

## **Dame Jenny Shipley, Chairman's address to Genesis Energy 2018 ASM**

### **Slide 2: Dame Jenny Shipley – Chairman (portrait)**

*Kia ora tatou.*

Good morning, ladies and gentlemen. I'm Jenny Shipley, and I have the privilege of chairing your company, Genesis.

On behalf of my fellow directors, our chief executive and his team, and Genesis employees around New Zealand, welcome to Eden Park for our 2018 shareholder meeting.

A very warm welcome also to those shareholders following this meeting online from our webcast. Those in the room will have been greeted by Computershare, our share registrar, on your way in and they are available to support you with the formal aspects of the meeting.

Bryce Henderson, our Company's auditor on behalf of the Auditor General, is also here today.

Welcome also to Juston Anderson, who is here on behalf of Treasury.

Notice of the meeting has been duly given to shareholders and we have a quorum. I declare the annual shareholder meeting of Genesis Energy Limited open.

As you know, health and safety is a priority for Genesis. In the unlikely event of an emergency during the meeting we want to ensure everyone's safety. If the building needs to be evacuated for any reason, a long alarm will sound. Please follow the instructions of the Eden Park staff, and they will point you to the nearest exit.

Our assembly area is by Gate G on Reimers Ave. Staff will direct you to this area once you exit the building. Toilets are located on this floor on the opposite side of the arcade to the auditorium. And please note that Eden Park is a non-smoking venue.

Ladies and gentlemen, we're delighted to be able to talk with so many of our shareholders and discuss the successes of the 2018 financial year.

### **Slide 3: Dame Jenny Shipley - Agenda**

This morning I will provide an overview of the company's performance for the year to 30 June 2018.

Marc will then provide you with an overview of what shareholders should expect to see in the remainder of the current financial year. There will be an opportunity to ask any questions of the Board and management.

Following this we'll move to the formal business of the meeting. At that point I will outline the process for the discussion and voting on the resolutions in the agenda.

And of course, at the meeting's conclusion, you are invited to join directors and the executive team for morning tea and further conversation.

#### **Slide 4: Dame Jenny Shipley - Your Board (portraits)**

Please let me introduce our Board. While their profiles are available online on the company's governance page, in particular, I would like to talk today about strengths they bring to the leadership of this company.

Maury Leyland joined the Genesis Board in August 2016, and is a member of the company's Audit and Risk Committee. Maury is a qualified engineer and brings a wide range of governance and operational experience in large corporations and infrastructure companies and in particular, in risk and crisis management and human resources, having held a number of senior management and governance roles with large corporates.

Tim Miles also joined our Board in 2016, coming to us from his previous role as Chief Executive of Spark Digital. He's a member of the Human Resources and Remuneration Committee. Tim has had a long career in customer and technology-focused roles at the most senior levels both in New Zealand and internationally and applies that insight to our Board's work.

Barbara joined the Genesis Board in May 2018 and is a member of the Company's Audit and Risk Committee. She served as CEO and Managing Director of ASB Bank prior to joining your Board. She brings valuable experience in leading large competitive organisations with strength in marketing, digital technologies and transformation.

Barbara was appointed as Chairman elect to succeed me with the full support of your Board, and as required by the mixed ownership model the Finance Minister has confirmed his support for the Board's recommendation. Today she offers herself for re-election as an Independent Director.

Joanna Perry is a chartered accountant, a professional director and chairs our Audit and Risk Committee. Joanna joined the Board of Genesis Energy in May 2007 and brings her experience in from leading international roles in accounting organisations. Joanna Perry retires by rotation and offers herself for re-election today. She has indicated this will be the last time she will seek re-election.

Doug McKay joined our Board in June 2014. Doug is an experienced commercial executive and director with extensive experience in banking and marketing. Doug chairs our Human Resources and Remuneration Committee.

Paul Zealand joined our Board in 2016 and is a member of the company's Human Resources and Remuneration Committee. He brings a wealth of oil and gas, and health and safety experience to our Board, developed from senior executive and Chief Executive roles.

Today we are also joined on the stage by James Moulder. James is proposed to be elected to the Board as a new Director. James has strong governance experience having held a number of non-executive Board and Advisory Board positions in the electricity sector. He will bring strong industry experience in carbon and energy asset management experience to your Board. James, Barbara and Joanna will address you shortly.

Ladies and Gentlemen, you have a strong and capable Board of Directors each of whom gives freely of their time and expertise over and above meeting the normal governance expectation and obligations, to the benefit of the company, our staff, our stakeholders and I have been proud to work with them.

The Board is joined on the stage by our Chief Executive, Marc England, and Executive General Manager of Corporate Affairs and General Counsel, Matthew Osborne.

Other members of the executive team are seated in the front row and look forward to speaking to you following this morning's formalities as we have morning tea.

This year there was change to your Board. John Leuchars stepped down in May after having completed his six-year term. The Board then welcomed Barbara Chapman, who brings that valuable customer service experience in marketing, digital technologies and transformation, as I have mentioned.

More recently Mark Cross has stepped down from the Genesis Board as a result of an emerging conflict of interest. A process is underway to replace him and we hope to make an announcement early in the new year.

Ladies and gentlemen, as you know I am committed to updating shareholders annually on the topic of Director remuneration. While we have reviewed the Directors' remuneration this year in relation to our workload and where Genesis Energy fees are in relation to the market. For a range of reasons, we have concluded we will not put forward any recommendations to change fees.

I do note, however, that it is important to keep pace with the market to ensure the company maintains its ability to attract Directors of the calibre and skill set that companies of our complexity require.

For this reason, I do anticipate that the Board will request a change in fees in the not too distant future. No fees for special committees were paid from the available pool in the 2018 financial year.

### **Slide 5: Dame Jenny Shipley - Results**

Ladies and gentlemen, it is now my pleasure to present you with an overview of the company's performance.

I note you will have received the Annual Report for the year ended 30 June 2018, either by post or electronically, depending on your choice.

There are hard copies of the Annual Report available in the room here today if you require another copy, and some of the video content is playing on screens today.

We also regularly make up to date content available via the Company's investor portal.

FY18 has seen Genesis deliver a strong and sustainable eight percent uplift in Earnings before Interest, Tax, Depreciation, Amortisation and Fair Value Adjustments from the prior year to \$361 million.

The Board consider that EBITDAF, rather than net profit, is the most robust and comparable measure of our performance.

NPAT is down, largely driven by non-cash fair value adjustments, and a revaluation of our Huntly dual-fired Rankine Units.

EBITDAF guidance for the full year ended 30 June 2019 is in a range of between \$350 million and \$370 million. We have put the foundations in place that should see Genesis achieving over \$400 million EBITDAF by the early 2020s.

Our highly flexible generation and fuel portfolio demonstrated resilience in all market conditions during FY18, and continues to be a reason we can sustain consistent growing dividends.

Renewable generation was a game of four quarters, alternating between wet and dry conditions. During FY18, Kupe performed exceptionally well with record production and rising commodity prices.

In the past year, the benefits of the company's portfolio of three different businesses have shone through. Genesis has achieved strong vertical integration, through its Kupe joint venture, all the way to a customer's home.

All three segments of our business (Customer, Wholesale and Kupe) operate different commercial models that play into a stable but growing business.

We're increasingly giving customers the knowledge and advice they need to take control of their energy in ways that have not been possible before. In doing so Genesis is delivering for customers, its community partners, for its people and its shareholders.

We continue our focus on safety and wellbeing, which forms the nucleus of the Genesis DNA. Our own workforce achieved a total recordable injury frequency rate of 1.25. Zero harm remains our constant goal and commitment toward our people, contractors and the public.

### **Turning now to dividends ...**

Genesis continues to offer a stable dividend yield plus growth opportunity. Consistent with our policy of increasing dividends in real terms over time, the Genesis Board has declared a final dividend of 8.6 cents per share.

The dividend will be paid on 19 October 2018, with a record date of 5 October 2018.

Genesis is pleased to announce the continuation of its dividend reinvestment plan introduced at the half year to provide shareholders a cost-effective way to reinvest in Genesis' growth strategy. The New Zealand government has committed to participate to the extent required to retain its 50% holding. Shareholders had until 5 October 2018 to opt into the dividend reinvestment plan with a 2.5% discount being offered.

The Board and Executive thank you for your support and interest in the Company across the financial year ended 30 June 2018.

### **Slide 6: Dame Jenny Shipley – Genesis highlights**

Ladies and gentlemen, as you are aware this is my final Genesis Annual Shareholder meeting. It concludes a connection to the energy industry which began 22 years ago when in a previous life, as SOE Minister and then Prime Minister, we split up ECNZ into four companies. We fully floated Contact Energy onto the NZX which has performed extremely well as expected. The remaining three SOE's, Meridian, Genesis Energy and Mercury have more recently been partially listed and are performing well - all of which is a source of pleasure to me. I believe in competitive markets and New Zealand's energy market is performing well.

During my time as your Chairman of Genesis, there have been many highlights in relation to this Company.

- The acquisition in 2011 of the Tekapo hydro assets establishing Genesis as a major national operator.
- The listing on the New Zealand and Australian Stock Exchanges in 2014, the significant improvement in the share price since listing and the steady improvement in dividends.
- Our achievement in 2017 in becoming the first of the mixed ownership Crown companies to successfully complete a merger and acquisition in acquiring a strong LPG business to complement our expanded stake in the Kupe Gas field.
- Significantly improved working relations with Iwi and other stakeholders in the areas in which we generate to the benefit of all involved.
- A renewed focus on performing profitability as a company by utilising our diverse fuel base while transforming the company in order to be attractive to our current and future customers as we put power in their hands in this highly competitive market.
- This company, having achieved genuine diversity of skills and experience around the Board table, continues to strive to achieve this across the organisation to the benefit of our shareholders and customers.
- Our partnership with DOC in so successfully contributing to the future viability of the whio or blue duck population

- And finally, the success of mixed ownership model which is delivering dividends for New Zealanders. Since listing shareholders have seen an improved performance in EBITDAF climbing 4% per annum, and return on increasing from between 7.8% to 8.3%.

Further, although the Crown now owns 51% of these three companies today, they receive significantly more in ordinary dividends on behalf of the taxpayers than they did when they owned 100% of the companies.

These companies are some of the best performing on the NZX and I urge current and future Governments to continue to expect these companies to perform as any other listed company led by their Board and management teams.

Ladies and Gentlemen, there are many more highlights I could mention but I will stop there.

### **Slide: Dame Jenny Shipley**

However, I have three final points I would like to make as I leave that have an eye on the future challenges the sector faces ahead. Let me be clear, these are my own comments and not those of the company's however may impact on the performance of your investment and the NZ energy market as a whole:

Firstly, the electricity pricing review currently underway is an important opportunity to ensure the settings are right to ensure the industry can face changes in coming years.

Reform of some aspects of the sector are necessary as there are many parts that make up your energy bill - from generation, transmission and distribution to retail. All need to be looked at as new technologies and systems offers us new ways of managing.

And, in particular, the time is right as technology now exists and if there is a cross sectoral willingness to see collaboration occurs to assist, there are new opportunities to reduce energy poverty and in doing so contribute to social stability. These solutions can and should be targeted and meaningful, but will require Government, agencies, and the whole energy sector to work together. I am confident the sector can and must deliver here.

Secondly, we are an 85% renewable energy nation, putting us as third most advanced in the OECD. We enjoy exceptional reliability with our current mix of energy generation. Competition has been effective in delivering the benefits of New Zealand's energy diversification to date, but if New Zealand is determined to become a low carbon economy, great thought will be required in terms of next steps.

There is a very significant cost to such a shift and some challenging policy choices to be made. Consumer prices will need to be a key consideration as energy prices are and will continue to be a concern. And there will need to be a thoughtful approach, not a rushed philosophically driven approach taken in pursuing such a goal. This needs to be a fully understood and shared goal and managed in a way that benefits all and does not put New Zealand's affordability, reliability and security of supply of energy at risk.

I note that Genesis Energy does support New Zealand's transition to a low emissions economy. We are doing our share and have challenged ourselves to consider what our contribution can be.

Having already reduced our coal use by 80% in the past decade, in February we outlined our commitment to remove coal from the generation mix at Huntly by 2025 under normal market conditions. Our intent is to remove coal altogether by 2030 and that is achievable.

This decision will have an impact on others because to date, coal and gas have been necessary generation options not only to Genesis, but to many companies, ensuring security of supply when poor rainfall means the sector cannot meet national electricity demand via renewable sources.

While I believe coal can be phased out with careful planning, I would strongly caution any move to reduce the use of gas until alternative peak fuels are both available and proven in our pursuit of a lower carbon future. It is important to note that gas has half the emission rate of coal and fulfils a crucial role in the energy market in New Zealand as it can be turned on and off as required to supplement other fuels when they are short or demand is very high ... thus avoiding cold showers when these events inevitably occur. New Zealanders need to be involved in understanding the costs and the inevitable trade-offs that will be required and share in the decision of who will pay.

Thirdly, which brings me to solutions and there will be many. In the short term ... the next 20 years . I would urge the Government, Iwi and all New Zealanders to further consider whether new development of hydro-electricity is possible and acceptable in New Zealand capitalising on our abundant access to and supply of rainfall, much of which runs to the ocean.

Thirty-five years ago, it became completely politically and socially unacceptable to contemplate developing new dams for water harvesting and energy management strategies around hydro-development. However, today the desire to have a clean, low carbon economy has become an even greater imperative.

I believe the time is right to further explore whether any existing or new New Zealand catchment is suited for further enhancing the multiple use of hydro electricity generation, water harvesting for recreational use, the replenishment and recharge of rivers and aquifers and the potential use for irrigation in added-value food production.

Water in New Zealand is our natural advantage and it would be reckless, in my opinion, not to consider this. We also need to be aware what others are doing to secure a low carbon future. New and proven scalable technologies to meet this goal while also providing for growth.

I note that, for example, Nuclear energy use is expanding worldwide and is currently at 14% of production, it remains one of the cleanest technologies available in environmental terms. France, the home of the Paris Accord, is 75% dependent on Nuclear energy to support its economy and to provide energy security. I also note that Japan, previously over 30% dependent on nuclear energy stopped its use of this fuel after the 2011 accident and rapidly increase the use of fossil fuels only to now, in their attempt to meet their Paris Accord obligations and having considered their options, are gradually re-introducing nuclear energy use to an expected 20% to 22 % level along by 2030.

At that point Japan's energy mix is expected to include 27% LNG, 25% coal and 23% renewable. Despite Japan's reputation for innovation their reality is that de-carbonising the energy sector in any developed economy is a huge challenge.

Our choices in New Zealand will be different to France and Japan. We are far further ahead in our renewable status and we can make further progress. However, I would caution that we must consider retaining some flexibility that our non-renewable gas capability provides as security of supply cover when water levels are low as they inevitably will be in the future.

To be prepared for any 2050 target we must soon consider what long-term choices we are willing to invest in. We will also need to plan to accommodate Transpower's prediction that New Zealand energy demand will double by 2050 and how that increased capacity can be delivered to come on stream in that period 2030 through 2050.

As part of meeting that demand, New Zealanders may need to be willing to think differently about what alternatives can be considered and to put aside any previously held bias about what the future looks like.

My point here is, as we look ahead searching for meaningful responses to the risks that carbon emissions pose to us all and at the predicted stark reality of climate change, we need to bring an open mind to this challenge.

There will be trade-offs that will be required in order to achieve a greater level of renewable electricity and meaningful progress toward the de-carbonisation of the New Zealand economy by 2035.

Decision making concerning who pays for this expansion and the resulting cost of that electricity to consumers, will also play a crucial role in the future success or failure and the acceptability of this transition.

Having said all of this, a lower carbon future is entirely achievable, but pragmatism and compromise, as well as innovation and leadership, will be required as the sector and our political leaders think their way through this fascinating challenge.

As I bow out, it is my hope a new generation of public and private sector strategic, policy, political and commercial leaders will openly debate the realities our 2050 targets pose and make wise decisions that will allow us to:

- optimise our comparative energy source and energy security advantages;
- support the growth of the New Zealand economy at the rate our projected energy demand anticipates at a cost that consumers can accommodate; and
- and contribute in an environmentally sustainable way by further evolving our world leading energy sector to meet our needs.

I have every confidence that the Genesis Board and Executive will actively do their part in contributing to the debate that is about to unfold over coming months and to position the company to be a very successful and essential part of New Zealand's energy future.

With that, it is now my pleasure to invite Marc to speak.

**Dame Jenny to return to her seat. Marc approaches the lectern for his presentation.**

Thank you, Marc.

**Slide 15: Dame Jenny Shipley - Questions from the floor**

We now have an opportunity to take questions on the company's financial statements and reports for the year ended 30 June 2018, and on the company's performance and management.

I now invite questions from the floor, and ask you to use the microphones offered.

Please indicate by raising your hand if you have a question and I will ask for a microphone to be passed to you when there is an opportunity for you to speak. Before asking your question, could you state your name and if you are a shareholder, proxy holder or shareholder representative. And please remember that this meeting is being webcast, so you will also be heard by an audience outside of this room.

**Slide 16: Dame Jenny Shipley - Resolutions**

Thank you, ladies and gentlemen. I now move to the formal part of the meeting, the resolutions. If you do not have a pen or a voting paper and would like one please raise your hand and Computershare will help you.

**Slide 17: Dame Jenny Shipley - Election of Barbara Chapman**

**Resolution 1 proposes:** That Barbara Chapman, who is eligible for election, be elected as a director of the company.

Barbara has been nominated in accordance with the NZX Listing Rules and the Company's constitution.

The Board has determined Barbara is standing as an independent, non-executive director.

The Board recommends Barbara to you as a director of Genesis Energy Limited and unanimously supports her re-election.

I now invite Barbara to address the meeting.

***Dame Jenny to remain at the lectern. Barbara will speak from her seat at the front table using the microphone.***

Is there any discussion on this resolution?

***Dame Jenny or Barbara as appropriate to respond to any comment or questions.***

There appears to be no further discussion.

I now put to the vote the ordinary resolution:

***That Barbara Chapman, who is eligible for election, be elected as a director of the company.***

Please take a moment to mark your proxy voting form in relation to Resolution 1.

### **Slide 18: Dame Jenny Shipley - Election of Joanna Perry**

**Resolution 2 proposes:** That Joanna Perry, who is eligible for re-election, be re-elected as a director of the company.

Joanna has been nominated in accordance with the NZX Listing Rules and the company's constitution.

The Board has determined Joanna is standing as an independent, non-executive director.

The Board recommends Joanna to you as a director of Genesis Energy Limited and unanimously supports her re-election.

I now invite Joanna to address the meeting.

***Dame Jenny to remain at the lectern. Joanna will speak from her seat at the front table using the microphone.***

Is there any discussion on this resolution?

***Dame Jenny or Joanna as appropriate to respond to any comment or questions.***

There appears to be no further discussion.

I now put to the vote the ordinary resolution:

***That Joanna Perry, who is eligible for re-election, be elected as a director of the company.***

Please take a moment to mark your proxy voting form in relation to Resolution 2.

**Slide 19: Dame Jenny Shipley - Election of James Moulder**

**Resolution 3 proposes:** That James Moulder, who is eligible for **election**, be **elected** as a director of the company

James been nominated in accordance with the NZX Listing Rules and the company's constitution.

The Board has determined James is standing as an independent, non-executive director.

The Board recommends James to you as a director of Genesis Energy Limited and unanimously supports his election.

I now invite James to address the meeting.

***Dame Jenny to remain at the lectern. James will speak from his seat at the front table using the microphone***

Is there any discussion on this resolution?

***Dame Jenny or James as appropriate to respond to any comment or questions.***

There appears to be no further discussion.

I now put to the vote the ordinary resolution:

***That James Moulder, who is eligible for election, be elected as a director of the company.***

Please take a moment to mark your proxy voting form in relation to Resolution 3.

**Slide 20: Dame Jenny Shipley - Proxy voting for all three resolutions**

Thank you for being here today and casting your vote. Your votes will now be collected by Computershare and the full results of the voting will be announced to the market this afternoon.

This slide is a summary of the proxies and postal votes received by the company before voting closed on Monday.

**Slide 21: Dame Jenny Shipley - Morning tea**

So now it is time for others to take the lead.

I am delighted that Barbara Chapman will succeed me as Chairman and support Marc England and the Executive team. It's an important transition. We have key relationships to maintain and commercial outcomes to deliver.

Barbara is exceptionally capable and has the support of a very talented Board, all of whom will ensure Genesis is ready to meet the opportunities and demands that are ahead.

Thank you for the chance to work with you and for you. I have every confidence in the future performance of Genesis.

**BARBARA CHAPMAN:**

Thank you, Dame Jenny. On behalf of the Board, the Executive and the shareholders thank you for your leadership of Genesis throughout the past nine years.

This is truly an organisation that has laid the foundations for further transformation. I look forward, as your incoming Chairman, to working with the Board, Marc and the Executive to continue growing your company as we meet the challenges, and rise to the opportunities, presented by the changing digital landscape.

I look forward to reporting to you next year on our progress. That concludes our 2018 annual meeting and I now invite you to join us for morning tea.

Thank you.