



11 November 2020

Chair's address to ASM

Today I'd like to share some brief observations about Contact Energy, the industry and context in which the company is operating, and then look down the track to what lies ahead as we pursue our vision to help build a better New Zealand.

After the resignation of Dennis Barnes as CEO in June 2019, Mike Fuge arrived in February 2020 to begin a new chapter of leadership for Contact. Mike joined us from Refining NZ, armed with a strong history in the energy sector in New Zealand and overseas, including as CEO of Pacific Hydro in Australia and as Chief Operating Officer at Genesis Energy.

Mike has demonstrated his passion for renewable energy and has relished the challenges and opportunities that have come his way over the past 9 months. Just weeks after his commencement, the COVID-19 pandemic response began and his focus and energy turned to crisis management and doing right by Contact's customers, staff and broader New Zealand.

It has been, and continues to be an extraordinary time. Contact fully supported the actions of the NZ Government in restricting the spread of COVID-19. A lot of work was done to ensure we actively reduced the risk of the virus spreading and made sure our people across New Zealand were as safe as possible.

More change and challenges were to come soon after the pandemic lockdown, with the closure of the Tiwai smelter announced following the conclusion of Rio Tinto's strategic review. Citing high energy costs and a challenging outlook for the aluminium industry, NZAS gave notice to terminate the power supply contract in August 2021.

We have made no secret of our view that the people of Southland, NZ Inc and a stable path for renewable energy investment is best served by NZAS remaining operational in the medium-term: ideally for at least the next five years. We remain hopeful that a deal will soon be struck, given the goodwill from all sides that emerged in the lead-in to the election.

More recently the Board has been working with Mike and the leadership team on Contact's strategy, and reflecting on the future shape of the company, the sector and the country in a world that has COVID-19 and potentially no Tiwai smelter in the short or medium term.

There is uncertainty but within this lies plenty of opportunity too, and we expect Contact to play an important role in the decarbonisation of the energy sector and wider economy.

This year we increased our efforts to promote our ESG credentials. This includes the emergence of our first annual report aligned with the integrated reporting framework as we focus on providing more transparency on how we do business and deliver value over the longer term, and beyond just financial returns.



We have a good story to tell and we understand and agree with the increasing expectations on all companies from investors, customers and communities to provide this information.

Contact has a leading role to play in tackling climate change via tangible actions that drive good business outcomes. As we say - and as you saw in the opening video - change matters.

This includes supporting and growing New Zealand's low-carbon advantage. To do this we need policy settings to support accelerated electrification of process heat and the transport and agriculture sectors away from carbon-intensive fossil fuels like coal and petroleum – but without unduly burdening the economy and consumers.

Here I feel compelled to make a brief comment about the pumped hydro plans set to be investigated at Lake Onslow. Whilst it is a fascinating project, we do have concerns that although the goal is worth pursuing, a multi-billion dollar solution from the past is high risk on several fronts and we are not sure it will solve the problem in the best way.

We need only look across the Tasman to the Snowy Hydro project's enormous cost over-runs. We believe there is much smarter technology that can potentially be harnessed in the pursuit of a lower carbon economy in Aotearoa.

We are concerned that Project Onslow threatens to paralyse investment in renewable energy infrastructure in the meantime, and hope that other options identified and explored as part of the investigation are considered with an open mind. This may well be a once in a generation opportunity to embrace the future of renewable energy in NZ, so let's get it right and not leap into high risk solutions grounded in the past.

Elsewhere, Contact is already one of the first power companies in the world to have carbon emissions targets verified by the Science Based Targets initiative, we have an innovative green borrowing programme, and this year we inked one of the country's first sustainability-linked loans.

With the recent appointment of James Kilty as deputy CEO we have also reiterated our commitment to accelerating the decarbonisation of the New Zealand economy, and our intention to play a leading role in this ongoing transition.

We've also walked the talk by making reductions in our own carbon emissions. We can do more here and the Tiwai smelter's exit will over time expedite the retirement of thermal generation assets in the industry which will see emissions decline even further.

We see geothermal generation has a huge part to play here too. We're very proud of our team that leads the world in the development of this very low emission generation option.

You will be well aware that we have a world-class, shovel-ready project at Tauhara on hold. We believe it is a matter of when – not if – Tauhara will play an important role in New Zealand's transition to a low-carbon future. However we must get a clearer picture of demand before we make any final decision to proceed with this investment.



We were very pleased to deliver a solid financial result to investors in August. The second half of the year was in line with our expectations despite the impact of COVID-19. We had a more challenging first half of the year which was impacted by poor gas availability. Mike will update you on how things are progressing early in FY21.

In August, the Board approved a final dividend of 23 cents thus totalling 39 cents per share annual dividend this year, and in line with last year.

As I have previously mentioned, we anticipate a likely period of disruption in the industry, and we are reviewing the appropriate level of future dividends as the status of Tiwai and Tauhara are cemented over the coming months.

We will provide you with more clarity on this as soon as is appropriate, but rest assured our focus remains on delivering sustainable, long-term growth and value for our shareholders.

Contact is a resilient organisation and in very good shape. Our portfolio of long-life renewable generation assets, flexible generation portfolio, strong balance sheet and operational discipline provide confidence we are well-placed even if a lower demand environment emerges with a Tiwai exit in the near-term.

To finish I would like thank our customers and suppliers for their support and assistance.

Thank you to Mike, the leadership team and the wider Contact whanau for their hard work over the past year. As always there is much to be done, but it is an exciting time at the company and for the sector.

Thank you also to Vic, Elena, Therese, David & Jon for their commitment and dedication as directors.

And today a special acknowledgment to Whaimutu Dewes for his decade of service on the Board.

Whai has indicated that he will stand down as a director in 2021. He has made an enormous contribution to the governance of Contact since joining the Board in February 2010. In the time Whai has been a director he has provided guidance and stability as we have seen changes in leadership, at both the CEO and Chair level and negotiating the sell-down of Origin's majority stake in Contact.

Whai has also been a significant contributor to the Board, most recently as Chair of the health, safety and environment committee, and he has been instrumental in guiding the Board through a cultural shift across HSE and our stakeholder relations. He has consistently challenged the management team to do better for shareholders, customers and all stakeholders.

The good news is that although Whai is stepping away from his governance duties, we are very pleased he has agreed to stay involved with Contact and support the company in its relationships with iwi stakeholders for an initial period of two years. Thank you Whai.



The Board is well-advanced in our search for a new director and we hope to make an announcement in the not-too-distant future once the process concludes.

And finally thanks to you all for tuning in today and for your ongoing support as investors in Contact Energy. We appreciate your commitment to Contact's ongoing success and we appreciate the opportunity to speak to you today.

Nga mihi.

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