

## **Vector 2014 Annual General Meeting**

**Wednesday 22 October 2014**

**Ellerslie Function Centre**

**[Slide 1 – 2014 Annual Meeting – [Michael Stiasny](#)]**

**[Slide 2 – Disclaimer – [Michael Stiasny](#)]**

**[Slide 3 – Michael Stiasny Chairman – [Michael Stiasny](#)]**

Good afternoon ladies and gentlemen.

My name is Michael Stiasny. I am Chairman of Vector. As we have a quorum and its 2:00pm, I am very happy to declare open the 2014 Annual General Meeting of Vector Limited.

On behalf of my fellow Directors, a very warm welcome, and a special welcome to those shareholders who are following this meeting from our webcast.

In addition to those attending in person today, **1,352** shareholders, holding a total of **815,411,737** shares, have appointed proxies, they are represented by **13** proxy holders.

In my capacity as Chairman of the meeting and in my own name I hold proxies for **1,206** shareholders, representing **62,851,694** shares. Included in the proxies are **751** million shares held by the Auckland Energy Consumer Trust, our majority shareholder. The Trust is represented in the audience today by William Cairns, Warren Kyd and Michael Buczkowski.

Members of the news media are also here today and we welcome you. But, I would remind you, this is a meeting for shareholders. Vector's Group Chief Executive Simon Mackenzie and I will be happy to talk to you after the meeting.

Before we move on to the agenda, I have a couple of housekeeping matters to discuss. If you do have a cell phone, please switch it off. If we need to evacuate this room for any reason, there are exits behind me and there is also the entrance you came through.

Thank you.

**[Slide 4 – Directors – Michael Stiasny]**

It's also my pleasure to introduce my fellow directors: Peter Bird, James Carmichael, Hugh Fletcher, Jonathan Mason, Dame Alison Paterson, Karen Sherry and Bob Thomson. I would also like to introduce Tony Arthur, who over the last year has sat on the Vector board as a participant in the future directors programme. Tony has brought to the board valuable customer insights from his role as head of BNZ's retail network. The programme has

given Tony exposure to diverse businesses with strong governance. In my eyes this has confirmed the value of the future directors programme.

Also joining us on stage is our Group Chief Executive Simon Mackenzie and Diane Green our Company Secretary. We have members of our executive team here today, our external auditors KPMG and legal advisers Russell McVeagh.

**[Slide 5 – Agenda – Michael Stiasny]**

This meeting will follow a similar format to prior years. Before we get to the formalities of voting, you will hear from Simon Mackenzie on key developments within the business over the year.

We will then open the meeting for discussion on the annual report, including the financial statements and audit report. We will address each item of formal business and then it will be time to vote on the resolutions.

After that it is time for general business where you will be able to discuss other matters relevant to the company.

I would now like to handover to Simon who will provide an overview of the Transpower Penrose substation fire.

**[Slide 6 – Simon Mackenzie – Simon Mackenzie]**

Thank you Michael, and good afternoon.

**[Slide 7 – The Penrose outage – Simon Mackenzie]**

I would like to provide an overview of the fire at Transpower's Penrose substation.

Firstly let me say Vector recognises the disruption that outages on our networks cause to all our customers. We are committed to learning the lessons from these events.

Our joint investigation with Transpower into what may have caused the incident commenced last week, and we will of course be working on the Inquiry requested by the Minister of Energy.

The reality with these types of incidents is that there is a lot of complex investigation and analysis to carry out before we can determine the possible cause of the fire and this will take some time to work through.

**[Slide 8 – Industry structure – Simon Mackenzie]**

However, I would like to share with you an overview of the situation so as to address some of the questions we have had or envisage. Stepping back, this first slide illustrates the structure of the industry and where we operate in it.

Firstly, generators produce the energy which is then transported around the country in bulk by Transpower's grid and delivered into their bulk supply points which are known as grid exit points. From here, lines companies such as Vector connect into these grid exit points to distribute electricity around the cities and towns to customers' homes and premises.

**[Slide 9 – Auckland's network – Simon Mackenzie]**

In the case of Auckland, there are 14 such Transpower grid exit points, with Penrose being one of these. At this point, bulk electricity at either 220kV or 110kV is transformed to voltages through Transpower's assets which we then connect to and distribute power at usually 33kV or 22kV. This electricity is sold by retailers who contract directly with customers.

From a technical perspective, the grid exit points are areas of concentrated loads which is a feature of all electricity systems – not only in New Zealand but globally.

Vector has around 550,000 customers connected to its electricity network spreading from Papakura in the South to Wellsford in the North. You can see on the slide the Vector network area and the Transpower grid exit points.

**[Slide 10 – Penrose Substation – Simon Mackenzie]**

Early Sunday morning on 5 October, at approximately 2.10 am, we were advised by Transpower of a fire at their Penrose substation in the area highlighted on this slide. As a result of this, power needed to be disconnected, impacting approximately 85,000 customers.

The simple reason why power was disconnected was to enable the Fire Service to enter the substation and safely fight the fire. Clearly at this point in time, no one could ascertain the extent of the fire or the assets affected.

The fire took approximately five and a half hours to fully extinguish, and I would like to acknowledge the Fire Service for the fantastic job they did.

Whilst the fire was being brought under control, we mobilised crews and additional resources so they would be ready to repair any assets as soon as the fire was extinguished and we were safely allowed back on site to identify the damaged assets.

At approximately 9.45 am the Fire Service allowed Transpower to return to the substation and in conjunction with Vector immediately commenced assessing damage to the assets.

The fire had occurred in a trench carrying Vector's cables.

After assessing and testing assets, load was then able to be restored over the next eight hours to customers whose supply either hadn't been affected by the fire but had to be disconnected for safety reasons, or via switching load around the Vector network. This restored power to approximately 67,000 customers by 5.30am Monday morning.

Some people have questioned why it took this amount of time to restore power. The answer is simply because neither Transpower nor Vector can just flick a switch. Load needs to be reintroduced in a measured way, otherwise we risk system instability, equipment overloading or further outages.

In parallel with this, crews immediately started running new cables to restore supply to the assets that had been damaged by the fire. These damaged assets supplied the following areas:

- St Johns
- Orakei
- St Heliers
- Mt Wellington
- Sylvia Park

- Remuera

The task of running new cables and joining these to existing assets is a highly skilled job, requiring precision and care with each joint taking approximately 6 hours to complete.

Many crews worked rotating day and night shifts to repair and test the cables so we were able to restore power to more customers. During this time, we also mobilised generation to a number of locations.

By Tuesday morning all but 324 customers had power restored. However, some customers lost power again during the morning peak load, but all customers were restored by 2.15pm Tuesday.

Over Monday night, some hot water cylinder load was controlled to ensure as much electricity as possible was available to as many customers as possible.

There have been questions about load control on hot water systems. When customers contract with retailers, they can choose to be either on a controlled tariff or non-controlled tariff. A controlled tariff gives us the ability to stop energy to hot water cylinders, and in doing so customers on a controlled tariff currently benefit from a lower line charge of 10%.

**[Slide 11 – [Minimising the disruption] – Simon Mackenzie]**

The challenge with outages is often in the first instance identifying which customers are affected. Our objective is to communicate as much



information as we have to hand on potential outage timeframes and expected restoration times.

There is an overwhelming trend nowadays of people seeking information on outages via social media and applications on their mobile devices. We received a significant volume of tweets, visits to our Outage Manager App, Call Centre and website, where we sought to engage and update customers with as accurate information as possible.

Throughout the event we updated media and customers through multiple channels. These were:

- 11 media updates
- 13 radio and TV interviews
- Social media – Twitter
- Call Centre
- Our Vector Outage Manager App

As this slide shows, many of our customers responded positively to the information being communicated and the efforts of our field crews to restore power as quickly and as safely as possible.

In addition to customer updates, we also liaised closely with Auckland Civil Defence and other key stakeholders.

**[Slide 12 – [Vector’s challenging year] – Simon Mackenzie]**

The weather has also presented unique challenges this year.

It has been one of the stormiest on record. This graph charts the number of days between 1989 and the year to date when the peak sustained wind reached speeds above 60 kilometres per hour or more, the point at which Vector starts seeing damage to our network.

As you can see this year we saw the highest ever sustained wind speeds and these wind speeds lasted over a considerably longer period than we have seen in any other year. Wind speeds greater than 75 kilometres per hour have so far been recorded for 20 days of the current 2015 regulatory year.

The conditions have wreaked havoc with our network.

During the worst category one storm in June, when the wind was gusting as high as 175 kilometres per hour, 90,000 customers were without power. And while power was restored to the majority of customers quickly, some were without hot water for an extended period.

**[Slide 13 – [Network investment] – Simon Mackenzie]**

Now turning to investment.

The areas connected to the Penrose substation have over the last 15 years enjoyed 99.99% supply.

Obviously, there have been outages within these areas, affecting small groups of customers caused by storm events, cars hitting poles or other events outside of our control. Taking into account the Penrose outage, the reliability of supply equals 99.98%.

Over the last ten years we have invested \$1.3 billion in capital expenditure in our electricity networks and \$460 million in operating maintenance.

In conjunction with this, Transpower has also invested heavily in the Auckland region, including the joint building with Vector of new substations at Hobson Street, Wairau Road and a high voltage cable from Albany to Penrose, plus other upgrades. These upgrades were all reviewed and approved by the Electricity Commission and its successor the Electricity Authority.

Had this joint investment not occurred, a wider area would likely have been impacted until the fire at Penrose was extinguished, including the CBD.

**[Slide 14 – [Independent network oversight] – Simon Mackenzie]**

Vector understands the pivotal position we occupy in the New Zealand and the Auckland economy and we take this responsibility very seriously.

In addition to our own management and investment processes, a number of other processes are in place to review our performance.

The Auckland Energy Consumer Trust requires us to have independent reviews of our electricity assets conducted by international experts.

These experts review asset management, security, planning, maintenance risk and future trends in comprehensive studies. Over the last 8 years, these reviews have been conducted by Siemens International, Sinclair Knight Mertz (twice) and most recently PA Consulting using their North American expertise.

In all cases these reviews have fully endorsed our management of the network with, as you would expect, some suggested areas for consideration, BUT no outstanding concerns. The PA Consulting report, released last month notes the following:

*PA considers Vector to be a high performing utility with low expenditure and strong reliability when compared to U.S. utilities, Australian utilities and New Zealand electricity distribution businesses.*

In addition to these independent reviews, we also provide our regulator, the Commerce Commission, with asset management plans on a bi-annual

basis, which cover all aspects of Vector's risk management, security, reliability, maintenance, investment and safety on our electricity network.

The Commission has in its recent draft decisions reduced the amount of capital we are able to invest in the network by 18%. It has also reduced the amount we are able to spend on operating expenditure by 9%.

Lastly, we use industry asset protection experts to carry out extensive risk and asset reviews to satisfy ourselves and our insurers as to the risk management of our assets.

All these plans are also subject to board oversight and we approach this task from a diversity of viewpoints, including the views of James Carmichael and Bob Thomson, two highly-experienced engineers with power industry expertise. Collectively the board has the capability and expertise to question management on all facets of Vector's operations.

**[Slide 15 – [Conclusions] – Simon Mackenzie]**

I know that customers were affected by this outage and I am not happy this occurred. We are investigating this with Transpower to understand what may have caused or contributed to this and we will take this into our planning – either jointly or individually.

The Minister's inquiry is cognisant of the need to not only consider the technical nature of the fault, but also our response to our customers, safety, regulation, policy and economic impacts, all of which we support.

As noted by the Prime Minister, this was a "freak" incident.

If customers require a platinum service they will have to pay for it. The debate on this and other outages inevitably includes the cost consumers pay for energy balanced against the probability of outages.

In recent times, the cost of energy has been a hot topic both here and internationally with this being further complicated by the impact of new technologies, renewables economic performance and regulatory uncertainty.

The fact is that duplicating Penrose substation and supplies to and from it would be extremely expensive, but also highly unlikely to be realistic given the geographic nature of Auckland and the community resistance to having these assets in their backyard.

Until we know what the cause of the fire was we are not in a position to discuss compensation.

Our investigation will take some time to work through as data is analysed, forensics of the damaged assets are completed and other possible contributing factors are studied. This will feed into the Minister's inquiry.

I would like to thank everybody - from the Fire Service and other emergency services through to the Vector team and our network services providers - for the way they worked during what has been an extraordinary year.

**[Play Storm Video]**

**[Slide 16 – Michael Stiasny – [speaker Michael Stiasny](#)]**

Thank you Simon

**[Slide 17 – Vector's vision and goal – [speaker Michael Stiasny](#)]**

We take our vision to be the first choice for integrated infrastructure solutions very seriously. We are successfully delivering on this vision and our goal to deliver sustainable increases in dividends to our shareholders.

We faced a challenging financial year but we are pleased with our performance. The Board resolved to pay a final fully-imputed dividend of 7.75 cents per share unchanged from last year. The dividend brought total dividends for the year to 15.25 cents per share, up a quarter of a cent on last year's 15 cents per share.

This is the eighth consecutive year of dividend increases, reflecting prudent management of our capital in the lead up to regulator-imposed price reductions on our energy networks and our determination to provide investors stability through regulatory periods. It also reflects the success we have achieved in operating our diverse portfolio of businesses.

Were it not for the investments outside of our original Auckland network, the Vector dividend to beneficiaries of the Auckland Energy Consumer Trust would have been approximately \$110 – or a third of the \$335 per household the trust paid this year.

This dividend injects more than \$100 million each year into the local economy.

**[Slide 18 – 2014 financial performance – Michael Stiasny]**

Indeed this graph demonstrates the benefits of Vector's portfolio diversification. The EBITDA of our electricity division fell by 7%, but it is only one of ten businesses contributing to Vector's earnings. Our Technology business continues to grow earnings, while well-signalled regulatory price resets to the electricity and gas networks and the end to Kapuni gas at legacy prices weighed on group EBITDA.

**[Slide 19 – 2014 financial performance – Michael Stiasny]**

Details of our financial performance are covered in this year's annual report, so I will not dwell on the detail. Revenue fell 1.6% to \$1.26 billion despite weighted average total price cuts to our electricity network business of 10%



and price reductions of 29% and 18% on our gas transmission and gas distribution businesses respectively.

The results reflect continued strong growth in the Technology business and higher pass through costs - those charges that we recover from customers on behalf of entities such as Transpower, councils and regulators.

These pass through charges do not flow through to profit, which was down nearly 17% to \$171.3 million.

**[Slide 20 – Vector is well positioned to grow – Michael Stiassny]**

We are well positioned to grow. Our assets are concentrated in Auckland, where the pace of development has picked up thanks to local and central government growth initiatives, favourable economic conditions, strong net migration to the region and the recovery in the housing market. Net new connections on our regulated energy networks increased 19.0% to 7,507.

We meanwhile continue to see the emergence of opportunities, particularly in our technology operations. Our metering business continues to grow strongly.

We now have 715,000 smart metres installed up from 675,000 at the end of June. We are contracted to install almost 900,000 smart meters, up from 764,000 a year earlier, following new contracts with Contact Energy and the SmartCo consortium of electricity distribution businesses. And if we are

successful in our bid to acquire the Arc Innovations metering business that figure could rise to over 1 million meters.

We are in the process of seeking certification as a meter and data services provider in Australia. And, we see the potential for growth in our emerging businesses as well. We believe for example that solar panels and the associated technology, are maturing to the point of mass-market appeal.

While New Zealand does have more renewable electricity generation assets than many other countries, globally there is a trend that is seeing customers wanting choice.

Consumers now have access to technologies that allow them to generate, store energy and manage their own energy needs. This is being further accelerated by developments in other industries such as electric vehicles.

Vector must – and is – embracing these customer-driven changes and they will lead to significant changes and significant growth in energy infrastructure. However, there is a caveat to this long term growth - we need to see the emergence of commercial rationality in the regulation of our energy networks.

**[Slide 21 – Outlook – Michael Stiasny]**

In the shorter term, recent regulatory actions place additional pressure on future dividends and investment in our regulated assets. Energy

consumption continues to fall and pricing adjustments in relation to prior regulatory periods will weigh on earnings.

However, we remain comfortable with consensus estimates for adjusted EBITDA for the 2015 financial year of \$588 million.

Finally as an aside, I too lost power as a result of the Penrose incident. However, thanks to my personal investment in Vector's innovative solar and battery power storage system, I was able to run some lights and appliances during the outage.

Contrary to some reports, the Vector chairman does not get a dedicated cable to his home as a perk of the job.

I will now hand back over to Simon.

**[Slide 22 – Simon Mackenzie – Simon Mackenzie]**

Thanks Michael.

**[Slide 23 – Strategic focus – Simon Mackenzie]**

As Michael noted, as long as we see the emergence of commercial rationality in the regulation of our energy networks, we believe we can

achieve our goal to deliver sustainable increases in dividends to our shareholders through a focus on five strategic areas:

- Understanding and taking into account customer perspectives in everything we do;
- Investing where we achieve the best commercial outcome;
- Looking always to deliver operational excellence;
- Seeking certain and fair regulatory outcomes; and
- Employing the best people and fostering excellent health and safety outcomes.

We also need to embrace a spirit of innovation across all of these areas.

We have made good progress during the year.

**[Slide 24 – Meeting the challenge – Simon Mackenzie]**

Vector's financial performance this year reflects our commitment to understanding and taking into account customers' current and future perspectives.

The pace of change in our industry will increase exponentially over the next decade and we are prepared. The balance of power is shifting from utility service providers to consumers. Energy distribution technology - largely unchanged for decades - now allows customers to switch suppliers, switch energy solutions and switch from the grid.

Customers are demanding choice and the highest standards of service from utility service providers. Customers are also targeting energy consumption as an area for saving money and they are actively managing their energy needs.

Customers are also environmentally conscious and more technologically savvy and therefore willing to adopt technology such as solar panels that allow them to generate their own electricity.

This is a significant challenge. Consumers still rely on Vector to deliver power if the sun stops shining. However, they often fail to recognise the charges for this security are currently bundled with per unit charges. These charges need to be recovered no matter how many units of electricity they consume via the Vector network. This is an issue regulators and policy makers around the world are grappling with.

We are working to meet our customers' needs by:

- Working on numerous initiatives around distributed generation, including solar solutions as well as battery storage, smart metering, energy management and electric vehicles.
- Enhancing communication with our customers via upgrades to our website and outage manager app;
- Implementing a single contract across our electricity networks; and
- Leading the development of a trading market for wholesale gas customers.

**[Slide 25 – Vector delivers real value to customers– Simon Mackenzie]**

We deliver real value to customers. After stripping out inflation, our distribution prices have fallen over recent years. However, over the same period, Vector's overall prices have risen due to increases in the costs we pass through to customers, including transmission costs and council rates, which have both risen considerably.

Transpower's transmission costs increased 17.2% in the current pricing year, reflecting the significant investment it has made in the national grid in recent years

**[Slide 26 – Disciplined growth – Simon Mackenzie]**

Our focus on the needs of customers also opens up new growth opportunities. Until recently our smart meter and LPG bottle swap businesses for example made a small contribution to the group result.

Today the non-regulated businesses make a significant contribution to our bottom line and have supported the Group financial results in the face of significant regulatory imposed price reductions on our energy networks.

The bottle swap business delivers convenience and better health and safety outcomes. Customer demand has been strong and outlets have risen from 380 when we acquired the business three years ago to just under 800 now.

We are investing in a bottle filling and refurbishment station in South Auckland that will see more than a million bottles processed through the plant in 2016.

We now have an installed smart meter base of nearly 715,000 and if the Commerce Commission gives the green light to acquire Arc Innovations this has the potential to rise to over 1 million as Michael mentioned. Meanwhile our communication and data services network now reaches 10,000 Auckland businesses.

We have similar aspirations for a number of emerging businesses within our portfolio of operations.

**[Slide 27 – Vector’s energy solutions – Simon Mackenzie]**

We are focussed on providing energy solutions to all our customers and solutions that are:

- Tailored to meet customer needs and choices (where possible);
- Accessible and affordable;
- Smart, feature rich and worry free; and
- Sufficiently flexible to accommodate technological change.

Two areas where we see opportunities to start making this a reality are solar panels and electric vehicles. We have now installed close to 300 of our award-winning SunGenie solar units across Auckland in a trial of this technology. We believe solar panels and the associated technology are maturing to the point of mass-market appeal.

We are also testing two electric vehicles at the company. When you walked into the building today you would have passed the vehicles by.

These cars are available to all staff on Vector business. Their energy consumption should start to give an indication about how mass market use of the cars could impact on the load on our network.

**[Slide 28 – Vector’s storm response – Simon Mackenzie]**

Improving the quality and reliability and efficiency of our services are the other side of the growth coin. We must always strive to deliver our core services better and more efficiently.

Our electricity distribution network is among the lowest cost in the country on measures such as operating expenditure per unit of electricity delivered and average operating expenditure per electricity customer.

However, this is not at the expense of investing in the network or gold plating our network. And as we noted before independent experts regard Vector as a high performing utility.



Vector recognises outages on our networks can cause significant disruption to customers. So we are constantly looking at how we can make changes to not only get the power restored quickly and with the minimum disruption to our customers, but also to put in place measures that will keep the power flowing during these extreme events.

We continue to explore new technologies to deliver better customer outcomes and improve safety and reliability. For example, we use geographic information services and cutting edge new acoustic technology - as the photo on screen shows - to proactively address network maintenance issues. And, we have upgraded more than 140 km of Auckland gas pipes from cast iron to more durable polyethylene.

We have introduced new network agreements that provide customers with a single interface to engage with Vector and will also streamline the way we deal with faults. We are also investigating new systems that will address some of the hot water issues experienced during the winter storms.

We continue to promote responsible tree management by landowners to enhance the chances of our network remaining operative during storms. This is an important issue because vegetation falling on our lines continues to be a major cause of outages in high winds.

**[Slide 29 – Regulation – the quest for an equitable regime – Simon Mackenzie]**

We are proud of our achievements across all of these areas. Unfortunately the regulatory regime gives us scant recognition and is not keeping pace with technological change.

The regime assumes that new network investment will have an average life of more than 40 years and that the bulk of our positive cash flows should be skewed towards the end of that period as we are preparing for the renewal of assets.

As a result, capital invested under this methodology returns a cash flow profile that does not reflect the risk of:

- Increasingly rapid technological changes that could cause once-essential assets to become redundant; and
- Further regulatory change.

Another issue that concerns us is inflation forecast errors and how this impacts allowable revenues over a regulatory period. PwC, for instance, has calculated that differences between recorded inflation and the regulator's forecasts for inflation will result in electricity distribution businesses recovering \$150 million less than they are allowed over the 2013-2015 regulatory period.

As this graph shows Vector as the largest electricity distribution business bears the largest cost of all. In the current regulatory period it amounts to an under-recovery of \$57 million.

**[Slide 30 –Forecasting errors expensive – Simon Mackenzie]**

Similarly, the Commerce Commission does not recognise the trend we are seeing in falling per capita consumption. As a result the actual volume of electricity transported across our network fell short of the regulator’s forecasts and this translates into a revenue shortfall of around \$25 million in the 2013 to 2015 regulatory period.

These forecasting errors will cost Vector circa \$80 million in the 2013 – 2015 regulatory period and weigh heavily on the returns we deliver to you our shareholders. We are strongly of the view that the Commission must correct these errors in terms of both past and current future resets.

**[Slide 31 –Difficult to advocate for incremental capex – Simon Mackenzie]**

In July the Commission decided to adjust the method it uses to determine our cost of capital - and therefore it stands ready to reduce the allowable returns on our assets. The draft decision runs contrary to a position the Commission has held for a considerable period of time and one that has been backed up by a body of analytical work.

The Commission is due to make its final determination on the electricity price reset next month. If the current draft decision prevails Vector's electricity capital expenditure will be reduced by 18% and operating expenditure will be cut by 9% over the next regulatory period, beginning 1 April 2015.

The effect of the planned change to the weighted average cost of capital is a reduction of \$12 million in revenue and EBITDA per annum.

Meanwhile, price adjustments on the electricity network in the new regulatory period could deliver outcomes ranging between no change and a reduction of a further 6% in revenue.

Finally, as we have noted before, the frequency and unpredictability of change to core elements of the regulatory regime is adding significant cost to New Zealand infrastructure providers and consumers.

### **[Slide 32 – People: diversity and inclusion – Simon Mackenzie]**

We continue to work to ensure we operate our infrastructure assets safely and the well-being of the people who live in and around them. At the heart of this strategy is promoting diversity and inclusion.

Valuing diversity is good business and at Vector we expect it to drive better business performance through deeper customer insights and alignment, alternative perspectives, skills and experiences.

Over time Vector's employee group is increasingly reflecting the demographics of New Zealand society. However, at present women and non-Europeans are under-represented in our team and we are working to address that.

**[Slide 33 – People: promoting diversity and inclusion – Simon Mackenzie]**

We understand at Vector that the performance of our people is linked to the quality of our working environment. Our key initiatives to continue to achieve our aspirations include:

- Establishing a diversity committee to promote initiatives and a council to provide executive support;
- Paying the living wage to our employees;
- Promoting flexible working options to support changing lifestyle needs;
- Implementing employee well-being programmes; and
- Working with community groups to support young people finding work through providing work experiences, apprenticeships, cadetships and internships.

We operate a cadet ship programme with Te Puni Kokiri through which we will employ 8 Maori cadets in this financial year. Also Vector Business Risk Manager Teina Teariki Mana seen here in this photo is working with discus champion Beatrice Faumuina as part of the BEST Pasifika Leadership Programme, which is designed to promote leadership in Pacific communities.

### **[Slide 34– Health safety and environment – Simon Mackenzie]**

As Michael mentioned safety is a core priority. Vector wants to be recognised as setting the standard for Health, Safety and Environmental leadership in New Zealand. Our drug and alcohol policy, for example, is among the most stringent in the country, requiring all staff to submit to random tests. We obviously cannot afford to have substance-dependent staff.

The board maintains oversight of Health and Safety performance and we promote a culture of safety leadership. This includes employee health and safety committees.

We are pleased with our record. During the 2014 financial year we have seen a 7.8% reduction in the total recordable injury frequency rate (the number of lost time injuries per million hours worked – including contractors) and a 58% reduction in severity rates - the number of lost days through injuries for every million hours worked – including contractors. We have robust accident investigation processes and executives review key incidents.

### **[Slide 35 – Public campaigns– Simon Mackenzie]**

We also run public campaigns to improve the safety of the people who live in and around our networks. These include our award winning schools programmes:

- The 'Stay Safe Around Electricity' and 'Be Sustainable with Energy' programmes, for Schools in the Auckland electricity network; and

- The 'Discover Natural Gas' programme specially developed for school children in Taranaki.

Vector also engaged the services of the well-known and respected ex-All Black, Wayne 'Buck' Shelford. Buck is a powerful influencer and acted as the public face of Vector's public safety campaigns.

**[Slide 36 – Our focus – Simon Mackenzie]**

We have a great team committed to our core goals and we remain focused on customer solutions, the demands of our electricity and gas customers, delivering on the potential of our Technology operations and - assuming commercial rationality emerges in the regulation of our energy networks - meeting population growth in Auckland.

That concludes my part of the presentation. I will now hand the meeting back to the chairman to conduct today's formal business.

**[Slide 37 – Michael Stiasny – speaker Michael Stiasny]**

Thank you, Simon.

The Notice of Meeting lists the agenda four items to be considered as ordinary resolutions and one item to be considered as a special resolution. Each of the ordinary resolutions requires a simple majority of votes validly cast, while the special resolution requires a special majority of 75% of votes validly cast.

For transparency at each vote you will be shown the number of discretionary proxies held by me as Chairman of the meeting or in my own name. I declare that it is my intention to vote the discretionary proxies I hold in favour of all resolutions.

During discussion of the agenda items, I again ask that you confine your questions and any comments directly to the particular matters before the meeting and Vector business.

We are, naturally, happy to hear your views on how we operate our portfolio of businesses, and to answer questions about operational policy and practice. If you have a personal matter relating to Vector's services, customer services representatives are available after the meeting to help you.

I remind everyone this is a meeting of and for our shareholders. Only shareholders or corporate representatives or proxy holders for shareholders are entitled to speak and vote here today. As stated in the Notice of Meeting, only shareholders registered at 5.00pm on 17 October 2014 or their proxies or representatives are entitled to vote.

If you have become a shareholder since that date, you are not entitled to vote at this meeting, but we do welcome you here.



In the interests of allowing everyone who wishes to speak to do so, I would ask you to limit yourselves to a reasonable speaking time. Remote microphones are available and if you wish to speak please raise your hand, and someone will come to you. Again, to make things easier, when you do speak if you could tell us your name first that would be helpful.

**[Slide 38 – Ordinary business – speaker Michael Stiassny]**

So the first agenda item is to invite discussion on Vector's financial and operational results for the year ended 30 June 2014. The Annual Report was available online on 22 August 2014 and hard copy reports were sent to all shareholders who requested one.

Questions on this topic may be put directly to our external auditors, KPMG, but please keep those questions relevant to their auditing role. Is there any discussion in respect of the Annual Report, the Financial Statements and Audit Report for the year ended 30 June 2014?

**[Discussion with the audience]**

I shall now move to the second item of business, the election of directors.

The NZX Limited Main Board Listing Rules require that at least one third of the Company's directors or, if their number is not a multiple of three, then the number nearest to one third, shall retire from office at the annual meeting each year, but shall be eligible for re-election at that meeting.

Karen Sherry, Hugh Fletcher and James Carmichael are the directors, who are the longest in office, retire by rotation at this Annual Meeting and, being eligible, offer themselves for re-election.

As required by the NZX listing rules, on 22 August 2014 Vector issued a notice advising a closing date of **12 September 2014** at **5.00pm** for director nominations. No nomination to elect an additional director was received. Biographies of each director seeking re-election or election are contained in the explanatory notes to the notice of meeting.

**[Slide 39 – Re-election of Karen Sherry – [speaker Michael Stiassny](#)]**

The meeting is now asked to consider an ordinary resolution to re-elect **Karen Sherry**.

Karen is a principal of the firm Bell-Booth Sherry where she specialises in commercial and trust law. She is a trustee and former chair of the Auckland Energy Consumer Trust. She is the chair of Energy Trusts of New Zealand Inc. and a director of SPCA Auckland Inc.

I now move, as an ordinary resolution, that Karen Sherry be re-elected as a director.

The proxy voting position is shown on the screen. Just to remind shareholders, that voting will be by poll conducted later in the meeting when all resolutions have been moved and discussed.

Is there any discussion on this resolution?

There appears to be no [further] discussion.

**[Slide 40 – Re-election of Hugh Fletcher – [speaker Michael Stiasny](#)]**

Hugh Fletcher is a former chief executive officer of Fletcher Challenge Limited and is a director of Insurance Australia Group Limited and Rubicon Limited. He is also non-executive chair of IAG New Zealand Limited and a trustee of The University of Auckland Foundation.

I move, as an ordinary resolution, that Hugh Fletcher be re-elected as a director.

The proxy voting position is shown on the screen. Is there any discussion on this resolution?

Thank you ladies and gentlemen. There appears to be no [further] discussion.

**[Slide 41 – James Carmichael– speaker Michael Stiasny]**

James Carmichael is a trustee of the Auckland Energy Consumer Trust and an executive of Energy Trusts of New Zealand Inc. His significant international energy sector experience includes responsibility for multi-billion-dollar energy assets and acquisition strategy for Power-Gen International Limited and thermal and hydro power generation investment decisions for Ranhill Power Berhad.

I move, as an ordinary resolution, that James Carmichael be re-elected as a director. The proxy voting position is shown on the screen.

Is there any discussion on this resolution?

Thank you ladies and gentlemen. There appears to be no [further] discussion.

**[Slide 42 – Appointment of auditor – speaker Michael Stiasny]**

Section 207T of the Companies Act 1993 provides that a company's auditor is automatically re-appointed unless there is a resolution or other reason for the auditor not to be re-appointed. The Company wishes KPMG to continue as the Company's auditor, and KPMG has indicated its willingness to do so.

Section 207S of the Companies Act 1993 provides that the fees and expenses of KPMG as auditor are to be fixed by the Company at the Annual Meeting or in such a manner as the Company determines at the Annual Meeting. The Board proposes that, consistent with past practice, the auditor's fees should be fixed by the directors.

I move as an ordinary resolution, to record the automatic reappointment of the Auditor, KPMG, and to authorise the directors to fix the remuneration of The Auditor for the ensuing year.

The proxy voting is again shown on the screen and I open this resolution up to any discussion.

Thank you ladies and gentlemen. There appears to be no [further] discussion.

**[Slide 43 – Special Business – [speaker Michael Stiasny](#)]**

We now move to special business.

**[Slide 44 –Vector's constitution – [speaker Michael Stiasny](#)]**

Vector's constitution was last amended in 2006. The Listing Rules have been amended four times since 2006, with the most recent amendments taking effect from 1 January 2014.

This special resolution seeks shareholder approval of amendments to Vector's constitution consistent with the amended Listing Rules. The clause references are detailed in your notice of meeting.

**[Slide 45 –Vector's constitution – speaker Michael Stiasny]**

I move, by way of a special resolution, to approve the proposed changes to Vector's constitution.

The proxy voting is again shown on the screen and I open this resolution up to any discussion?

Is there any discussion on this resolution?

Thank you ladies and gentlemen. There appears to be no [further] discussion.

**[Slide 46 – Voting – speaker Michael Stiasny]**

We will now move to vote on these resolutions.

If you wish to vote, you should have to hand either the Proxy Form that was sent to you with the Notice of Meeting or an alternative voting form given to you by Computershare when you entered the meeting.

When you cast your vote, please tick one box, either for, against or abstain, alongside each resolution in the section marked Step 2: Items of Business – Voting Instructions/Ballot Paper.

If you hold a proxy on behalf of a shareholder you will need to cast that shareholder's votes in order for them to be counted. The proxy form given to proxy holders, sets out the number of proxy votes held and records directed votes. If there are no undirected votes the proxy holder need only sign the proxy form.

Where there are undirected votes, proxy holders may vote these as they see fit by ticking the appropriate box. Finally, in all cases, please ensure the proxy form is signed and I remind you that you are voting on each separate resolution as detailed in the Notice of Meeting. Once you have completed your form these will be collected and the votes will be counted under the scrutiny of the Auditor.

If anyone is unsure of what they are doing with the form or hasn't got a form. Please make your way to the registration desk as you walked in, someone will be able to help you. So if you would like to cast your votes we could then go into General Business.

Have you all voted? Fine, so we can move on.

**[Slide 47 – General business – speaker Michael Stiasny]**

Are there any items of general business to be discussed?

Are there any other comments or we could draw the meeting to a close and have a cup of tea?

Before we go though, it's appropriate that I thank my fellow Board members for their input during the year and most importantly that I thank Simon and his team, for their performance throughout the year.

**[Slide 48 – Meeting close – speaker Michael Stiasny]**

To all of you as shareholders we look forward to seeing you next year. I now declare this meeting closed.

End