

Risk Management FY25

Transpower's risk management covers the enterprise's entire perspective, including strategic, operational, commercial, and financial aspects. Transpower's risk management policy has been reviewed and updated and is consistent with the internationally recognised standard AS/NZS ISO 31000:2018. Transpower's risk management methodologies include bowtie risk analysis and semi-quantitative risk assessment.

Below is a summary of our strategic priorities and the key risks that relate to them. Our climate-related risks are presented in our Climate Statement FY2025 which is available [here](#).

KEY RISKS	EXPLANATION AND MITIGATION
Risk of a serious workplace injury or death at a Transpower site or involving Transpower assets Related strategic priorities: • Enhance our social licence to operate Material issues addressed: • Customers and consumers • Community and landowner relationships • Future workforce • Good governance, including cybersecurity	Transpower strives to provide a working environment in which there are no fatalities or injuries causing permanent disability. We have policies and procedures in place to identify and manage hazards and risks throughout the lifecycle of our assets including project and maintenance work. We collaborate closely with our service providers in the planning and delivery of work in the field and support this with robust assurance processes to ensure works are completed to a high standard and without placing the health, safety and wellbeing of our people and members of the public at risk. We continuously seek to learn from others both within and external to our industry sector in order to share knowledge and drive improvements in safety. We have defined an approach for measuring psychological hazard in the workplace and have implemented a programme of work to support employee wellbeing.
Risk of property damage, a serious injury or death of a member of the public at a Transpower site or involving Transpower assets Related strategic priorities: • Enhance our social licence to operate	Keeping the public safe around our lines, transmission towers, and substations is a critical component of our work. Our public safety management system is a framework of good practice. It demonstrates that we take all practicable steps to ensure our assets do not present a significant risk of serious harm to the public, or a risk of significant damage to property. Transpower's public safety management system was recertified in 2024. It is reviewed annually, with a recertification assessment every three years.

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Material issues addressed: • Customers and consumers • Community and landowner relationships • Good governance, including cybersecurity	
Risk of serious harm to the environment Related strategic priorities: • Enhance our social licence to operate Material issues addressed: • Environmental stewardship • Community and landowner relationships	Transpower continues to improve on its environmental management processes and systems, with a focus on management of hazardous substances, contaminated land, noise effects, earthworks, land disturbances and our historic and cultural heritage. Our Sustainability Strategy seeks to position Transpower to support New Zealand's transition to a sustainable energy future. We do this through our focus on three challenges. The first challenge relates to climate change, with a focus on enabling renewable and electrification connections, ensuring the grid is resilient to the effects of a changing climate while also reducing our own carbon footprint. The second relates to environmental stewardship, with a focus on restoring the natural environment and reducing the impacts of materials and resources used. Our third challenge relates to doing business in a sustainable way. It has a focus on including carbon and sustainability considerations in our core decision-making frameworks and on fostering connections with iwi, landowners, and communities. Our Biodiversity Strategy forms part of this overarching Sustainability Strategy and outlines Transpower's vision for an overriding kaitiakitanga approach of nurturing and protecting the valuable ecosystems and species we encounter on a daily basis. Our main priority is to avoid further decline in biodiversity across every part of our business, and where possible maximise our positive impacts, particularly for new projects.
Risk of significant power supply interruptions Related strategic priorities: • Enhance our social license to operate • Deliver services that meet our customers' needs Material issues addressed:	A core part of our role is to plan, build, operate and maintain the national grid, with the objective of 'keeping the energy flowing' for New Zealand electricity consumers. In the unlikely event that the lights do go off, we need to ensure there is sufficient resilience in the grid to reconnect people to their power supply as soon as possible. Those events could be related to asset failure, operations error, or external circumstances, such as severe adverse weather, geophysical event or even space weather.

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- Climate change mitigation and adaptation - Customers and consumers - Community and landowner relationships - Environmental stewardship	An important risk-reduction measure is our investment in the replacement and refurbishment of assets as their health and condition deteriorates. Ongoing measures include reliability-informed maintenance reviews, emergency preparedness and a collaborative approach to contingency planning with our customers. Adding to our challenges of managing a resilient grid, our climate is changing and consequently the world is witnessing an increasing frequency of extreme weather events. While the grid withstood the February 2023 Auckland flooding well, our assets were impacted by the Cyclone Gabrielle weather event, causing a temporary loss of supply to parts of Hawkes Bay and te Tairāwhiti. In June 2025, Transpower submitted a \$47 million proposal to the Commerce Commission to rebuild the Redclyffe substation, aiming to better protect Hawke's Bay's electricity supply from flooding and earthquakes. Pending approval from the Commerce Commission, work is expected to start in October 2026. The consequences of climate change are expected to reduce the return periods of our major hazards and increase the priority of historically low risk level hazards. Transpower monitors the risk of major hazards that are impacted by climate change.
Risks in power system operations Related strategic priorities: - Enhance our social license to operate - Deliver services that meet our customers' needs Material issues addressed: - Customers and consumers - Good governance, including cybersecurity	Another core part of our role is that of system operator, in which we manage and coordinate electricity generation and operation of the electricity market minute by minute, 24/7, 365 days per year to provide an efficient and reliable power system. There is a constant risk that an event on the power system could impact our ability to ensure delivery of electricity around the country or maintain operation of the market. Key risk controls include having the people, systems, and processes with which we plan for and manage any event in real-time and having the flexibility to respond and adapt to whatever event arises. Undertaking sector-wide business continuity exercises are a great way to prepare for low-probability, high impact events. In April 2025 we conducted an exercise involving around 250 people from more than fifty organisations across the electricity sector to test rolling outage processes and related communications with consumers and key stakeholders.

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Risk of a cyber security breach Related strategic priorities: - Enhance our social license to operate - Deliver services that meet our customers' needs - Facilitate delivery of an optimised transition path for Aotearoa's energy system Material issues addressed: - Good governance, including cybersecurity	We use a number of information, communications and technology systems that are critical for the supply of power and for system operations. To protect our systems and information against this sophisticated and ever-changing threat, continuous and systematic work aligned to international best-practice standards is ongoing to ensure information security. To achieve this, we are working closely with other stakeholders in the sector and with national authorities. We are also investing appropriately to increase our capabilities to better understand and respond to cybersecurity events. We monitor major cybersecurity events that occur domestically and internationally and utilise the events and subsequent learnings to inform our own cybersecurity controls and practices.
Risk of not being able to find the skilled resources we need to effectively deliver our services Related strategic priorities: - Advance our organisational effectiveness - Facilitate delivery of an optimised transition path for Aotearoa's energy system Material issues addressed: - Future workforce	Engineers (electrical, civil, and mechanical) and IT professionals with transmission and/ or power systems experience have always been a skills shortage in New Zealand. This skills shortage is expected to increase as our population ages and as market demand for skilled people to build and connect generation increases globally, as electric vehicles grow their share for transport and as renewable energy increasingly substitutes for fossil fuels. Markets for skilled people are internationally connected, and New Zealand will continue to recruit from a global talent pool. At the same time, New Zealand may become a source of workforce supply for other countries, thus further reducing the skilled workforce required nationally to operate and maintain the grid. In response, we are focused on building a diverse and inclusive workforce, having a strong employment brand and employee value proposition that will enable us to attract and retain talent. We continue to build awareness of the sector and attractiveness of science, technology, engineering, and maths (STEM) jobs at a national level. Transpower is engaging with stakeholders in the energy sector to increase domestic training of electricity workers.
Risk of not having the right grid at the right place at the right time	Potential changes in electricity consumption, generation and customer response technologies bring with them greater uncertainty about future grid usage.

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Related strategic priorities: - Facilitate delivery of an optimised transition path for Aotearoa's energy system - Deliver services that meet our customers' needs - Accelerate electrification through our asset investments Material issues addressed: - Climate change mitigation and adaptation - Customers and consumers - Future workforce	Our challenge is to sustain a cost-effective transmission service that continues to provide an appropriate level of reliability while adapting to changing demands. We foster dialogue and develop forecasts to help us understand trends that will impact the grid and invest in asset management improvements and innovation so we can anticipate and respond to changes. Transpower is planning to take a least regrets approach to identifying the range of upgrade projects needed on the grid. To do this we need industry and customer input. Transpower is only one link in the electricity delivery chain and the most efficient pathway will only be achieved if we can assist in creating a 'joined up' view of grid needs with our industry partners. Net Zero Grid Pathways covers our plans and investments on the backbone of Aotearoa's electricity transmission grid to meet the challenges we face in enabling the electrification of the economy and meeting our nation's decarbonisation targets. This includes connecting new renewable generation and maintaining a secure and reliable supply of electricity. In May 2025, Transpower launched its Future Grid initiative Te Kanapu that aims to guide strategic discussions and planning for the grid up to 2050 and beyond. This initiative envisions a future powered by renewable energy, ensuring a reliable and affordable electricity supply for a thriving, net-zero economy. The key deliverable of the Te Kanapu work programme is a 'grid blueprint' that outlines what investments the transmission grid needs to support the power system of the future – one that has higher capacity as more electricity is used, greater complexity as more distributed generation and new technology connects, and has the right infrastructure ready at the right time to support a high-growth economy for Aotearoa.
Reputational risk Related strategic priorities: - All strategic priorities Material issues addressed: - All material issues	Transpower provides a lifeline utility service for New Zealand and grid reliability is highly valued by our customers and electricity consumers. Our biggest reputational risk is associated with our ability to deliver on our mission 24/7, through all seasons and unaffected by weather conditions and other events. Furthermore, through our investments and operations, we have a physical presence throughout the country. This means that we need to continuously seek acceptance for our plans and ongoing activities. To establish and maintain good relations with the outside world, we proactively reach out to communities and stakeholders in specific cases.

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Financial risk Related strategic priorities: • Deliver services that meet our customers' needs Material issues addressed: • Customers and consumers • Good governance, including cybersecurity	Transpower's activities expose it to a variety of financial risks. We have a strong framework for financial risk management and treasury policies that include guidelines and limits related to liquidity risk, interest rate risk, currency risk, credit risk, commodity risk and insurance risk. Further details for each of these categories is provided in the notes to the financial section of this report. A specific financial risk relates to the fact that Transpower, as a natural monopoly, is regulated by the Commerce Commission. The Commerce Commission determines what rate of return applies to our assets, as well as the incentives for meeting and exceeding operating expenditure, capital expenditure and meeting certain deliverables and outage targets.
Supply Chain risk Related strategic priorities: • Enhance our social license to operate • Deliver services that meet our customers' needs • Facilitate delivery of an optimised transition path for Aotearoa's energy system Material issues addressed: • Customers and consumers • Good governance, including cybersecurity	As a small country in the South-Pacific, New Zealand is particularly vulnerable to any events that disrupt the supply of goods and materials into the country, and the country has seen ongoing delays for over two months for some products. Transpower uses domestic and international suppliers for the components and materials it requires to maintain and expand the grid and any supporting information, communication, and technology systems. In response to the emergence of supply chain disruptions, we have increased our stock of spare parts and materials in critical areas and for certain categories. We have advanced the planning of our key upcoming projects; we continue to engage with our international and domestic suppliers and where appropriate we are lining up alternative supply arrangements.