

CEO's Address to Contact Energy 2017 Annual Meeting of Shareholders

For immediate release

Wednesday 11 October 2017

Tēnā koutou katoa,
Ki nga iwi o Tamaki Makaurau - anei te mihi.
Ki a tatou katoa kua hui mai nei - nau mai haere mai ki runga i te kaupapa – te hui-ā-tau.
Nau mai, nau mai, aa tena koutou katoa

Greetings,
To the tribes of Auckland – I acknowledge you.
To all of us who have gathered here today, welcome to what has brought us together – the AGM.
Welcome, and greetings.

My name is Dennis Barnes, your CEO. I'd like to introduce you to my leadership team, who are also here with us today: Vena, Catherine, Graham, and Tania. James is currently away undertaking some professional development and is unable to join us today. At the end of the meeting I hope you will be able to spend some time with me and my leadership team. We'd love to hear your thoughts on Contact and would be happy to answer any questions you have. Vena and his team would be happy to assist you with any questions you may have about our products or if you'd like to join Contact as a customer. We'd love to have you on board.

The year in review – Highlights

Every day across the country New Zealanders rely on energy to do the things they care about as they live, work and play. This year we have made great improvements to our leading performance indicators as a result of our operational focus. We have maintained our financial discipline, enhanced the customer experience, improved employee engagement and advanced our safety culture.

Focussing on what matters most to our stakeholders

We see the world through the eyes of our customers, our people and communities, operating in a sustainable way that considers needs of future generations. Naturally interactions with customers, investors, employees and other stakeholders play a key part in influencing our focus and what matters most to our company. We've provided an overview of our performance across four areas in our Annual Report. These are: delivering on our core business, people, environment and community. I'll provide an overview of key progress in each of these now.

Delivering on our core business

Firstly, 'delivering on our core business'. In our customer business everything we do is about striving to deliver a world class customer experience. During the year we introduced a new website, digital experience and also launched new rewards through our partnership with AA Smartfuel. The changes have made it easier for customers to join us and transact online, and reduced time required to complete the most common activities. Over 50,000 of our customers are now receiving AA Smartfuel rewards and collectively they've saved over \$500,000.

Through technology trials kicked off during the year, across the country we are working with customers to truly understand the opportunities for customers in pairing solar energy, battery storage, smart hot water control technology with app-based real-time control.

We take a customer inspired approach, and are always looking for opportunities to improve what we do. We use a customer panel to help us develop new product and service ideas and harness customer feedback to identify key areas where we can make changes to improve customer experience. We track our progress using a measure of customer advocacy called Net Promoter Score. This measures the degree to which customers are willing to promote our business to their friends and family. During the year we saw another strong improvement, with our score up 17 points to +14.

Across electricity, natural gas and LPG we saw an overall rise in customer numbers, up 4,500 to 567,000. Despite an average of 30,000 customers in the market switching electricity suppliers each month, more of our customers are choosing to stay with Contact and we have a lower level of switching than the market.

In our generation business we saw a sudden and significant swing in hydrology with above average hydro storage at the beginning of the financial year giving way to record low hydro inflows into the key South Island lakes culminating in a 'dry winter'. This restricted the amount of electricity we could generate from our hydro stations and required us to run our more expensive gas-fired power stations in Taranaki. The situation clearly illustrated the value of a diverse generation portfolio, powered by a range of fuels, to ensure flexibility and security of supply for our customers. We still managed to generate 80% of our electricity from renewable sources over the year, but we did have higher fuel costs. Our focus on continuous improvement drove further efficiencies across our renewable assets and increased the flexibility of our thermal assets.

People

Turning our attention to people, an external audit highlighted our continued improvement in our safety culture this year. Our continued focus on empowering frontline workers on safety also saw our health and safety performance improve. While unfortunately 10 of our people were hurt during the year, most of the injuries were less severe strains or sprains.

We have a strong focus on people engagement, and creating a workplace culture that embraces diversity. We are targeting employee engagement of 82% or higher, the AON Hewitt Best Employer level, and this year we took another step towards our target with a 12 percentage point increase to take Contact's overall engagement score to 68%.

Our Chairman has already touched on the importance we place on diversity in all its forms, as well as several of our areas of focus for the year. To add to his points, we have also been working on achieving pay equity between males and females undertaking roles within the same salary band. While there is still work to do, we are currently have a pay equity ratio of 98%.

Environment

Our efforts in the environmental space have included planting 14,000 native trees across our sites and creating a water dashboard that makes it easier to monitor our water use across our operations, to support our sustainable management of freshwater resources. 99% of the water used to generate electricity is returned to rivers and geothermal reservoirs. Our overall emissions from electricity generation are down by 53% since 2012 as a result of the closure of the Otahuhu gas fired power station, a nearly 80% reduction in gas purchases, as well as our significant investments in renewable geothermal generation.

Last week I publicly called for New Zealand to move past debates on technicalities and act on the climate change challenge. As a country I firmly believe there's a real opportunity for us to innovate, to work together and do more to tackle climate change and Contact is keen to play a key role. Hope won't help us deliver a low carbon economy, but a plan that ensures government agencies and businesses can work together on how to achieve targets would be a great step.

I believe having a truly market-priced Emissions Trading Scheme, covering all sectors, all gasses and with the removal of existing caps and transition periods, will help spur the transition to a lower carbon economy. There are great opportunities in the areas of transport, agricultural processing and manufacturing. We are actively working with our energy-intensive business customers to help them identify opportunities to transition to flexible,

efficient, low carbon energy solutions and welcome conversations with other organisations who are keen to be involved.

As you know, Contact is a strong supporter of electric vehicles and initiatives designed to increase their use in New Zealand. Already 25% of Contact's own vehicle fleet is electric and we are targeting to reach 30% by 2019.

You may have seen that in August we also introduced a market-leading Green Borrowing Programme allowing investors, for the first time ever, to have the opportunity to invest in certified Green Debt Instruments issued by a New Zealand company. We have received hugely positive feedback on this move from investors both here and overseas.

Community

In local communities we invested a total of over \$360,000 in local community initiatives and in sponsorships such as the recent Contact Alexandra Blossom Festival, Contact SwimWell Taupo and the Contact Epic mountain bike race. Over 5,000 people attended our community open day at the Clyde Power station. Our employees are involved in supporting community organisations through our volunteering programme and collectively provided close to 1,800 hours of support this year.

Summary

In summary, we will continue our strategy to connect customers and markets to renewable resources. The start to the new Financial Year has been positive on all our operational measures however we didn't see a return to more normal hydrological conditions until mid-August.

For the coming year I expect we will be able to evidence further progress across all our areas of focus. We will continue giving customers choice, certainty and control at the same time reducing our costs as we focus on digital transformation by leveraging our systems and capability investments.

This will put us in a strong position to deliver on the revised Distribution Policy that we announced in August and was referenced by the Chairman earlier.

I'd like to thank all of my colleagues for their energy, commitment and discipline and to you our shareholders for your financial support.

I would also like to thank the Board members for their contribution. The guidance and support they provide me remains invaluable.

Thank you.

Tēnā koutou, tēnā koutou, tēnā koutou katoa.

ENDS