

Chairs Report

Your trustees are elected by you, the electricity consumers of Marlborough, and hold the 28 million shares in Marlborough Lines Limited on behalf of, and for the benefit of, you.

Trustees' objectives include:

- Continuing to deliver the benefits of 100% consumer ownership of the Company and to promote retention of the "Trust Ownership" model of ownership.
- Managing the Trust's investment in the Company to ensure that the benefits of ownership are enhanced equitably for both current and future beneficiaries, as per the trust deed.

We are charged with ensuring Marlborough Lines Limited operates as a successful business. The top priority for the company is to be an excellent electricity distribution business, and our beneficiaries need to be able to rely on electricity availability and the company's ability to provide value. Beyond that, the Company has the capability and resources to invest further. Buoyed by investment gains, the net asset backing per share is currently \$17.98, showing substantial growth in value from \$2.22 in 2002.

Our relationship with the company's board and leadership is strong and underpinned by integrity. Trustees have a prudential duty to act as a diligent shareholder, and a responsibility to monitor the performance of directors. The appropriate flow of information was documented in a Memorandum of Understanding between the Company and Trustees in December 2019. The Trustees are satisfied that this provides a good basis for monitoring performance and ensuring trustees are appropriately informed as to the activities of the Company. The regular flow of quality information allows us to closely examine the performance of the organisation and ensure our beneficiaries' interests are considered and enhanced.

We note the escalating opportunities and threats which are impacting the energy sector, bringing several strategic issues top of mind for both the trustees and the company. Recent flooding events have highlighted the impacts of climate change and the company is undertaking significant work in this area to ensure the reliability of the network. Electrification of traditionally fossil-fuelled boilers is adding to the future demand for electricity, as is the uptake of electric vehicles, and the move to electrification of aircraft for both SoundsAir and Air New Zealand, as well as for KiwiRail's ferries.

As Marlborough Lines implements its strategic objectives, these issues are top of mind.

We support the board's decision to seek a strategic partner for its Yealands Wine Group investment to help accelerate its overall decarbonisation plans. By divesting part of Yealands, Marlborough Lines can invest more to help build the energy capacity and resilience needed to power a sustainable and profitable future for our region.

Since the purchase of Yealands in 2015, the energy sector landscape has changed considerably. What was once a mature and in many ways stagnant sector has been transformed with

alternative and renewable energy potential. Our position at the top of the South Island leaves us well-placed to take up some of those potential opportunities.

The purchase of Yealands has benefitted shareholders both in capital growth from investment diversification and in supporting the region. The team at Yealands work hard and with pride, and I would like to thank them for their dedication, particularly through the hard times there have been with COVID.

There is a divestment process underway and the commercial sensitivities around that make it hard to comment on in much detail. The sale of four vineyards to the NZ Super Fund were concluded well, and trustees anticipate this process will be successful as well.

Recent court action also concluded successfully in February, with the court's ruling in favour of the Marlborough Electric Power Trust, and no finding of trust wrongdoing.

The Marlborough Electric Power Trust continues to be an active member in the national organisation, Energy Trusts New Zealand. Trustee Cathie Bell has joined the executive board of that organisation.

Its most recent conference focused on issues of energy poverty and how we can better support energy equity. Trustees are outlining ways to work with the company over the next six months to ensure our consumers and beneficiaries are well-supported.

I would like to thank my fellow trustees for their commitment to ensuring beneficiaries' interests remain top of mind. I would also like to thank the directors of Marlborough Lines for their strong commitment to the "Energise Marlborough" vision.

To Brenda, our trust secretary, thank you for your tireless work behind the scenes.

Finally, I would like to extend our thanks to Tim Cosgrove and the team at Marlborough Lines for their commitment to serving you, and ensuring they provide a great service for our community. Marlborough has been hit by two significant weather events during the past 18 months, and we as trustees have heard from many consumers that they value the service provided by Marlborough Lines workers during the recovery from those events.

Marlborough Lines plays an important role in the Marlborough community – through the supply of vital electricity, and also in its support of community organisations.

We, your trustees, are working hard to ensure the company remains successful, supplying power to Energise Marlborough's Future.

Ngā mihi nui



Nicki Stretch
Chair