



Independent Reasonable Assurance Report to Vector Limited and to the Commerce Commission New Zealand

Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, Vector Limited has, in all material respects, complied with the Commerce Commission New Zealand Electricity Distribution Information Disclosure (Targeted Review 2024) Amendment Determination 2024 (and related final reasons paper) and Electricity Distribution Services Input Methodologies Determination 2012 (consolidated version 23 April 2024) (together 'the determination') for the period 1 April 2024 to 31 March 2025.

In our opinion, Vector Limited's basis for valuation of related party transactions has, in all material respects, complied with clause 2.3.6 of the Electricity Distribution Information Disclosure (Targeted Review 2024) Amendment Determination 2024 and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 (consolidated version 23 April 2024) for the period 1 April 2024 to 31 March 2025.

As far as appears from an examination, proper records to enable the complete and accurate compilation of the schedules have been kept by Vector Limited; and the information used in the preparation of the schedules has been properly extracted from Vector Limited's accounting and other records and has been sourced, where appropriate, from Vector Limited's financial and non-financial system for the period 1 April 2024 to 31 March 2025.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to Vector Limited's Schedules 1, 2, 3, 4, 5 (a-h), 6 (a-b), 7, 10 ((i)-(iv), (vi)), 10a and 14 (boxes 1-12) of the Vector Limited Electricity Distribution Information Disclosure Requirements Information Template (the 'schedules') for the period 1 April 2024 to 31 March 2025.

Criteria

Commerce Commission New Zealand Electricity Distribution Information Disclosure (Targeted Review 2024) Amendment Determination 2024 (and related final reasons paper) and Electricity Distribution Services Input Methodologies Determination 2012 (consolidated version 23 April 2024) (together 'the determination'). As a result, this report may not be suitable for another purpose.

Key assurance matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in our reasonable assurance engagement in relation to Vector Limited's schedules in the current regulatory period. We summarise below those matters and our key procedures to address those matters in order that the directors and the New Zealand Commerce Commission may better understand the process by which we arrived at our opinion. Our procedures were undertaken in the context of and solely for the purpose of our opinion on the schedules as a whole and we do not express discrete opinions on separate elements of the schedules.

The key assurance matter	How the matter was addressed in our audit
1. Capitalisation of assets into the regulatory assets base ('RAB'). Refer to Schedule 4 and Schedule 6a.	
<p>Capitalisation of assets into the RAB (capital expenditure during the year of \$245.8 million and assets commissioned of \$268.1 million) is a key assurance matter due to the following significant judgements involved:</p> <ul style="list-style-type: none"> - assessment of whether an asset meets the definition of an asset under the determination; and - allocation of non-directly attributable assets to the electricity business. Specifically, this judgement relates to the selection of allocators which appropriately align to the cause of the expenditure. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> — examining the effectiveness of controls related to the approval of capital expenditure; — checking a sample of costs to invoices to determine whether the description of the expenditure met the capitalisation criteria in the determination; — comparing RAB assets commissioned to those commissioned for financial reporting purposes and obtaining explanations for any significant differences; and — examining and challenging the allocators used to allocate non-directly attributable assets into the RAB. This included an assessment of whether the allocator is an appropriate reflection of the cause of the expenditure.
2. Completeness and accuracy of SAIDI and SAIFI. Refer to Schedule 10(i), (vi) and 10a.	
<p>The accuracy and completeness of SAIDI and SAIFI (3,267 interruptions in the period resulting in SAIDI and SAIFI of 175.1 and 1.48 respectively) is a key assurance matter due to the following factors:</p> <ul style="list-style-type: none"> - the reliance on manual data entry to collect the interruption information coupled with the large volume of interruptions inherent in a large network of over 625,000 electricity connection points; 	<p>The procedures we performed to evaluate accuracy of the dataset used to calculate SAIDI and SAIFI included amongst others:</p> <ul style="list-style-type: none"> — testing a sample of events by comparing the facts surrounding the events such as start time, number of customers affected and end time were consistent with the underlying books and records of Vector Limited;

The key assurance matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> - there are differences in the method of calculating normalised SAIDI and SAIFI between the Electricity Default-Price-Quality Path determination and Electricity Information Disclosure determination; - Targeted Information Disclosure Review refined requirements that clarified new successive interruptions methodology impacting SAIFI; and - Targeted Information Disclosure Review introduced new disclosure requirements to disclose the raw interruption data (at a feeder level) and worst-performing feeders for unplanned interruptions 	<ul style="list-style-type: none"> — recalculating SAIDI and SAIFI (including successive interruption methodology) according to both the methodology of the Electricity Default-Price-Quality Path determination - Electricity Information Disclosure determination; and — reconciling the data sets used in the raw interruption data and identification of worst-performing feeders with the underlying data sets used in Electricity Default-Price-Quality Path determination. <p>The procedures we performed to evaluate completeness of the dataset used to calculate SAIDI and SAIFI included amongst others:</p> <ul style="list-style-type: none"> — checking whether, on a sample basis, major storm and outage events recorded in the media were appropriately recorded in the dataset; — assessing the correct data was extracted from the underlying systems in order to prepare the Schedule; — performing data analysis to compare the recorded events to historic frequency and severity and obtaining explanations for significant differences; and — challenging the dataset where no interruptions were recorded on a specific date, or where interruptions were recorded with zero SAIDI/SAIFI impact.
<p>3. Allocation of shared and other costs into operating expenditure. Refer to Schedule 5d and Schedule 6b.</p> <p>The allocation of shared and other costs (\$67.7 million of non-directly attributable expenditure within the total of \$179.8 million of operating expenditure) into operating expenditure is a key assurance matter due to:</p> <ul style="list-style-type: none"> - the fact that Vector Limited operates across a number of businesses, both regulated services (electricity distribution and gas distribution) and non-regulated services. A number of operating costs can therefore be shared across these businesses; and - allocation of shared and other costs into the electricity distribution business requires judgement. Specifically, this judgement relates to the selection of allocators which appropriately align to the cause of the expenditure. 	<p>The procedures we performed to evaluate the allocation of non-directly attributable costs included, amongst others:</p> <ul style="list-style-type: none"> — examining and challenging the allocators used to record shared and other costs into operating expenditure. This included assessing whether the allocator is an appropriate reflection of the cause of the expenditure; — comparing the total amount of shared and other costs to that recorded for financial reporting purposes and assessing any significant differences; and — comparing shared and other costs to historic levels and our understanding of the current business model and strategy.

The key assurance matter	How the matter was addressed in our audit
<p data-bbox="225 407 794 448">4. Valuation and identification of related party transactions. Refer to Schedule 5b.</p> <p data-bbox="225 470 794 660">The valuation of transactions with related parties (\$19.8 million of purchases from related parties included in operating expenditures, and \$18.3 million of assets acquired from related parties included into capital expenditure in the period) is a key assurance matter due to:</p> <ul data-bbox="225 672 794 828" style="list-style-type: none"> - the significant judgement in forming a view of related party pricing in the absence, or insufficiency, of publicly available information about pricing and terms of certain transactions. <p data-bbox="225 840 794 1019">The identification of transactions with related parties is a key assurance matter because Vector Limited operate in a number of business areas and holds certain investments which may give rise to related party transactions with the electricity distribution business.</p>	<p data-bbox="801 470 1433 537">The procedures we performed to evaluate valuation of related party transactions included amongst others:</p> <ul data-bbox="801 548 1433 1276" style="list-style-type: none"> — obtaining an understanding of Vector Limited's approach to identifying and valuing related party transactions in accordance with the determination; — making inquiries and inspecting correspondence between Vector Limited and the Commerce Commission regarding related party transactions; — comparing the value of each transaction with the price paid by or paid to Vectors Electricity Lines business; — where available, comparing the value of each transaction to at least one of the following: <ul data-bbox="801 1008 1433 1276" style="list-style-type: none"> — the standard price list or standard rates obtained directly from the related party; or — the actual cost of providing the goods and service and observed margins applied for similar goods and services; or — the observed market price for similar goods or services. <p data-bbox="801 1288 1433 1355">The procedures we performed to evaluate completeness of related party transactions included:</p> <ul data-bbox="801 1366 1433 1500" style="list-style-type: none"> — challenging whether all related party transactions had been included by comparing to our understanding of Vector Limited's operating model; and <p data-bbox="801 1512 1433 1601">assessing whether all related party transactions recorded for financial reporting purposes had been correctly identified and disclosed.</p>

Standards we followed

We conducted our reasonable assurance engagement in accordance with Standard on Assurance Engagements 3100 (Revised) Compliance Engagements (**SAE 3100 (Revised)**) issued by the New Zealand Auditing and Assurance Standards Board (**Standard**). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable opinion. In accordance with the Standard, we have:

- used our professional judgement to assess the risk of material non-compliance and planned and performed the engagement to obtain reasonable assurance that the Schedules, are free from material non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls; and



- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

How to interpret reasonable assurance and material non-compliance

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect material non-compliance, when it exists.

Non-compliance is considered material if, individually or in aggregate, they it could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the Schedules.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the period 1 April 2024 to 31 March 2025 does not provide assurance on whether compliance with the Criteria will continue in the future, or that the compliance of Vector Limited's basis for valuation of related party transactions with clause 2.3.6 of the Electricity Distribution Information Disclosure (Targeted Review 2024) Amendment Determination 2024 and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 (consolidated version 23 April 2024) will continue into the future, or that proper records to enable the complete and accurate compilation of the schedules will continue in the future.

Use of this assurance Report

Our report is made solely for Vector Limited. Our assurance work has been undertaken so that we might state to Vector Limited those matters we are required to state to them in the assurance report and for no other purpose.

Our report is released to Vector Limited and Commerce Commission New Zealand on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent. No other third party is intended to receive our report.

Our report should not be regarded as suitable to be used or relied on by anyone other than Vector Limited and Commerce Commission New Zealand for any purpose or in any context. Any other person who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to anyone other than Vector Limited for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our opinion is not modified in respect of this matter.

Vector Limited's responsibility for the Schedules

The directors of Vector Limited are responsible for the compliance activities undertaken to meet the compliance requirement in accordance with Commerce Commission New Zealand Electricity Distribution Information Disclosure (Targeted Review 2024) Amendment Determination 2024 (and related final reasons paper) and Electricity Distribution Services Input Methodologies Determination 2012 (consolidated version 23 April 2024) (together 'the determination') for the period 1 April 2024 to 31 March 2025. This includes the compliance activities undertaken to value related party transactions in accordance with clause 2.3.6 of the Electricity Distribution Information Disclosure (Targeted Review 2024) Amendment Determination 2024 and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 (consolidated version 23 April 2024) and the compliance activities to maintain proper records to enable the complete and accurate compilation of the schedules.



This responsibility includes such internal control as the directors determine is necessary to enable the identification of risks that threaten the compliance requirements identified above being met and identifying, designing and implementing controls which will mitigate those risks and monitor ongoing compliance.

Our responsibility

Our responsibility is to express an opinion to Vector Limited on whether Vector Limited has, in all material respects, complied with the Criteria for the period 1 April 2024 to 31 March 2025, and whether Vector Limited's basis for valuation of related party transactions has, in all material respects, complied with clause 2.3.6 of the Electricity Distribution Information Disclosure (Targeted Review 2024) Amendment Determination 2024 and clauses 2.2.11(1)(g) and 2.2.11(5) of the Electricity Distribution Services Input Methodologies Determination 2012 (consolidated version 23 April 2024) for the period 1 April 2024 to 31 March 2025 and to express an opinion whether, as far as appears from an examination, the information used in the preparation of the schedules has been properly extracted from Vector Limited's accounting and other records, sourced from its financial and non-financial systems for the period 1 April 2024 to 31 March 2025.

Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) (**PES 1**) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* (**PES 3**), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided annual audit and half-yearly review of financial statements, regulatory assurance, pre-assurance on climate related disclosures, compliance in relation to R&D tax credits and other assurance services to Vector Limited. Subject to certain restrictions, partners and employees of our firm may also deal with Vector Limited on normal terms within the ordinary course of trading activities of the business of Vector Limited. These matters have not impaired our independence as assurance providers of Vector Limited for this engagement. The firm has no other relationship with, or interest in, Vector Limited.



KPMG

Auckland

22 August 2025