



26 July 2019

Annual Meeting Chairman's Address

Each year I seek to give some insight into Trustpower and the industry in which we operate and Vince gives insight into how our business is performing. Vince's presentation which follows is how we present Trustpower to our institutional investors. The Annual Meeting is a chance to present very similar information to our mostly retail investors and local stakeholders.

This year we farewell Alan Bickers and Richard Aitken from the Board. Both have been excellent directors. Both are modest engineers who don't want me to embarrass them with overstatement. So I will leave it at this – when they have something to say, it's worth listening. Their many years of technical and leadership experience give them an invaluable ability to know what is worth worrying about and what is not. And life is too short to be worrying about the trivial. As important, is contributing to a constructive board and management environment – and both have been outstanding at this. I've certainly learned from them. So they leave with our sincere thanks and gratitude.

And then we introduce David Prentice and Keith Turner. I'm confident that they will, as change usually does, bring new insights and intellect to our business. We're excited to have them join and, through their past business experience and recent work with the Interim Climate Change Committee, know they'll bring important insights into some of the issues I discuss today.

Today I renew comments on some past themes and introduce a new one. Let me start with the conduct and culture, from a corporate governance perspective.

You will have read about ANZ, John Key and David Hisco's challenges and dramas. What underlies this are two points: each time an expense is incurred we're spending shareholders money. Your money. Our roles as directors and senior management is to spend and invest that as wisely as we can to further your and the interests of Trustpower. Secondly, is this expense of the right nature? It might be approved, but is it right? Are there different standards for the CEO versus a new employee in the service team?

Because you as shareholders can't see and approve every payment and decision we make you have to trust your directors to make sure that things are done right.

But there is more to conduct and culture than expenses. There's treating customers, employees and others fairly; offering and selling products that meet the needs of customers; honouring undertakings; complying with the law; engaging with the community and more. All are important.

I have every confidence that Trustpower deserves your full trust. Vince and his senior team work hard on creating a positive culture at Trustpower and that is the surest way to avoid adverse conduct issues. But it's also important to have appropriate checks, balances and policies and we're reviewing these to make sure that we're doing as well as we can.

I expect we can improve because standards and expectations are evolving to meet changing societal and business expectations. These conduct issues go to our licence to operate. We know that we are privileged in having access to NZ's key natural resource, water. We will always respect that privilege and do our best to generate as much renewable electricity from that as possible, while leaving the smallest practical footprint. But there will always be a footprint: a dam, changes to the timing of water flows, sometimes altered water courses and other environmental effects.

As much as it's incumbent on us to minimise our footprint, it's important for the wider community to accept that some effects are reasonable if the outcome is the provision of renewable energy.

New Zealand absolutely must and will build more renewable (low emissions) electricity generation. Electrifying our economy is the best meaningful way to reduce our carbon emissions. This will mean more windfarms, more geothermal drilling, perhaps large solar arrays and more transmission lines to move the electricity around the country to where coal and liquid fuels are currently used. It also means continuing to mine and use natural gas because especially wind and solar (which are intermittent by nature) need to partner with an on-demand energy source to give users the confidence to electrify their processes – and in New Zealand that is and should be natural gas.

It is, of course, the role of politicians to be aspirational. But actual things have to happen to create positive change.

Trustpower has, and will continue, to lobby for resource management and planning law changes that make it simpler and faster to renew consents on existing renewable generation and build more. Wearing my Infratil hat for a moment, which also has investments in renewable energy developments in the United States, I know it is harder and more time consuming to consent renewable energy projects here than it is in the United States. Ignore the media about Trump, at least on this. The United States is building more and more renewable energy, with it increasing as a proportion of total generation as coal is displaced. And one of the tools is that local regions compete to make themselves attractive to renewable energy developers. Governments often think about what schemes and subsidies they can provide to get desired outcomes. Often the solution is much simpler – just change or remove the laws that make it hard for things to happen.

On this, it was good news to learn earlier in the week that David Parker, Minister for the Environment, is promoting a significant overhaul of the Resource Management Act. The key objectives are stated to be to remove complexity, align with zero carbon initiatives and recognise objectives for development. Trustpower supports and will engage positively in this review.

We will continue to advocate for the emissions trading scheme. Pricing carbon is the surest way to signal to consumers, especially energy intensive businesses, that they need to move to more renewable energy sources and/or change processes to reduce energy consumption.

And we will continue to advocate for natural gas having an important role in the New Zealand energy mix, because it will help us reduce carbon emissions on a net basis both in New Zealand and globally.

So these are some of the issues that we're focusing on to deliver shareholders fair returns and do our bit as a responsible corporate citizen.