

13 November 2019

CEO's Address to Contact Energy 2019 Annual Meeting of Shareholders

Introduction

Tēnā koutou katoa

Ki ā tātou kua huihui mai i tēnei rā

Nau mai, haere mai, ki runga i tēnei kaupapa – te hui-ā-tau.

Greetings to you all

To those who have gathered here today

Welcome to the subject of the day – the annual meeting.

Thank you, Rob, for your introduction and kind words.

Ladies and gentlemen, I would like to introduce my fellow Leadership Team members with me today: Dorian, Vena, James, Catherine, and our new Chief People Officer Jan Bibby, who joined us on Monday.

I'd also like to acknowledge Megan Curry who has been acting in Jan's role this year. Thank you.

Overview

As this is my last address to you, our shareholders, I've been thinking about the importance of the AGM for reporting performance and for you to hold us to account.

I have welcomed the discussions we have had at each AGM, both through the formal questions and often the more personal and detailed conversation over morning tea. I can assure you that I have always welcomed your feedback.

As Rob mentioned, we delivered a strong financial result in Financial Year '19.

We have also improved capital efficiency, deployed good risk management practices, and again proved the value of the flexibility we have built into our diverse generation portfolio

During Financial Year '19, our Wholesale business successfully managed periods of low hydro inflows and constrained gas supply, reinforcing the value of our diverse portfolio.



Our Customer business had a successful year where the Net Promoter Score, a measure of customer advocacy, continued to increase, and our churn was comfortably below the market average.

We continued to digitise the customer experience and build data, automation and integration capability, while lowering operating expenses and reinvesting savings in our brand and technology solutions.

During the year we participated constructively in the Government initiated Electricity Pricing Review. The review highlighted that some families are struggling to pay for their energy and that the prompt payment discounts are not always fair to customers who are unable to pay their bills on time.

We are evolving our product set including the phasing out of our current prompt payment discounts.

We have also made it easier for customers to connect with us online and are helping our most vulnerable customers keep the power on with PrePay and flexible billing options.

We have helped our customers to avoid getting into difficult credit positions, and intervened early if they did, which delivered record low levels of outstanding debt.

In addition, we have proudly supported EnergyMate – an industry-led programme to help families who are struggling to afford to heat their homes.

Overseen by the Electricity Retailers' Association, the programme is a collaborative effort between retailers, lines companies, community organisations, and the government to provide in-home coaching initially for 150 vulnerable families in South Auckland, Rotorua and Porirua.

Financial Year 2020

This financial year hasn't started so well, on the things we can control we continue to perform well but hydrology and gas availability has impacted our earnings in the first four months of this financial year. The spring rains into our hydro catchments were a little late in arriving but as we speak we are getting good hydro production.

Having said that we have had good cash management and although our earnings are lower than average, we are tracking well on cash-flow.

Our dividend policy looks through these short-term variables and as Rob mentioned we are targeting a dividend of 39 cents per share for Financial Year '20.

People

This year we again measured the engagement of our people with the Ask Your Team survey.



Our overall engagement score was 75%, which was well ahead of the 67% benchmark for private companies but behind our 2018 score of 77%.

The survey results will help us keep adapting and improving to raise engagement.

We are committed to being an inclusive and diverse employer and we recently achieved Rainbow Tick certification, recognising us as a workplace that accepts and welcomes sexual and gender diversity. This certification sits alongside the actions our people take every day to make Contact an inclusive place to work.

Environmental sustainability

This year, we became the first New Zealand energy company to have emission reduction targets approved by the Science Based Targets initiative. We have committed to emissions reduction targets to align to a 1.5 degree global warming limit.

We engaged with the Government appointed Interim Climate Change Committee as they developed their report into the Government's renewable electricity aspirations. It was pleasing to see their report to Government which the Chair mentioned. The gains that can be made by decarbonising the transport and process heat sectors are significant particularly when compared to the cost of 100% renewable electricity generation.

This confirmed we are on the right track with our strategy of working with existing and future customers to bring about increased electrification.

And we continued to work collaboratively with tangata whenua and the communities around our sites to involve them, respect their interests, create opportunities and give back in ways that are meaningful to them.

You may have seen that we had a landslip at one of our geothermal storage ponds in Wairakei. Sediment and geothermal fluid went into the Waipuerawera Stream and Waikato River in February discolouring Huka Falls.

We are thankful that no one was hurt. However, the discharge did impact the river, iwi and the community and we deeply regret that.

We are working with iwi and the local community to put things right and to learn from the event. It was an important reminder that we need to keep our commitments to environmental sustainability as more than just words on a page.

Looking forward

The exciting opportunity for Contact going forward is to decarbonise more of the energy use in New Zealand, supplying electricity for the conversion of fossil fuel fired boilers and for electric vehicles.



Electricity is the solution to a lower carbon future for New Zealand, unlike most other countries where it's the problem.

There is an elephant in the room with the strategic review at the Tiwai aluminium smelter and you will have heard and continue to hear much commentary on this as the review progresses.

Much of this commentary is expected positioning but I can assure you that there is a desire for a solution. If the smelter were to close Contact has an excellent team working on other uses for the electricity including transmission grid upgrades and the accelerated conversion of businesses to renewable electricity.

We are well progressed on helping customers reduce their energy costs and carbon footprint and the acquisition of Simply Energy has enhanced our capability in this regard.

We successfully piloted our demand flexibility platform, which rewards Commercial and Industrial customers for reduced energy use at peak times, so we don't have to resort to fossil fuel generation to meet high demand.

In our own operations the increased price and reduced reliability of gas is accelerating the case for replacing thermal plant with new baseload geothermal.

In this context, we took the decision to drill four appraisal wells on the Tauhara field as part of our option to develop a new geothermal power station there.

I am convinced that Contact will continue its excellent progress in reducing its carbon emissions, innovating to support our customers and providing excellent returns to you, our shareholders.

Succession

Finally, I wish my successor Mike Fuge the very best and hope to have laid a good foundation for his success.

It has been a privilege to be the Chief Executive for the past eight years.

I thank the Board and the many people I've worked with and wish you a prosperous future.

Tēnā koutou, tēnā koutou, tēnā koutou katoa.