

Marc England

Chief Executive address to the Genesis Energy 2018 ASM.

Slide 9: Marc England - Portrait of Marc

Thank you, Dame Jenny.

Ladies and gentlemen, kia ora tatou.

Before getting started, I would like to take the opportunity to thank Dame Jenny for her hard work over her nine years with Genesis as well as her support and guidance of me over the last two and a half years. She has made invaluable contributions to Genesis over this time and the business is dramatically different to the Genesis of nine years ago.

In the modern world of business, which is evolving at an increasingly fast pace, businesses have to constantly adapt and change in order to stay relevant to their customers. Yet somehow, in a well-run business which stands the test of time, the strands of continuity and familiarity always remain things that everyone recognises about that business. Enabling the necessary changes to be delivered while balancing the risks so that we don't stray too far from our core is the key role of the chair, something Dame Jenny has done very well over the years.

Jenny, thank you for your support, on behalf of the executive we wish you well beyond Genesis and I doubt you will be any less busy with Genesis out of your portfolio.

The 2018 financial year saw many of those changes implemented for Genesis as we continued to deliver on our stated vision to become customers' first choice for energy management. Our refreshed branding, the integration of our new LPG operation, the migration of our Energy Online customers onto the Genesis billing system and the

consolidation of two buildings into one state-of-the-art building in Hamilton, are examples of us delivering on our strategy to build a customer-centric business.

We are now the only energy retailer in New Zealand with three fuels - electricity, natural gas and bottled gas, and two brands – both Genesis and Energy Online on one technology platform.

Energy retailing in New Zealand has never been more competitive than it is today. There are now over 40 registered electricity retailers in the market looking to find new ways to reward customer loyalty and service customers more holistically.

That energises us to try harder, find points of differentiation and continually work to give our customers more reasons to stay with Genesis - such as our Energy IQ app which includes fresh multi-fuel insight and experiences, 'Power Shouts' to reward and engage our loyal customers, Electricity Insights for businesses and Bottled Gas Monitoring for LPG customers. All of these new initiatives have been launched in the last 12 months and collectively they have really started to differentiate Genesis in a crowded market.

The good news is, customers are increasingly recognising value in their relationship with Genesis, with customer churn in the first quarter of FY19 five percentage points below the same quarter last year.

Slide 10: Marc England - Brand

In October 2017, we relaunched our brand. Its new 'With You. For You.' positioning focuses on putting customers first.

We're doing this by rewarding the loyalty of our existing customers through Power Shouts and FlyBuys and engaging these customers around their home's energy use through Energy IQ, our energy management app. If anyone in the room would like to understand more about how you can access these tools, the team at the back of the room are on hand to help you during lunch.

This commitment to reward customers with more knowledge and control of their choices has seen us build trust, credibility and loyalty in an otherwise price focused consumer electricity market. Our revitalised brand and commitment to rewarding loyalty, has seen Genesis reset the relationship with our customers.

In Colmar Brunton's Corporate Reputation Index and Reptrak's New Zealand Corporate Reputation Index, both released earlier this year, Genesis was perceived as New Zealand's leading energy company.

Our challenger brand, Energy Online, concentrates on no-frills service, simplicity and great value. It has experienced significant growth, with its total number of connections surpassing the 100,000 mark in January 2018.

Looking ahead, expect to see Genesis continuing to concentrate on product innovation, technology integration and loyalty initiatives as we seek new ways to give customers the knowledge and advice they need to manage their energy spend appropriately.

I feel quite strongly that, having the knowledge of what you're consuming and when you're consuming it, gives you the consumer much more control over your bill than a relatively small price difference between one retailer and another.

There is a reason why New Zealand electricity prices are amongst the lowest when compared to the rest of the OECD but our total electricity bills are amongst the highest. Electricity is not expensive, but we use too much of it, our homes are inefficient and as a nation we are not being thoughtful about our consumption.

I call this 'Energy Consciousness'. You can expect Genesis to continue to increase our customers' Energy Consciousness by providing more knowledge about their consumption choices, more advice on what can be done about it, and in time help customers take action in line with their lifestyle choices. There should be no bill shock at the end of the month if you are a Genesis customer, as the technology exists today to make sure you know what you're consuming, and its cost, as you consume it.

Slide 11: Marc England - Business

Increasingly, businesses are also expecting more from their energy provider than just energy. Across FY18 we have shifted conversations ‘beyond the electron and joule’ to show we partner with our business customers to deliver energy savings, energy resilience and build greater efficiency into their business’ energy use.

Increasingly this support sees us leveraging experience across our business. We are able to utilise the experience within our business to support business customers as they look at the impact of carbon prices on their operations.

‘We put our energy into your business’ is Genesis’ business customer value proposition.

Three proof points bring our business customer value proposition to life:

- **Simplicity** – We promise to make energy simple by providing multiple fuels at multiple sites on one bill.
- **Service** – We promise to health check your business plan at least once a year. If we can move you to a better one, or apply our latest offers, we will.
- **Energy Management** – We promise to give you the best tools to help you monitor, control and be more efficient with energy.

We launched the Genesis business customer value proposition in June 2018 and expect to report to you, our shareholders on our results during the 2019 reporting.

Slide 12: Marc England – Our Integrated Position

We have well and truly completed the integration of our new LPG distribution operation and confirmed our leadership position within New Zealand’s LPG market.

We have added 35,000 new LPG sites, more than doubling Genesis’ LPG base. 27 depots are now operating nationwide. We have established a high-performing Commercial and Bulk

LPG sales team and have signed 15 important new key accounts across multiple business sectors.

During March 2018 Genesis began servicing every one of its 60 thousand LPG customers directly.

Prior to acquiring our own distribution operation Genesis deliveries were managed by a third party supplier. Exiting this relationship and taking ownership of the delivery process was an essential step in better meeting the needs of our LPG customers and ensuring an OUTSTANDING experience for them from the moment they order their gas right through to the Genesis-branded bottle delivered to their door.

Our LPG distribution capability now includes a fleet of 99 Genesis-branded delivery vehicles and experienced LPG delivery employees proudly wearing Genesis uniforms. We worked hard across the year to implement a standardised delivery process that has improved operational responsiveness and increased customer service levels.

Importantly, the health and safety culture of our new LPG operation has improved significantly since integration into Genesis, with the total recordable injury frequency rate for these teams falling by more than 50 per cent over the FY18 period.

These enhancements will provide a sound platform for future growth. Having control over the entire delivery network will allow Genesis to demonstrate its strength in innovation.

Across FY18 we have reimagined key moments of the customer LPG experience. In a New Zealand first, Genesis has launched its Bottled Gas Monitoring solution.

Working with our partner Sensys, Genesis has taken a key customer pain point – knowing when their 45-kilogram gas cylinder is out of gas – and leveraged energy management principles to shape what is a unique and valuable solution. We've developed sensor devices that measure the gas in the bottle and alert the customer when it's time to reorder. The sensors have successfully completed rigorous in-field testing this year and will launch to

residential and business customers across FY19. You may have already seen the bottled gas monitoring here today, if you are interested in exploring this solution for your home by all means speak with the team.

Genesis' share in the Kupe Oil and Gas field is a significant enabler of our LPG strategy.

FY18 was the first full year of Genesis' 46 per cent interest in the field. Total field gas production is up five per cent on FY17. This is a new record on the back of higher than expected thermal generation and growing consumer and business demand for gas. Plant availability continued to be high at 99 per cent, demonstrating the quality of the asset.

Kupe's operations fall outside the New Zealand Government's decision in April to halt new permits for offshore oil and gas exploration via the Block Offer programme. Kupe holds a protected permit so its position as a key player in supplying gas and LPG to New Zealand homes and businesses is unaffected. The field has several exploration prospects within its permitted area, providing potential future reserves that are also outside the Government's decision to freeze new permits.

Kupe maintains its position as a key contributor to Genesis' EBITDAF, delivering \$115 million, or 32 per cent, of total EBITDAF in FY18.

Slide 13: Marc England – Sustainability VIDEO

As Dame Jenny has said in this year's annual report we have worked to make our sustainability strategy and plan very clear for you our shareholders. Here is the video we released on August 29th to explain what Sustainability at Genesis means.

[PLAY VIDEO: www.youtube.com/watch?v=QFx6xy5NZZo]

It's fantastic to see our Generation assets from the air.

Underpinning that approach is our new Sustainability Framework which is designed to be an iterative document we develop year-on-year.

Slide 14: Marc England – Sustainability pillars: Caring for the environment

Copies of our statement and framework are available here today and my colleagues at the back of the room will be happy to talk to you about our approach over morning tea.

This is a key pillar for us given the environmental impacts of our generation emissions.

As a coal and gas generator of electricity, and with significant investment in environmentally sensitive hydro assets, we have our work cut out for us in this space – but we're more than up for the challenge. Our coal ambition is a solid goal, but we know we can do more around both our non-generation emissions, and in our support of sustainable approaches to water and wildlife management. Environmental concerns are increasingly relevant to our people – and the government – and we can't ignore the challenges, and opportunities, they present.

- **Emissions:** this covers our 2030 coal ambition, and our new commitments around reporting, reducing and offsetting our non-generation emission. We have also made a significant commitment around transitioning the Genesis vehicle fleet to electric vehicles - 100% EV/hybrid for light vehicles by 2020 and 50% of heavy vehicles by 2025. Our energy monitoring tools will also be enhanced to give customers better visibility of their carbon footprint.
- **Water and wildlife:** we are extremely proud of our environmental management work and partnership with the Department of Conservation to support the blue duck, or Whio, to date. The whio population is an important indicator of the health of our high country river systems, and the programme focuses on enabling endangered whio to

thrive in their natural habitat. We've placed huge focus on predator control activity. Genesis began its support for who in 2011. Since then the number of who in trapline protected zones has doubled to 652 breeding pairs. During the last year, 763 ducklings hatched, with 492 birds successfully fledging.

So, we want to focus more attention in this space, specifically looking at how we can bring our digital expertise to bear on predator control. Expect to see also see us working closely with iwi on more water projects in future.

Slide 15: Marc England – Sustainability pillars: our people, our communities

As our sustainability statement says, our people make it happen.

Our results are due to the hard work of Genesis people, and the innovation we have delivered couldn't have happened without creative thinking and diversity of thought. So, we want to build on that with strong commitments around gender and ethnic diversity. We have a great reputation for our community investment with initiatives like School-gen, and our ongoing partnerships like Whio Forever, Graham Dingle and the curtain banks. We want to expand School-gen even further, and are committing to see the School-gen website used in more than 50% of schools by 2020. That's no mean feat – but we want to encourage "imagination and curiosity" among New Zealand's young minds - especially in science, technology, engineering and mathematics.

We also recognise that growing inequality is a challenge for New Zealand, the current electricity pricing review underway provides an opportunity for the sector to help address New Zealand's poverty problem and we're focused on providing recommendations that support that without bringing unintended consequences to a competitive market.

Collaborative industry solutions and more targeted allocation of available government resources are important ingredients to the measures that will deliver a genuine and meaningful impact.

Collectively, we need to help those who need it while allowing genuine and sustainable competition to deliver benefits of choice and innovation to consumers.

As Dame Jenny said we're looking at ways we and the industry can do more to support vulnerable customers.

We have a vulnerable care package and are working hard to identify those in our customer base who require more support. We will work with industry participants, Government and regulators to explore solutions that enable those living in poverty to access energy and keep their houses warm.

Slide 16: Marc England – Sustainability pillars: Powering New Zealand

We can't talk about sustainability without acknowledging the importance of security of supply. We have played, and will continue to play, a critical role in keeping the lights on for all New Zealanders – but we now need to help lead the conversation about how exactly those lights stay on.

A diverse fuel and generation portfolio is one of the critical strengths of NZ's electricity markets and allows us to have such a high penetration of renewable electricity generation. Coal is a relatively cheap fuel to store which allows us to securely manage and maximise the value of the renewable assets in the system while keeping consumer prices down. It is important we recognise the extent to which our renewable generation places us at the mercy of the weather generally and, wind and rain specifically. Without thermal generation capacity or the development of new, yet unknown technology, the security of supply of the New Zealand electricity system will be compromised.

With this in mind, I want to take this opportunity to point out the risks with the Government's intent to ban further Oil and Gas exploration. While, as already stated the ban would not affect our Kupe operations and future development, our view is that by introducing significant uncertainty over gas supplies in the 2030's it becomes much harder to remove coal from the electricity system. We made a commitment to try and remove coal by 2030 in February, on the basis Gas would exist as a lower emission alternative fuel supply. Importing gas as an alternative to local production will be technically possible as LNG import terminals are becoming cheaper, however importing LNG into New Zealand will add incremental costs and, furthermore, make investments in gas storage harder to justify due to uncertain return profiles. Genesis believes in supporting the country's pathway to a lower carbon future however also believes greater policy alignment is going to be required to ensure the number of unintended consequences for New Zealand as a whole are kept to a minimum.

The energy sector currently has multiple reviews, consultations and government policy decisions hanging over it. Each is interconnected and has consequences for the other and so they must be coordinated effectively. Removing the supply of local gas will make it harder to replace Coal in the electricity system. Importing gas will not only drive gas prices up but also consumer electricity prices are likely to rise and the electrification of other higher emitting sectors will slow down. Add a higher Carbon price to the mix and consumers will increasingly feel the burden. We have one of the most renewable electricity system in the world and it is a real asset but it hangs in a fine balance between the vagaries of the weather and the cost consumers must pay. There is an opportunity to use this great renewable electricity system to electrify other sectors and reduce New Zealand's overall emissions but only if costs are kept under control. The transition needs to be carefully thought through with the impact on consumer prices as a key lens through which decisions are made.

All this reinforces the importance of our business purpose which is to put control in our customers' hands, to empower them to make sustainable decisions and create positive outcomes for New Zealand.

We've made two new commitments supporting our focus of putting control in our customers' hands. By 2021, we want 200,000 Genesis customers accessing advanced energy services and sharing information about energy use at their place.

By 2025, around 40% of Genesis' customers will be using our digital tools to access information and insights that let them make active choices around their energy use.

Genesis is entering an important new phase of its sustainability journey. We're looking forward to meeting the targets we've set ourselves, and we're impatient to set new more ambitious targets in the years ahead. We also want to have an open and honest debate about consequences for the country, the market and consumers as we move forward. We do think there needs to be much more joined up thinking about the longer term consequences for consumers as the industry and the country transitions to a lower carbon future.

Thank you for your support. I look forward to meeting as many of you as possible after today's formalities.

We will now open up for questions on anything from our results, strategy or future plans.

Slide 17 - Marc England: Back to Main logo holding slide