or any substantial part, of the business undertaking;
- where Transpower, or its subsidiaries, hold 20% or more of the shares in any company or other body corporate (not being a subsidiary of Transpower), they will not sell or otherwise dispose of any shares in that company without first giving written notice to the Shareholding Ministers of the intended disposal;
- consultation as specified in the Owner's Expectations document.

For the purpose of this document, a substantial investment outside our core business would be any transaction or series of transactions resulting in a maximum potential cash outflow in excess of $50m.

6.2 Procedures for Share Subscriptions or Purchases

Subscriptions for shares in any company or interests in any other organisation will, where material, be subject to consultation with Shareholding Ministers.

6.3 Activities for which Compensation is sought

We will, in accordance with Section 7 of the Act, seek compensation sufficient to allow Transpower's position to be restored if the Government wishes us to undertake activities or assume obligations that in our view will:

- result in a reduction of Transpower's profit or net worth; or
- modify our assets in ways that reduce ongoing security and reliability.

There are currently no such activities for which we are seeking, or have sought, compensation.

6.4 Accounting Policies

Transpower's financial statements are prepared in accordance with the Financial Reporting Act (1993). This Act requires compliance with generally accepted accounting practice (GAAP) in New Zealand. The financial statements comply with the New Zealand equivalents to International Financial Reporting Standards (NZIFRS) and other applicable Financial Reporting Standards. Transpower is not a public benefit entity for the purposes of NZ IAS 1 Presentation of Financial Statements.

The detailed accounting policies applied in the preparation of the financial statements are consistent with the accounting policies disclosed in the 2024 Integrated Annual Report[11].

6.5 Other Matters Agreed by the Shareholding Ministers and the Board

No other matters have been agreed by the Shareholding Ministers and the Board for inclusion in this statement pursuant to section 14(2)(j) of the Act.

[11] 2024 Integrated Annual Report

7.0 Appendices

7.1 Appendix 1: Subsidiary Companies

The terms 'share', 'Shareholding Ministers', and 'subsidiary' have the same meanings as in Section 2 of the Act. Transpower will ensure, at all times, that:

- control of the affairs of every subsidiary of Transpower is exercised by a majority of the Directors appointed by Transpower; and
- a majority of the Directors of every subsidiary of Transpower are persons who are also Directors or employees of Transpower, or who have been approved by the Shareholding Ministers for appointment as Directors of the subsidiary.

7.11 Our Current Subsidiaries

The Transpower Group contains the following subsidiary companies.

Name	Holding
Halfway Bush Finance Limited	100%
TB and T Limited	100%
Risk Reinsurance Limited	100%
emsTradepoint Limited	100%

7.12 Functions of Subsidiary Companies

Halfway Bush Finance Limited and TB and T Limited were formed during the 2003 cross border lease transaction. This transaction has subsequently been unwound and only the head lease agreement remains. These companies are dormant and do not undertake trading activities. Their purpose is to hold assets on behalf of the Transpower Group.

Risk Reinsurance Limited (RRL) is our captive insurance subsidiary. It is the primary insurer on our material damage and cables insurance programmes (both electricity and fibre optic) and wholly insures some minor programmes. RRL reinsures a portion of the material damage and cable risk with third party insurers. RRL is registered in New Zealand.

emsTradepoint Limited is a commodity exchange designed to provide anonymity, transparent pricing and transactional certainty to physical energy markets. Launched in late 2013, it currently lists natural gas contracts for delivery in New Zealand and runs a carbon trading exchange.

7.2 Appendix 2: Updates to Performance Targets for 2025/26 year

The following tables compare the performance targets and measures for the 2025/26 year set out in this SCI with those set out in the previous SCI.

7.21 Safety Performance Targets

Safety Performance Targets	Previous SCI 2024/25	Current SCI 2025/26
Number of fatalities or injuries causing permanent disability	0	0
Total Recorded Injury Frequency Rate (TRIFR)	≤ 6.0	≤ 6.0
High Potential Incident Frequency Rate (HPIFR)	≤ 3.0	≤ 3.0

Our People	Previous SCI 2024/25	Current SCI 2025/26
Staff engagement	Top 25% percentile score for energy & utilities sectors	Top 25% percentile score for energy & utilities sectors

7.22 Operational Performance Targets

Service Performance Targets	Previous SCI 2024/25	Current SCI 2025/26
GP1 Achieve collars for occurrence (unplanned interruptions)	TBD	≥ 4 out of 6
GP2 Achieve collars for average unplanned interruption duration	TBD	≥ 4 out of 6
AP1 HVDC availability	TBD	>96.00%
AP2 HVAC availability	TBD	>97.45%
Asset Health	TBD	≥ 4 out of 7
Achieve System Operation targets	TBD	TBD

7.23 Financial Performance Targets

Financial Performance Targets	Previous SCI 2024/25	Current SCI 2025/26
FFO Interest Coverage (# of times)	3.1	3.4
FFO / Debt %	11.5	11.7
Return on Capital Employed (%)	5.0	4.2
Return on Equity (%)	7.3	7.2

7.24 Capital Structure and Investment Estimates

Capital Structure and Investment	Previous SCI 2024/25	Current SCI 2025/26
Debt ($ million)	3,913	4,406
Equity ($ million)	1,854	1,723
Capital Investment ($ million)	823	759
Estimated Amount to be Distributed by Dividend ($ million)	40	40

7.3 Appendix 3: Definitions

7.31 Definition of Safety Performance Targets

Number of fatalities or injuries causing permanent disability	Number includes fatalities or injuries causing permanent disability for all Transpower's staff and contractors.
High Potential Incident Frequency Rate (HPIFR) (includes injuries and near misses)	Number of incidents reported where there was potential for serious injury or fatality (Level 1 and Level 2) based on assessment against the Transpower risk assessment matrix. Rate is calculated per million hours worked and reported as a rolling 12-month frequency rate.
Total Recordable Injury Frequency Rate (TRIFR)	Total number of lost time and medical treatment injuries multiplied by 1,000,000 hours divided by the total number of hours worked in the year.

7.32 Definition of Operational Performance Targets

Operational performance targets are based on our RCP4 network service targets. Our Service Measures Report sets out detailed definitions[12].

7.33 Definition of Financial Performance Targets

Free Funds from Operations (FFO) to Interest Coverage (# of times)	Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) less cash interest paid and cash taxes paid, divided by interest costs.
Free Funds from Operations (FFO) to Debt (%)	Adjusted EBITDA less cash interest paid and cash taxes paid, divided by net debt
Return on Capital Employed (%)	Earnings before interest, tax and changes in the fair value of financial instruments (EBITF) less tax (adjusted for interest tax shield), divided by average capital employed. Capital employed is made up of current assets (excluding derivatives) plus fixed assets (excluding

[12] Service Measures Report 2023

	works under construction), less current liabilities (excluding current debt, derivatives, interest payable and income in advance).
Return on Equity (%)	Profit After Tax (excluding changes in the fair value of financial instruments) divided by average equity (excluding cumulative changes in the fair value of financial instruments).

7.34 Definitions Relating to Capital Investment

Debt ($ million)	Current and non-current debt and finance leases.
Equity ($ million)	Share capital, reserves and accumulated retained earnings.
Capital Investment ($ million)	Total capital expenditure, excluding net property acquisitions/disposals.

7.4 Appendix 4: SOE Portfolio Measures

This Appendix sets out performance measures based on standardised SOE reporting and definitions (definitions are on the Treasury website[13]). Some of these measures do not directly compare with other measures in this SCI (see notes below).

	2024/25 Forecast	2025/26 Target	2026/27 Target	2027/28 Target
Shareholder Returns				
Return on equity [A] %	6.3	7.6	12.0	11.1
Total shareholder return %	11.8	3.4	1.5	1.5
Dividend yield %	4.5	3.4	1.5	1.5
Profitability/Efficiency				
Operating margins %	57.6	59.2	63.5	64.0
Return on invested capital[B] %	5.5	6.9	8.7	8.5
Capital Structure				
Debt to EBITDAIF	5.8	5.4	4.9	5.0
Gearing ratio (Net) %	66.3	68.1	68.2	68.2
Interest cover (# of times)	2.3	2.1	2.6	2.5
Growth				
Revenue growth %	6	16	15	6
Earning growth %	4	19	23	7
Reinvestment				

[13] Owner's Expectations: Expectations for Crown companies and entities on which the Treasury provides ownership, governance and performance advice - September 2024

Capital Replacement	2.3	2.5	3.1	3.0
Payout Ratio %	125.9	82.0	30.8	18.4
Other				
Consolidated shareholder funds to total assets % [C]	25	24	25	25

Notes

A – Ratio does not adjust for fair value movements. Our ratio also adjusts the Income Statement and equity for fair value.

B – Ratio excludes tax. Our calculation includes tax and adjusts tax for the effect of interest costs.

C – This measure is required under the State Owned Enterprises Act 1986 Section 14 (2)(c). Consolidated Shareholders' funds are equal to equity from the statement financial position based on New Zealand International Financial Reporting Standards (IFRS) in accordance with Transpower's Accounting policies. Total Assets are from the Statement of Financial Position per IFRS.

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