



## **ANNUAL MEETING OF SHAREHOLDERS: MANAWA ENERGY LIMITED**

Hybrid Meeting, Friday 12 August 2022 at 9.00am

### **Welcome from Paul Ridley-Smith, chair of Manawa Energy**

Welcome to Manawa Energy's 2022 Annual Meeting. I'm Paul Ridley-Smith, chair of Manawa Energy.

We are holding this meeting as a hybrid meeting in order to give shareholders the option to join the meeting in person in Tauranga or join online.

Now let me introduce Manawa Energy's directors, CEO and senior staff. We have with us today directors Kevin Baker, Joanna Breare, Sheridan Broadbent, Deion Campbell and CEO David Prentice and management team: Stephen Fraser, Rob Buchanan, Phil Wiltshire, Catherine Thompson and Matt van Deventer.

One of our directors, Michael Smith, is unable to attend today and gives his apologies.

I also welcome PwC, who were our auditors for the 2022 financial year and are represented by Pip Cameron and Kim Choromanski who are attending remotely.

I note that a quorum is present with five or more shareholders present and, unless anyone objects, I propose that the Notice convening the meeting be taken as read.

The Board has confirmed that the minutes of the last annual meeting, held virtually on 22 September 2021, are a true and correct record of that meeting. Copies of the minutes of that meeting are available to shareholders.

Shareholders will have an opportunity to ask questions during this meeting.

For those shareholders joining us online, if you would like to ask a question, please select the Q&A tab on the right half of your screen. Type your question into the field and press send. It will then be sent through for us to answer. If you require assistance our Computershare team is available in the chat function.

Questions can be submitted at any time and will be answered at the appropriate time during the meeting. Please note that your questions may be moderated or if we receive multiple questions on one topic, amalgamated together.

For those shareholders who are present here in Tauranga who want to speak or ask a question when we open for questions, please raise your hand and wait until a microphone is brought to you. Please then give your name before you address the meeting or ask your question.

### **Chair's Address from Paul Ridley-Smith**

Welcome to the first annual meeting of Manawa Energy Limited, the same company as Trustpower Limited, but with a new name and purpose.

On the name, we're delighted with the choice and the process we went through to adopt it. Manawa means breath or heart in Te Reo Māori. The name was the idea and inspiration of Ngāti Hangarau hapū who hold mana whenua in the nearby Kaimai region where one of Manawa Energy's oldest, but most symbolic, hydro schemes operates. Ngāti Hangarau gifted us the name and it's an honour for us to receive that gift. The imagery that is associated with the name reflects both heart beats and the sound of water in the Omanawa River that is precious to Ngāti Hangarau. We're now a business with a focus on safe and responsible operation of our existing generation schemes and the building of new renewable generation. We think that a perfect match for our new name. Thank you for the gift.

COVID-19: COVID-19 has had effects much broader than individual and public health. It, and more particularly the community, political, policy and financial responses to it, have changed the nature of work and significantly increased the cost of doing business. Some of these are irreversible and they're a mixture of good and bad. On the good there's now a better awareness of health issues and more workplace flexibility. On the bad we have inflation, supply line constraints and a more inward and parochial political view – expressed most clearly in New Zealand's immigration settings. The imperative for all of us is to move on from COVID-19. That's not to ignore the continuing health issues but a plea to return to more normal business settings. The rate at which New Zealand can build new renewable generation will be slower if we maintain our conservative immigration settings. We don't have all the talent available in New Zealand necessary to complete these projects.

Electrification and climate change response: Here, my message in 2022 is the same as it was in 2021 and earlier. Decarbonisation is direction of travel, but this can only meaningfully occur if New Zealand builds more renewable generation. Aggregate energy consumption won't drop. But the proportion that comes from coal and gas can and will. That's a good thing. I've previously commented on government policies, and I mean in New Zealand and elsewhere, intended to encourage decarbonisation. Most are well intended, but too many are either inconsequential or even counterproductive.

The single most powerful policy to accelerate decarbonisation is to properly price carbon. We have the bones of a good scheme in New Zealand, the emissions trading scheme. It needs to be enhanced, not diminished by ad

hoc policies that dull the incentive that pricing carbon provides. Next is more permissive planning laws for renewable generation. Getting resource consents is hard and takes a long time. Projects can be delayed or held hostage by single objectors or issues on narrow grounds, even when there is overwhelming support. We need to be able to get past these roadblocks.

Next again is to not look for the government sponsored big bang or silver bullet solutions – and, of course, I'm talking about Lake Onslow. And finally, the role of gas to provide support for new renewable projects needs to be better understood. If consumers are to switch from gas and coal to electricity (and they want to) they need confidence about all three legs of the trilemma – sustainability, affordability and reliability. Gas helps with all three, and it should of course, bear its appropriate Emissions Trading Scheme (ETS) cost.

The world is awash with potential projects and investors and developers very quickly head to other jurisdictions if they believe that the local government may tilt the playing field. And the good news about all four of these suggestions is that they cost the government precisely zero. Actually, leaving some gas in the market generates royalty revenue for the government. That leaves money at Treasury for other projects and services that modern societies expect to be delivered by government.

Manawa Energy is flat out working up development options, and we have some that we believe are strong. But taking them to construction will require us to have confidence in the regulatory settings, because it is these that go to the forecasts of the revenue we might earn from the projects.

David will talk more about the projects that the management team are pursuing.

All I wish to add about renewable energy projects is how optimistic I feel about how advances in technology are helping solve our problems. The advances are physical and technological. For example, wind turbines generate 10 times the energy they did a generation ago and emerging technologies in batteries, solar panels, demand management, grid operations and elsewhere are all advancing at a great rate.

Later in the meeting, we will vote on appointing Deion Campbell to the Board. I'm very excited about him joining as he has enormous experience in our business – both from his time as a senior executive at Trustpower and since as CEO of Tilt Renewables.

David Gibson and Peter Coman have left us during the year. Both were strong contributors, especially to our complex plan to sell off our retail business to Mercury Energy. We wish them both well and thank them for their contribution.

With changes to our Board this year, it is important for me to note that Manawa Energy does not offer retirement benefits to directors, and our director fee cap is \$840,000.

Also leaving us this year were our entire retail team and a number of senior executives that lead that team and the integrated business. I'd like to particularly acknowledge and thank Fiona Smith, Peter Calderwood, Kevin Palmer and Paul Bacon for what they brought to Trustpower over an extended period and to wish them well.

And finally, I would like to acknowledge Tauranga Energy Consumer Trust, and in particular, Bill Holland and Wayne Werder. Without their support we could not have transformed Trustpower to Manawa. I wish TECT well with its expanded mission to do good for the local Tauranga community.

And now to David Prentice and his CEO presentation.

### **Chief Executive Address from David Prentice**

Ko Mauao te maunga

Ko Tauranga te moana

Ko Tauranga te whenua kura.

E nga iwi e pae nei.

Tena koutou.

Nau mai haere mai ki tenei Hui a Tau.

Tena koutou, tena koutou, tena koutou katoa.

Kia ora. I'd like to extend Paul's welcome and thank you for joining us here today - to reflect on what has been a transformative year for our company.

During another year of ongoing challenges relating to COVID-19, persistent below-average inflows, and continued sustained regulatory uncertainty, we completed the sale of our mass market retail business to achieve the vision we set out over a year ago – to create a standalone, substantially renewable generation business with a renewed focus on developing and delivering new generation to support the growing energy needs of tomorrow and help meet New Zealand's emission reduction targets.

And importantly, we did it while still delivering a solid result, with an EBITDAF of \$204.2m which was up on last year and which included a strong performance across both our continuing operations and our discontinued retail operations.

I'm pleased to report that we've delivered on the commitments we set out at this meeting last year – including developing and rolling out our new growth strategy for Manawa Energy and recruiting a high-calibre executive team.

We are making great progress in developing our new renewables pipeline as well as continuing our programme of asset enhancement at some of our existing schemes. We are working closely with customers as we look to grow and develop our Commercial & Industrial relationships and explore new innovative solutions and channels to market to deliver low-carbon energy. And here in Tauranga, construction will soon commence on our new premises in the CBD at 93 Cameron Road and you can see an artist impression of our new offices in the slide.

Throughout a year of significant change, we've continued to focus on our people and the importance of health, safety and wellbeing to our business.

We implemented a thorough wellbeing and communication programme for the duration of the retail sale process, to support our people through this transition. Our approach was recognised with an Excellence Award in the Health and Wellbeing category of the HRD Awards, New Zealand's leading independent awards programme for the human resources profession. In April this year, we were also named as a finalist in the Wellbeing Category of the NZ Energy Excellence Awards again for the programmes we put in place to support our people through this change.

During the year, we carried out a safety and wellbeing culture audit to assess our processes, systems, mindsets and behaviours against best practice. The audit identified many positive aspects of our culture that support the safety and wellbeing of our people and confirmed that we have an engaged workforce with a good understanding of risk. As expected with any review it has provided us areas of focus for our continuous improvement programme.

We also continued our schedule of Director site visits, with a focus on site safety which allows the Directors to get a feel for the safety culture on our sites.

Hydrology, by its very nature, provides challenges and the last year was no different. Our generation production volumes last year were 1,760 GWh which were up on the previous year's record low – but still materially lower than the long run average mainly due to low inflows. However, pleasingly our work on asset investment delivered additional output which helped to contribute to the 52 GWh gain on the previous financial year.

Volatile spot market prices were elevated for a large part of the year, reflecting low inflows and the relatively high cost of thermal generation. High prices continued into the start of this financial year on the back of ongoing record low monthly inflows.

With high spot prices continuing to be a feature of the market, our wholesale team use their considerable experience to manage our exposure, while our operations team have worked to maximise our returns through production optimisation and efficient scheduling of outages.

Running a safe, sustainable, and reliable fleet of generation assets while taking account of our many environmental and regulatory considerations are critical issues in guiding focus and priority.

We have a comprehensive programme to capture, assess and prioritise safety improvements across our portfolio. Over the last year, we also increased the internal engineering resources working on dam safety and as part of this programme, we progressed stability assessments on several dams, and undertook designs for remedial works and dam safety improvements.

Operational excellence, asset management and scheme efficiency and enhancement remain key drivers to maximising profitability from the outputs from our existing fleet of generation assets. Around 15GWh a year worth of enhancements have already been completed, with 15GWh a year expected to be completed in FY-23. We remain on track to deliver a further ~79GWh a year worth of enhancements currently planned across FY-24 to FY-26, despite well documented global supply chain issues and project planning challenges presented by COVID-19.

In the last year, our asset management team delivered scheme upgrades including major maintenance and asset renewals at Waipori, the installation of a new generating unit runner at Coleridge, and a new infiltration gallery intake at Branch River that will yield up to an additional 10 GWh a year.

As Manawa Energy, we are highly experienced in developing and operating assets in a variety of environments. One of our distinct advantages is our existing geographical footprint where we currently operate 44 power stations across the country. There are many benefits to this diversified portfolio. With storage in different locations, we are able to manage our exposure to extreme weather events like heavy rain and minimise any impact on production.

And unlike many of the larger generators, we are not reliant on large single units for our generation outputs.

Our geographic spread is also the solid foundation from which we can leverage our growth strategy. As a substantial independent renewable generator and developer, we are uniquely positioned with our diverse portfolio of existing renewable generation assets and development capability, to allow us to deliver firmed renewable energy solutions to major industrial energy users in New Zealand.

Our existing relationships with distribution companies, regulators and stakeholders nationwide gives us a head start on the development process and make us the ideal development partner for regional and community developments.

As Paul mentioned earlier, as Manawa Energy, we are New Zealand's largest independent electricity generator and renewables developer, representing about 5% of New Zealand's existing generation capacity. And we have aspirations to grow well beyond that and a newly developed strategic plan that sets out our path.

Our strategy is focused on two key pillars – growth and operational excellence.

We are taking a very deliberate approach to new development – pursuing our own projects in addition to partnerships and joint ventures with existing developers. Our current growth focus is on a range of solar and wind projects in both the North and South Islands, with a number of opportunities at various stages in the development pipeline – more on that in a minute.

We are also working closely with our customers as we look to grow and develop our relationships and explore innovative solutions and channels to deliver low-carbon energy.

As already discussed, we will continue to deliver operational excellence across our hydro fleet, including undertaking value-adding enhancements to our existing schemes, at the same time looking for opportunities to optimise our portfolio, and drive efficiency and improvement across the business.

However, we know these goals can't be achieved in isolation, and we are developing the critical enablers necessary to succeed: embedding a digital mindset; using data and automation to enhance decision making; creating an environment that brings out the best in our people; and workforce planning to ensure our internal capability aligns with our goals.

We have made significant progress on developing our pipeline of wind and solar options with over 30 opportunities at various stages of maturity being assessed at present.

Our existing assets, capability, and access to capital means we are well placed to take development concepts through to execution. We are also a smaller, more agile, and focussed business than some other players which makes us an attractive partner to both developers and end-use customers – which is being demonstrated by the regular enquiries we are receiving from potential partners.

As mentioned, our plan is to develop some projects ourselves and also look to set up commercially attractive partnership opportunities that can potentially provide faster development timelines and risk sharing for other projects. Our recent partnership announcement with Hawke's Bay Airport is an example of this flexible approach.

Other current prospects include two grid connected solar projects – an up to 120MW site near Thames and an up to 100MW site north of Auckland. We also have a consented grid scale solar project in Northland and are in discussions with a large C&I customer for a potential offtake. We are presently running a process for the procurement and installation of equipment to further advance these projects.

We are currently evaluating over 1GW of wind projects in New Zealand across more than five sites. We hope to be able to provide more information on these at our half year results update in November.

Manawa Energy has a unique capability to deliver on renewables development.

As an organisation, we pioneered wind development in New Zealand, including the Tararua and Mahinerangi projects in New Zealand before we moved into Australian wind development with Snowtown 1 & 2.

We have retained much of that capability and experience in-house and where necessary have supplemented this by bringing on board new highly experienced external capability. Our new leadership team brings significant relevant experience to support the delivery of our strategic aspirations including deep sector knowledge and experience on regulatory issues and government relations, commercial insight, acquisitions and development capability across a number of high-profile energy sector transactions, technology and innovation and operational excellence.

In Infratil, we have an aligned and supportive major shareholder with a focus on investing in renewable energy through a highly diversified operating and development portfolio, across technologies and geographies.

We have significant and flexible funding ability and having completed the sale of the mass market retail business, now have a clearer focus than ever on investing in new renewable developments.

And importantly, as I mentioned earlier, we have the assurance of a diverse portfolio of existing flexible and geographically dispersed generation which means, unlike those investing solely in the intermittent supply of wind and solar, we can deliver firmed renewable generation solutions to our customers.

Alongside our strong focus on growth, we continue to prioritise our broader corporate responsibilities. It is a privilege to be part of communities and utilise water to generate renewable electricity in the many schemes we operate around the country – and we always seek to honour our obligations in the way we operate our schemes and engage with local communities.

We seek to build on our relationships with iwi around the country. We have been consulting with Ngāti Hangarau for many years, and in our transition to our new identity, we are building on that relationship based on our shared heritage and our mutual desire for Manawa Energy to develop greater cultural awareness and capability.

We already have strong existing community and regulatory relationships through our existing portfolio where we continue to focus on social, environmental, and cultural outcomes. We all have a clear desire to see our natural environments flourish and local communities prosper. As an example of this, each year we provide around \$250,000 of funding to environment funds or trusts, educational scholarships, and community group sponsorships.

Our power schemes operate within a significant number of resource consent conditions that govern operation, monitoring, and maintenance to demonstrate we are operating in an environmentally sustainable and legally compliant way. Last year, we recorded a 99% compliance rate across approximately 3,500 consent conditions, with all non-compliance incidents classified as low impact based on a ranking system that considers the environmental, reputational, and legal effects.

Climate change is of course something that affects us all in more and more challenging ways. At Manawa, we take our role seriously with respect to minimising our carbon footprint and will continue to develop and expand our reporting on climate related financial disclosures.

However, ultimately, we know that it's our people who are our greatest strength, and we're investing time and resource into ensuring that they are set up to succeed, with a strong alignment to our strategy and the development of a culture founded on operational excellence.

Finally, I just wanted to provide an update on how this year is tracking in terms of financial performance. The first two months of this year were incredibly dry and saw low wind volumes and this combined with high wholesale prices, has led to some very challenging conditions. Further downward pressure on financial performance is coming from the pace and scale of our new development costs. While we had envisaged a certain amount of activity and associated costs around our new generation development activity, this is greater than we anticipated and while this is creating further short-term downward pressure on earnings for FY-23, this is very positive in the long term.

This being said, it is early days in terms of the financial year, and we are certainly well placed with regards to lake storage with well above-average volumes and continued strong forward prices providing a more positive outlook for the remainder of the year.

So, to end, there's no doubt that it's an exciting time for Manawa Energy. With the transition of the past year behind us, we are now poised to realise the opportunities that an increased demand for renewable generation will create. As hopefully we have demonstrated, we enjoy a challenge, and we're confident in charting new territory. As we now look to the year ahead, I feel confident that we will continue to deliver for our people, our communities and for our shareholders.

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