Chorus Limited
Level 10, 1 Willis Street
P O Box 632
Wellington
New Zealand

Email: company.secretary@chorus.co.nz

STOCK EXCHANGE ANNOUNCEMENT

25 November 2026

Commerce Commission final decision on the Common cost of capital Input Methodology (IM) review

Chorus notes the New Zealand Commerce Commission's final decision on the Common cost of capital Input Methodology (IM) review released this morning. The decision sets the methods the Commission will use to estimate two parts of the regulated weighted average cost of capital (WACC) that are common to fibre, electricity, gas and airports: the method for estimating the tax-adjusted market risk premium (TAMRP), the method for estimating the risk-free rate for the cost of debt, and adjustments to the term credit spread differential allowance and other related matters. The decision follows consultation on changes to the common cost of capital input methodologies.

The WACC framework has an important role in ensuring regulated infrastructure businesses have appropriate incentives to invest for the long-term benefit of consumers. A stable, rules-based approach reduces potential volatility in the WACC estimate.

Chorus has consistently supported a TAMRP methodology that is robust across different market conditions, transparent and predictable over time. The final decision replaces the fixed TAMRP value in the input methodologies with a set method for calculation, which the Commission will apply using market data at each price-quality WACC determination. The method supports a more stable cost of equity over time.

The Commission has also decided to move to a five-year trailing average when estimating the risk-free rate for the cost of debt, replacing the current approach of using rates at a single point in time. This is a change from the Commission's original draft decision. A trailing average better reflects how efficient infrastructure businesses raise debt over time and reduces the risk of short-term movements in interest rates being locked in for an entire regulatory period.

The Commission is reviewing Chorus' WACC parameters in stages. As each stage of the review concludes, more certainty about Chorus' WACC settings is achieved.

The last element of the Common Cost of Capital review to confirm is the design and implementation of a trailing average cost of debt and related topics. We expect a draft decision on these matters in December 2026 with a final decision in Q3 2027.

Other material WACC parameters (including asset beta, leverage, the WACC percentile) and asset-stranding allowance, remain subject to the Commission's Fibre Input Methodologies review. Draft decisions on these parameters are expected in Q1 2027 with final decisions due by October 2027. Chorus has previously submitted on these parameters and will continue to engage constructively in the review. This includes presenting expert evidence to support an accurate regulatory cost of capital which promotes incentives to invest. We expect the Commission to carefully consider submissions when it makes decisions on the WACC parameters.

Chorus' current PQP2 vanilla WACC of 7.68% continues to apply until the end of 2028. The WACC applying to Chorus' third price-quality period, beginning 1 January 2029, will be determined in 2028 using the final input methodologies and prevailing market data at that time.

Further information can be found on the Commission's website here.

Authorised by:

Kristel McMeekin
General Counsel

ENDS

For further information:

Aleida White
Head of Investor Relations
Phone: + 64 21 155 8837
Email: aleida.white@chorus.co.nz

Shannon Goldstone
Head of Corporate Affairs & Sustainability
Phone: 0800 763 000
Email: Shannon.Goldstone@chorus.co.nz