

# **Vector Limited Annual Meeting of Shareholders Speaking Notes**

**Chair, Jonathan Mason:**

Ngā mihi o te ata ki a koutou katoa  
Nau mai haere mai ki tēnei hui.  
Ko Jonathan Mason toku ingoa.

Good afternoon to you all and welcome to this event. My name is Jonathan Mason, and I am Vector's Chair.

As we have a quorum and it's 2:00pm, I will now declare open the 2021 Annual Meeting of Vector Limited shareholders.

Today's meeting is being held online, as we find ourselves once again uniting in response to Covid-19. As many of you will recall from last year, there are some special instructions for this online meeting to enable participation from our shareholders. I will briefly run through these now.

Today's meeting is being held online via the Computershare Online Meetings platform. This allows Shareholders, Proxies and Guests to attend the meeting virtually. All attendees can watch a live webcast of the meeting and read the company documents associated with the meeting. In addition, shareholders and proxies have the ability to ask questions and submit votes.

Shareholders have received full instructions on how to access the meeting, ask questions, and vote, in the Virtual Meeting Guide on page 6 of the Notice of Meeting. I will now briefly run through the instructions for asking questions and voting.

If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen anytime. Type your question into the field, select which topic the question applies to, and press send. Your question will then be submitted.

Please note that while you can submit questions from now on, I will not address them until the relevant time in the meeting. Please also note that your questions may be moderated or if we receive multiple questions on one topic, amalgamated together. Due to time constraints we may run out of time to answer all your questions. If this happens, we will answer them in due course via email.

Should you require any technical assistance, you can type your query, select the “technical support” topic, and one of the Computershare team will assist with the chat function and reply to your query. Alternatively, you can call Computershare on 0800-650-034.

We ask that you please do not ask individual operational or customer service questions in this forum. In an in-person meeting, we often have members of our Customer Excellence team available to help you with these questions after the meeting. As we are meeting online, these questions can instead be sent to [info@vector.co.nz](mailto:info@vector.co.nz).

While we welcome any members of the media to our meeting today, as this is a meeting for shareholders, please hold your questions during the meeting and reach out to Simon or myself separately via our usual media phone.

Voting today will be conducted by way of a poll on the item of business. In order to provide you with enough time to vote, once voting is open you will be able to vote at any time throughout the presentation.

I will shortly open voting on the resolutions. At that time, if you are eligible to vote at this meeting, you will be able to cast your vote under the Vote tab. Once the voting has opened, the resolutions will allow votes to be submitted at any time during the meeting. To vote, simply select your voting direction from the options shown on screen. You can vote for all resolutions at once or by each resolution. Your vote has been cast when the tick appears. To change your vote, simply select ‘Change Your Vote’. You have the ability to change your vote, up until the time I declare voting closed.

I now declare voting open on all items of business. The resolutions will now be open in the vote tab, please submit your votes at any time. I will give you a warning before I move to close voting. This will be towards the end of the meeting.

In addition to those attending this webcast today, 617 shareholders, holding a total of more than 803,831,133 shares, have appointed proxies. In my capacity as Chair of the meeting and in my own name I hold proxies for 525 shareholders, representing 52,165,404 shares.

Also included in the proxies are 751,000,000 shares held by Entrust, our majority shareholder. Entrust is represented at the meeting today by William Cairns.

It's now my pleasure to introduce my fellow directors: Alastair Bell, Tony Carter, Bruce Turner, and Dame Paula Rebstock, and a special welcome to Anne Urlwin, who you will hear from later. We would also like to thank Mike Buczkowski, who stepped down from the Vector board this month, after serving us for the past three years. Also joining us are our Group Chief Executive Simon Mackenzie and John Rodger our Chief Legal & Assurance Officer and Company Secretary. We also have our Chief Financial Officer, Jason Hollingworth and Graeme Edwards from our external auditors KPMG joining us via webcast.

Now to the structure of this meeting. We released our financial results on 24 August and the details on this are extensively covered in our annual report, which is available on our website. Rather than repeat what's in the annual report, I will instead provide a strategic view of where Vector is now, opportunities and how we are working to achieve these for our shareholders,

customers, and wider community. I will then hand over to Simon to talk about the financials, and a summary of the key highlights from the year.

After that, we will open the meeting for specific discussion on the annual report, including the financial statements and audit report, as well as anything raised in our respective addresses. We will then move to the formal business of the meeting.

Before I move to my address I want to acknowledge all Vector staff across New Zealand and in Australia, who have worked tirelessly through multiple lockdowns and unexpected challenges to keep delivering to our customers. My thanks to you all.

As we say on the cover of this year's annual report: Vector's vision is bold. We all know the imperative to transform the energy system, because legacy energy systems are being challenged to meet the demands that are placed on them today – let alone tomorrow. Vector has long recognised this and started working towards, and discussing, a very different energy future with our shareholders and customers about five years ago. You've heard us talk about our Symphony strategy to grasp opportunities and manage risks in a more affordable way.

Today, energy is no longer just critical for our customers' daily life at home, at work and in industries. Clean energy is critical to decarbonisation goals, not just in New Zealand but around the world. There is hugely increasing demand for renewable energy to fuel the transition to a low carbon economy. The electrification of transport, the role of low emission gas, and increasing demand for renewable energy generation are all key themes that are driving significant new challenges into our sector. Energy systems of tomorrow must be much more sophisticated and adaptable than those of today, while remaining reliable, resilient and affordable. These are all key tenets of Vector's strategy.

Our strategy is to develop and build energy systems that enable decarbonisation, provide customer choice, are affordable, while remaining safe, reliable, and secure. It is about seeking to complement our existing energy system solutions with new technologies, whether they are digital, analytics-driven, or new technologies like smart EV chargers. This transformation has to occur to enable the much more complex energy system that will be needed in a low carbon future, while still ensuring efficiency outcomes are achieved.

Simply put, we will spend less to achieve decarbonisation and the increased demands for electricity, than we would if we followed a traditional, asset investment methodology. Innovation and smart, digital technology, can accomplish much more, and cost much less, than old technology and systems. Smarter investment, better outcomes for customers.

For consumers, this provides more choices to lower energy costs making energy more affordable, and enhance the value of electric vehicles and smart homes.

This benefits consumers, aligns with government decarbonisation goals, and is strongly in the commercial interest of shareholders.

When I think about Vector's role in enabling future low carbon economy, it's clear that journey presents significant opportunities for us to create new solutions and drive efficient, cost effective, sector-wide decarbonisation.

At a global scale, the decarbonisation challenge in energy is huge. Vector's approach is to build solutions for ourselves with our partners and then consider offering them to our sector locally and around the world.

We are actively working on solutions to continue delivering for our shareholders, customers, and stakeholders, and we are well-positioned to enable decarbonisation within New Zealand, the Asia-Pacific region, and globally. Simon will discuss these partnerships in more detail but they include work with AWS to improve data analytics on our smart meters and the partnership announced yesterday with X focused on improving network resiliency and readiness for renewables and EVs. These partnerships allow us to gain access to complementary skills and capabilities that let us innovate faster and are further validation of our Symphony strategy.

Our Symphony strategy aims to transform the traditional one-way energy chain into an intelligent, multi-directional energy system that gives the customer more choice and control. Fundamentally, it is about creating a decentralised energy system that opens up future possibilities, delivering decarbonisation consistent with reliable and affordable energy solutions for customers.

Each part of the Vector Group has a role to play, whether it's providing energy choice, data, enabling connectivity, advising on renewable solutions, building new digital platforms – the benefits of our diverse portfolio of businesses are clear.

As we do this, we will continue to engage with government to share our view of how a transformed energy system can enable greater progress in affordable decarbonisation, and what changes to the regulatory framework would help achieve this goal.

I'll talk briefly now about some of the changes we would like to see.

Public policy and strategies to achieve decarbonisation goals are due in the Government's Emissions Reduction Plan, now due in May and moving to the consultation phase soon. A significant input into the Government's decisions is of course the Climate Change Commission's final report. We were pleased to see an acknowledgement of a number of important factors we have raised that would benefit the transformation of the energy sector along the lines I have outlined.

These include a strong acknowledgement of the opportunities presented by distributed energy resources to achieve affordability, resilience and decarbonisation; the benefit of developing a national energy strategy to help coordinate the sector; and the importance of accelerating the adoption of electric vehicles to reduce emissions from light transport.

We were pleased to see the Commission call out that electricity networks should be appropriately equipped, resourced and incentivised to innovate, because this will enable them to play their role in helping decarbonisation happen faster, and more equitably.

In particular, we agree strongly with the Commission's comment, that our regulatory framework should be "sufficiently adaptive to enable Electricity Distribution Businesses to undertake the innovation and investment required to meet climate change outcomes".

Of course, a major part of the Commission's advice, now before Government, and significant for our business, has been around the future of gas in New Zealand's energy system.

We were pleased to see the Commission's final advice recognises the complexities of a transition away from the use of fossil gas as an energy source in homes, businesses and industry.

We support a gas transition designed to meet the Government's carbon reduction objectives while considering the needs of business and residential customers. To us, this means a smooth transition that manages costs for customers, and enables network operators to continue to operate safe and reliable networks while preserving their options for lower carbon fuels in the future.

The new timeframe recently announced for the country's first Emissions Reduction Plan will allow us needed time to achieve clarity on the Government's plan to resolve these complexities. We will continue to engage with the Government, and officials as part of the Gas Infrastructure Group, and on our own behalf, as final decisions are made on the transition plan.

When I reflect on my first year as Chair, there are a number of highlights in what has been a strong financial year. We've achieved the best SAIDI and SAIFI performance in the past five regulatory years, which speaks to the reliability of the electricity network in spite of continued impacts from traffic and unpredictable weather. Unregulated revenue from the metering business has increased 53% from \$148m five years ago to \$227m in FY21. And we continue to see significant gross capital expenditure of \$314.7m in Auckland to enable growth and reliability supporting New Zealand's largest city. The potential of Vector Technology Services is clear and evidenced by the strength of our global partnerships. Finally, we are making steady progress to support Auckland and New Zealand to face the great existential challenge of the 21<sup>st</sup> century, being climate change.

In closing, I thank my board for their support, and Simon and his Executive team for their leadership this year.,

I will now hand over to Simon.

**CEO, Simon Mackenzie:**

Thank you Jonathan.

You've heard about our vision, Symphony strategy, and our role in enabling decarbonisation both here and overseas. I'll start with a quick recap of our overall financial results, and then provide a few highlights from the year that demonstrate how we're committed to continuing investment in the reliability and safety of the Auckland electricity network, and some which show our progress against those key themes Jonathan spoke about.

But before I begin, like Jonathan I too would like to acknowledge Vector's staff and key partners for their year, and once again call out Vector's essential workers, and our Field Service Providers, for their dedication and commitment to delivering our essential services, particularly through the various alert levels we have experienced both here and in Australia.

Vector delivered a strong result for FY21, recording adjusted EBITDA of \$513.5 million. This was up \$23.5 million or 4.8% on last year's result and is in line with guidance provided at the half year result.

Group net profit after tax was \$194.6 million or \$97.3 million higher than the prior year's result due to a number of factors including higher earnings, lower interest cost, the impact of a non-cash impairment in last year's result, and an increase in capital contributions.

Gross capital expenditure was \$529.5 million, \$40.8 million (8.3%) higher than last year. This increase reflected ongoing investment in infrastructure to support Auckland's continued growth, and increasing deployments of advanced meters as market demand continues to accelerate in Australia. Note that this increase in capital expenditure was partly funded by a \$36.1 million increase in capital contributions recognised as income under IFRS.

Operating cash flow was 25.6% higher at \$499.1 million. This increase was largely due to an increase in capital contributions and lower tax paid as a result of the reduction in the level of dividend imputation.

The final dividend of 8.50 cents per share, partially imputed at 10.5%, was paid to shareholders on 16 September, taking full year dividend to 16.75 cents per share.

I'll now share a few highlights from the year.

We continue to invest in Auckland, the fastest growing city in New Zealand. Gross regulated capital expenditure across the electricity and gas networks in Auckland continues to be at historically high levels, due to the continued growth in connections and infrastructure projects, as well as investment to improve the reliability and resilience of our networks. As Jonathan mentioned, we have achieved a strong SAIDI result and this is due to a combination of continued improvement and innovation across our teams and our Field Service Providers, and our ongoing capital investment programme. While we are maintaining our focus on improving network performance for our customers, we are also transforming our electricity network through a combination of new engineering solutions and digitalisation to meet the needs of the future.

We are excited at the prospects for Vector Technology Services, which has been established to take to market solutions developed as part of our digital transformation journey. This is how we will accelerate and support other companies who are on their own digital transformation journeys to have access to world leading solutions. We have already engaged with around 15 of the other Electricity Distribution Businesses in New Zealand, with more sessions scheduled later in the year, about what we have developed and how these solutions may be helpful to them. We are also pleased with the development of our property company, Vector Property Services, which is exploring commercial potential of our property and facilities assets, for example co-location with other infrastructure providers. These two entities – Vector Technology Services and Vector Property Services are examples of how we are leveraging our assets or services to others in the sector.

Vector's metering division has seen strong growth in the last year. Our advanced meter base grew 8.8% to 1.86 million. Advanced meters are a key building block to enable greater use of

data in the transformation of the energy sector. Vector is playing a key role here through our strategic alliance with AWS to develop the New Energy Platform. We have begun deployment of the first product developed through that strategic alliance and are well underway with developing the next.

I now want to talk briefly about our EV Smart Charging trial, which demonstrates how we are enabling the electrification of transport, while using innovation and technology to keep the costs of supporting infrastructure investment affordable.

The trial has shown that smart, dynamic charging, using new digital platforms, enables us to add more EVs into the system while managing the load on the network. This softens demand peaks as more and more people come home at the end of the day and plug their cars in to charge. This also helps us lower the need for capital investment to meet increased peak demand, ensuring we can keep power as affordable and reliable as possible.

With 90% of EV charging happening at the home, this type of innovation is essential to help New Zealand achieve our carbon emission reduction goals and ensure the changes are affordable.

Our view is this sort of technology is critical to enable government goals over EV adoption are affordable for consumers, and were pleased to see the Climate Change Commission recommending EV smart charging in their final advice to the Government. In the UK, there has been a decision to regulate for the introduction of EV chargers with 'smart' capability, with legislation to be introduced this year.

One year into the strategic alliance between Vector and Amazon Web Services, we have made solid progress on our New Energy Platform.

The first services to be delivered from the New Energy Platform are the advanced gas data services. The platform stores, processes and delivers advanced gas meter data which has been enabled through technology we have built and deployed through this strategic alliance.

We are now well advanced in building the solution to provide electricity meter data at five-minute intervals for our Australian customers. This is the next step in our data services transformation programme, and will enable us to provide data services to other parties, such as network operators.

The strategic alliance is a multi-year agreement, and one of a handful that AWS has across the world. It will benefit our energy and utility customers and, ultimately, consumers in New Zealand, Australia, and beyond, through more flexible, efficient and faster processing of data. The alliance has around 60 people across the two companies, and all engaged in product development on cutting-edge public cloud computing services. It's a true co-development between our two organisations with our teams across Auckland, Seattle and Atlanta working together to build the NEP.

You may have seen yesterday we announced a strategic collaboration between Vector and X, where we are working together on network virtualisation and simulation technology.

For those who don't know, X is the 'moonshot factory' within Alphabet, the company which runs Google.

Our collaboration is part of a shared vision to enable vastly more sophisticated and adaptable electricity networks, get ahead of increasing demands for clean energy, and transform the network in order to support decarbonisation. We are working to virtualise our network and run simulations to model how the network will perform under certain scenarios – for example an influx of EVs or rooftop solar. We want to ensure that we are never in the way of customers wanting to opt for clean energy solutions.

This is another significant example of how we're looking outside the energy sector to partner with leading global organisations who can help us achieve our goals, and enable decarbonisation.

We are continuing to evolve our thinking on climate risk and opportunity as we prepare ourselves and others for the opportunities a decarbonised future will bring.

Given our own goal of Net Zero Carbon by 2030 and increasing demand from investors, shareholders and other stakeholders, it is imperative we keep pace with disclosure expectations around carbon emissions and climate risk.

For the two years previously, we have made disclosures under the Carbon Disclosure Project framework. This year, we have moved from that framework to the Taskforce for Climate Related Financial Disclosure. This is in line with stakeholder expectations, and ahead of mandatory reporting under this framework, set to come into effect in 2024. We are moving earlier on this as we believe it's important to provide our shareholders with the information given the breadth of our portfolio in both regulated networks and competitive businesses.

Our TCFD report shows that climate change brings both risks and opportunities for Vector, and that with our diverse portfolio of energy solutions businesses, we are well positioned to embrace the significant opportunities presented by the energy transition. We are also able to accelerate the energy transition for the New Zealand economy.

Our TCFD report is available on our website.

In closing, I'll talk briefly about the year ahead.

As you have heard from Jonathan, the infrastructure, products and services we provide are increasingly critical. We must continue to leverage new technology, and business models, to provide our customers with cleaner, more reliable and affordable energy solutions into the future.

In the coming year, while ensuring we deliver essential services efficiently and safely to our customers remains paramount, we are also focussed on several key priorities - delivering growth in our Australian metering business, the rollout of next-generation connectivity via our modem replacement programme for our advanced meter fleet in New Zealand, developing and growing Vector Technology Services, supporting HRV in its return to profitability while acknowledging that lockdowns are a setback, supporting Vector Powersmart to take



advantage of consulting opportunities in the context of growing interest in solar development, supporting Vector Fibre as it leverages its fibre assets in the wholesale market, exploring opportunities with Vector Property Services, successfully responding to the challenges we're seeing around resources, enabling Auckland growth, and ensuring a sensible gas transition.

In conclusion, I would like to thank Jonathan and the rest of the Board for their leadership and guidance over the past year.

Thank you.

## **ENDS**

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### **About Vector**

Vector is an innovative New Zealand energy company which runs a portfolio of businesses delivering energy and communication services to more than one million homes and commercial customers across Australasia and the Pacific. Vector is leading the country in creating a new energy future through its Symphony strategy which puts customers at the heart of the energy system. Vector is listed on the New Zealand Stock Exchange with ticker symbol VCT. Our majority shareholder, with voting rights of 75.1%, is Entrust. For further information, visit [www.vector.co.nz](http://www.vector.co.nz)