Arotahi ki ngā tukuhanga

Focused on delivery

Z ENERGY ANNUAL REPORT
For the year ended 31 March 2021

Our strategy is:

To solve what matters for a moving world by optimising our core business so we can transition to a low carbon future.

We are tightly focused on:

- **Reducing costs**
- **Holding market share**
- **Monetising scale**
- **Managing capital**

Te pūrongo a te Hēmana me Te Taiurungi: Arotahi ki ngā tukuhanga

Chair and CEO report: Focused on delivery

Covid-19 delivered a momentous challenge to New Zealand, and to Z. It's had a real impact on our business, but, in the face of this challenge, we have built a stronger, leaner, more resilient business.

Through Covid-19 Z has focused squarely on two things: the safety and wellbeing of our people, customers and communities; and delivering against the commitments we have made to shareholders.

It has been a year of markedly different halves: the first half was a period of concerted crisis management, recapitalising our balance sheet and establishing a new way of working through lockdown conditions. The second half has focused on cutting costs, optimising the core business and setting the company up to benefit financially from structural industry changes.

We expect to increase earnings in FY22 as we continue to reduce structural costs, hold our market share, optimise the use of our terminals to improve returns and deliver new customer offers.

Resumed dividends

Z has returned to paying dividends 6 months ahead of schedule

FY21

At the end of this year Z's staff engagement is at an all-time high, and we are proud to be just below the top 10 percent of organisations globally, as measured by our engagement service provider, Peakon. Through this very challenging year we have collectively improved our resilience, strengthened our culture and our business and we have delivered for our customers.

We have delivered Replacement Cost Earnings Before Interest, Taxation, Depreciation, Amortisation and Fair value movements of $238 million, (guidance of $235–$245 million), as rising oil prices and retail discounting affected margins in the second half of the year.

Commercial fuel volumes (primarily marine and jet fuel) are still affected by continued Covid-19 disruptions and with repeated short regional lockdowns impacting Retail volumes. Additionally, trading conditions in the final quarter of FY21 were challenging: intense retail competition has continued and crude oil prices have increased substantially, further compressing margins.

Assuming no further Covid-19 lockdowns, we expect to increase earnings in FY22 as we continue to reduce structural costs, hold our market share, optimise the use of our terminals to improve returns and deliver new customer offers. At the same time we will manage capital carefully.

With this financial result we have resumed dividend payments six months earlier than forecast. We will continue to focus on paying down debt and will further strengthen Z's balance sheet.

We have continued to build our customer-focused strategy. Through enhancing our customer experience (CX) and digital capabilities we have increased revenue by introducing innovative, digital-enabled offers for our customers and improving the customer experience. Over FY21 we have built a lower-cost business that is more flexible and future-focused.

In terms of improving current performance, Z remains tightly focused on four areas of continued improvement:

- **Reducing costs**
- **Holding market share**
- **Monetising scale**
- **Managing capital**

Reducing costs

Over the year we made strategic and structural changes to our operating expenditure base without compromising the integrity of our operations, our capabilities or our strategy.

We reduced structural, annually recurring costs by $49 million, and one-off costs of $14 million as a result of Covid-19 — for example, through suspended marketing and reduced fuel delivery costs.

In FY22 we will deliver a further $21 million in structural, ongoing cost reductions, building on reductions from FY21. Z will continue to focus on cost reduction opportunities as we optimise our core business and leverage our scale to ensure a competitive, resilient business that will sustain returns to shareholders.

⦿ Holding market share

With a leaner, focused operation, Z backs itself to deliver convenience, dynamic customer offers and competitive pricing across the country. We will preserve and build on the economies of our scale and compete vigorously in our core markets.

Over the year Z has competed for volume in all markets and has flattened the decline in its fuel market share. Z has a strong customer proposition: competitive pricing, a superior network of commercial and retail refuelling stations, an increasingly dynamic set of digitally enabled customer offers, a refreshed loyalty programme, and the clear commitment to be a part of the climate change solution.

⦿ Monetising scale

Z's supply chain objective is to be appropriately rewarded for its scale and resulting efficiency.

A number of significant changes occurring in New Zealand's fuel industry may provide opportunities for Z to realise more value.

In August 2020, Parliament passed the Fuel Industry Act which requires bulk fuel terminal operators to offer a 'terminal gate price' for bulk fuel supply to competitors. Z has already successfully piloted this approach by taking its Nelson terminal out of an industry arrangement and offering fuel to any industry participant, including customers, distributors and competitors.

In March, Z also gave notice of its intention to exit industry arrangements at the Port of Tauranga.

Z has the largest network of fuel storage assets in the country and will introduce terminal gate pricing across the country over the next year. Z expects the efficiency and scale of its national fuel terminal network to begin to deliver fair commercial returns from assets which have historically underperformed because of long-standing industry arrangements.

These industry arrangements have discouraged investment and encouraged companies to rely on the assets of others. Z will drive a more independent, commercial approach to its fuel terminal management that better serves New Zealand's economic interests.

⦿ Managing capital

We have a strong balance sheet following a well-supported $347 million equity capital raise announced in May/June 2020. We thank our investors for their strong support.

Z used the equity raise proceeds to pay down bank debt. Z is committed to paying down $150 million of debt in November of this year, which will see debt reduced by $330 million over an 18-month period.

In response to the uncertainty of Covid-19, Z cut its final dividend for FY20 and, as a part of the financing agreement with our banking partners and debt providers, agreed to pause dividend payments to shareholders until after 1H22. We are acutely aware of the effect that this had for our equity investors and that is why Z renegotiated the early release from these provisions and is able to declare a dividend of 14 cents per share to shareholders in respect of our FY21 earnings.

From FY22, through the operational and structural initiatives already underway, Z is committed to supporting sustainable and reliable dividends to shareholders.

Z's changing context

The liquid fuels industry is going through a period of significant structural change. Through our previous investments in our assets, network and capabilities Z is well-positioned to lead these changes.

In February 2021, as part of ensuring Z has the right people in the right roles to respond to a rapidly changing context, the company announced changes to its Executive team.

Julian Hughes has moved from the General Manager, Strategy and Risk to a new role as General Manager, Transition. In this role Julian will be accountable for ensuring Z is well-positioned in a changing industry, for example through developing a reliable biofuels supply chain and supporting the transition to an import-only supply chain.

Nicolas Williams has moved from the position of General Manager, Commercial, to the position of General Manager, Strategy and Risk, reflecting a focus on longer-term business strategy. Nicola Law has moved into the position of General Manager, Commercial.

These changes took effect on 1 April 2021.

In addition to the above changes, on 1 February 2021, Z appointed Figen Ulgen as Chief Customer Officer, following the departure of Jane Anthony in December 2020 after 11 years in senior management roles.

Exiting the crude oil supply chain

Over FY21, Z has supported the strategic review of Refining NZ's operations. This review has made it clear that Refining NZ's future is as a fuel import terminal rather than a sub-scale refiner of crude oil.

Z supports Refining NZ in quickly delivering this outcome on a commercial basis.

Shifting to a fuel import terminal will remove Z's exposure to refining margins and reduce the volatility of earnings and operating expenses. It will enable Z to choose the fuels it wants to supply and enable fuels to be priced on a commercial basis.

We are facing the future with confidence in our ability to deliver.

While work needs to be completed and agreements reached, moving to a fuel import terminal will generate a one-off working capital release of approximately $150 million. It may also improve the resilience and security of fuel supply and ensure a fair, competitive playing field across all market participants.

Discipline in operations

We will continue to be disciplined in choosing where we want to compete, and we will exit operations that do not generate sufficient returns or provide too much risk.

Over the last year Z ended its charter of the marine fuel oil barge *Awanuia* in Auckland Harbour. The business generated inadequate return and detracted from the focus on running the core business safely and profitably.

Over the period Z also moved to a bitumen import-only model, although this was imposed on Z via operational choices made by Refining NZ.

Over the next 12 months we will closely examine non-core parts of Z operation and look to exit or change the way we operate them where required.

Continuing to lead on climate change

Over FY21, climate change has emerged as a highly material issue for Z's stakeholders. We're not surprised. The Government has declared a climate emergency, the effects of a warming climate continue to be felt and, at the time of publication, there is ongoing private legal action taken by an individual against Z and a number of other companies around the impacts of climate change.

The Climate Change Commission has published and consulted on New Zealand's first draft pathway to meeting the country's 2030 and 2050 climate change commitments. We welcomed this work and note that the core scenario in the proposed pathway is closely aligned with Z's own scenario modelling.

In late January, the Government announced a biofuels sale mandate. When implemented, this is expected to create mass demand for low emissions fuels for use in existing internal combustion engine vehicles. Biofuel mandates are common globally and Z has been advocating strongly for a mandate policy across the industry.

Subject to favourable conditions, Z expects to be well-positioned to realise value from its currently hibernated Te Kora Hou biodiesel plant in Wiri, Auckland. Through this plant we may be able to lead the domestic manufacture of sustainable biodiesel as well as import and distribute a range of biofuel products.

In March, we launched Z Electric, enabling our customers to buy their electricity from Z and be rewarded for doing so. This is another way we are moving towards providing the clean, low carbon energy that will increasingly power our economy as well as accessing alternative revenue streams.

Z continues to strive to find the right balance between strengthening our business, paying down debt, returning cash to shareholders and helping to lead the way towards a low carbon future.

Conclusion

We thank our investors, customers and our own people for their commitment and support over FY21.

Our actions over the past three years have ensured we are well-positioned to manage through any future Covid-19-like events. We will continue to build resilience in our business and remain focused on creating value for shareholders and customers through ensuring our core business is optimised to respond to structural changes in our industry and the global economy.

FY21 has been a hugely challenging year for everyone and the recovery is just starting. There will be challenging times ahead. But we have made change where change was required and we face the future with confidence in our ability to deliver.

Thanks again for your support.

Abby and Mike

Te ara tuku pūrongo

How we report

Z Energy chooses to report against the issues most material to our stakeholders: our customers, our investors, our own people and the communities we serve.

We choose to weight our reporting towards the future — how we create value, the business model we pursue, how we approach strategy and how we think about Z's role in a rapidly evolving energy future.

We believe the best framework to reflect these reporting priorities lies in Integrated Reporting <IR>. The <IR> framework requires a high level of transparency and commitment to robust disclosure around how we manage risk, approach strategy and report against our environmental, social and governance (ESG) commitments.

This framework requires a high level of interaction with multiple stakeholders in order to accurately determine the issues most material to them.

Supporting our use of the <IR> reporting framework, we also choose to use the Global Reporting Initiative (GRI) Standards: Core option and the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The Financial Stability Board is an independent international organisation that makes recommendations to protect global financial security. Z's commitment to TCFD reporting requires us to progressively disclose our climate-related risks, how they are reflected in strategy and how we seek to manage them.

This is Z's second year of TCFD reporting. With the publication of Z's FY23 report, we will be compliant with all of the Financial Stability Board's recommended disclosures.

The commitment to transparent reporting against Z's ESG commitments is tightly linked to our strategy. This is our fifth year of integrated reporting and our investors, customers and stakeholders increasingly want to clearly understand what Z stands for, how our strategy will continue to be implemented and how we will support the transition to a low carbon future.

While these frameworks mean there is more detail to report against, we are mindful of the need for this report to be clear and concise and to be tightly focused on the material issues that matter most.

This is Z's report on the year to the end of March 2021. It is also our report on how we intend to deliver value well into the future — for our customers, investors, communities and planet.

This document constitutes Z Energy Limited's 2021 Annual Report to Shareholders. It exceeds the requirements of the NZX Corporate Governance Code and Environmental, Social and Governance Guidance Note.

Rārangi ūpoko

Contents

Ngā raraunga

Our numbers

FY21
Annual results
FY20 comparison

3,086 million litres
Total fuel volume (retail and commercial)
FY20: 3,968 million litres
Please note an adjustment to the fuel volume in our FY20 report — the FY20 volume was reported as 3,837 million litres.

2,121
Z's direct employees, contractors and Retail network members
FY20: 2,451

$57m
Historic net profit after tax
FY20: -$88m

51.5 million transactions
Total transactions on Z-branded retail sites
FY20: 56.6m

99%
Safety and Wellbeing action complete rate
FY20: 100%

$3m
Replacement cost net profit after tax
FY20: $44m

1c
Replacement cost net profit after tax per share
FY20: 11c

+53
Employee net promoter score
FY20: +36

$238m
Replacement cost EBITDAF
FY20: $366m

0.1cpl
Replacement cost net profit after tax per litre
FY20: 1.1cpl

+25
Business net promoter score
FY20: +9

14c
Total dividend per share
FY20: 16.5c

-18.4%
Total shareholder return
FY20: -49.71%

+33
Retail net promoter score
FY20: +38

$42m
Net capital expenditure
FY20: $71m
Please note an adjustment to the capital expenditure reported in our FY20 report — we reported total capital expenditure of $102m, rather than net capital expenditure.

9.4 million tonnes
Total carbon footprint — carbon dioxide equivalent (tCO2e)
FY20: 11.6m tonnes
Please refer to our notes about a restatement of our annual greenhouse gas emissions on page 30

37,500 tonnes CO2-e
Carbon emissions offset
FY20: 40,000 tonnes CO2-e

Tō tātou anga pakihi me te rautaki

Our business model and strategy

While traditional annual reports focus largely on the past, Integrated Reporting <IR> is focused more on the future, including strategy and the way in which companies create value.

At a high level, Z's strategy can be articulated like this:

Our strategy is to solve what matters for a moving world by optimising our core business so we can transition to a low carbon future.

Our strategic priorities are to always be safe and reliable, deliver awesome customer experiences, generate heaps of free cash flow, and grow our non-fossil fuels income.

In service of this strategy, we focus on six inputs and performance outcomes which will be expanded upon throughout this report — we call these our capitals:

1 Our assets

Z is the largest transport energy company in New Zealand, running an unparalleled network of commercial refuelling stations, retail service stations and bulk fuel storage terminals across the country.

These nationwide assets give Z the economy of scale across its operations and provide a highly convenient and competitive offer for customers across the country. Monetising the scale of our assets provides the foundations for strong shareholder returns.

2 Our finances

Delivering on our commitments to our investors, our communities and our planet requires Z to be profitable.

Z has taken a number of steps over the last year that recapitalised its balance sheet, cut costs and set the company up to benefit financially from structural industry changes.

Z's financial recovery from the impacts of Covid-19 has been, while not yet complete, more rapid than initially expected and we have declared an early resumption of dividend payments at the end of FY21.

3 Our capabilities

Z has invested heavily in its capability to delight our customers through digitisation and innovation, as well as through effective management and change of our supply chain and assets.

Z's substantive investment in building new customer experience and digital capabilities is now complete. These capabilities are spread across all areas of the company. While we will continue to nurture and build these capabilities, the initial transformational investments have established foundations and enabled new marketing and product offers to be introduced over the last year that are unique in the market. These capabilities have also ensured our service is efficient and our operations are always safe.

Our supply chain management capabilities have been a particular asset as we have started the process of potentially exiting the crude oil supply chain and introducing terminal gate pricing — both of which can deliver operational efficiency and reduce costs.

4 Our people and culture

Z has always believed in the power of a strong, unified culture guided by clear values in building a resilient, high-performing business. Covid-19 was an unprecedented challenge to our ways of working and our wellbeing.

In making this rapid transition we benefited from previous investment in our technology and IT systems. The way we led our people and communicated across our company during a period of crisis has resulted in world-class internal engagement scores.

Z's business is built around genuine diversity across every area of our team. Z actively encourages all our people to bring their true selves to work and we seek to benefit from the different perspectives, thinking and backgrounds that an increasingly diverse team bring to Z every day.

5 Our environment

Over the last year the issue of climate change has clearly emerged as one of the most material issues for our customers, our stakeholders, our investors and our staff.

Z remains committed to operating in what we call 'the world of both' — optimising our core business and running it efficiently to deliver increasing value to customers and investors while continuing to explore the options to lead and support the transition to a low carbon economy.

This involves new products and offers, advocating for policy change and delivering new clean energy services to combat climate change — for example Z Electric.

6 Our place in New Zealand

Z's place in New Zealand has perhaps never been in such clear focus as it was over FY21 when the essential services Z provides were vital in the response to Covid-19.

Z's purpose is 'solving what matters for a moving world'. Over FY21 our world moved less, but what mattered to our customers, stakeholders and our economy was very clear.

We protected the safety and wellbeing of our customers, communities and economy through a period of crisis. We ran our supply chain safely and reliably and provided essential services for local communities in various stages of Covid-19 lockdown.

Our strategy is to solve what matters for a moving world by optimising our core business so we can transition to a low carbon future.

Z prioritises the following inputs and outcomes — these are referred to as Z's six 'capitals' under the Integrated Reporting framework:

Ngā tomonga
Our inputs

Our assets
Our finances
Our capabilities
Our people and culture
Our environment
Our place in New Zealand

Te pūtake
Our purpose

Te whiriwhiri he aha ngā āhuatanga matua ki te ao nekeneke

Solving what matters for a moving world

Ngā putanga
Our outcomes

Our assets
Our finances
Our capabilities
Our people and culture
Our environment
Our place in New Zealand

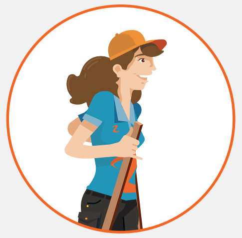
Ō tātou uara

Our values

Z has always placed a very high value on a strong, values-based culture to guide the way we behave, work together and the decisions we make.

Having clearly defined values that all people sign up to as a part of being at Z can provide direction and clarity during uncertain times. Our values have never been more important than over the last year.

Z's values are the foundations of our company. While we only have three values, and they are remarkably simple, they have helped us build a highly engaged, committed company during the most challenging year in our history.



Tū kaha | Stand out

We believe we can build a better business and a better world

We are distinctive where it really matters. We challenge the status quo by being bold, innovative and passionate. We work relentlessly to be a force for good for our communities, our economy and our planet.

Tū māia | Speak up

We believe extraordinary outcomes are fuelled by active participation and dialogue

We speak up with courage around what's important to us and encourage others to do the same. In doing so, we will create new possibilities together.

Tū kotahi | Side by side

We believe learning and growing together delivers unlimited potential

We're better together — holding each other up as well as challenging ourselves to grow and develop. Side by side we build trusted partnerships with our people, our customers and our communities.

Kia puta he hua ki ngā kaiwhakangao

How we create value for shareholders

One of the reasons why we choose to embrace Integrated Reporting is that it is future focused and requires us to demonstrate how we create value.

Z's strategy on how we create value over the long term was set by Z two years ago, but its focus and the commitments within it are unchanged. In fact, the essence of this strategy is more relevant than ever now, post Covid-19 impacts and disruptions.

Z is focused on delivering strong, reliable returns for shareholders.

We will create value for shareholders by focusing on our core business and operating a safe, reliable fuels business.

We will ensure we generate fair commercial returns for our scale, network strength and the essential infrastructure we own and operate.

We will manage our capital and balance sheet with discipline at the same time as we deliver returns to shareholders, generate options for our future, and ensure we are advantaged under a range of future scenarios.

Z has a strong, long-term future ahead of it. Shareholders should expect Z to...

Optimise our market-leading position

- Z's unrivalled supply chain infrastructure provides competitive advantage through scale and reach
- Z is one of New Zealand's most recognised and trusted brands capable of extending to adjacent markets
- Z's scale provides options that allow us to adapt and innovate in a market that will be slowly disrupted by long-term trends

Pursue a differentiated strategy that generates long-term customer loyalty

- Focus on Z's capabilities in customer experience, productivity, innovation, digitisation and brand
- Deliver distinctive customer experiences that drive loyalty
- Reduce time to market and lower investment risk through human-centred design, innovation and experimentation

Allocate capital with discipline to maximise shareholder value

- Manage cash flows and capital to deliver a sustainable dividend in line with earnings growth
- Limit capital employed in our core business to $2 billion by selling the least productive assets to fund growth
- Maintain a strong balance sheet with the capacity to leverage debt to fund non-organic investments

Remain a people- and values-based company

- Committed to our purpose 'to solve what matters for a moving world' and our ambition to be 'a world-class Kiwi company'
- Maintain high levels of employee engagement and customer satisfaction
- Develop organisational capabilities and individual talent for an uncertain future

Do good in Aotearoa New Zealand by recognising our heritage and being committed to future generations

- Contribute to a sustainable future at a scale that few other companies can by supporting the transition to a lower carbon future
- Provide thought leadership where we have a track record, especially in areas like Safety and Wellbeing, Diversity and Inclusion, and Customer Experience
- Actively support the communities in which we operate on what matters to them.

Arotahi ki ngā take matua

Focusing on the issues that matter

The things that really matter to Kiwi have shifted abruptly over FY21. In reading the graph on the next page, it should be noted that, in such a rapidly shifting context, what was material in FY21 may again move quickly in the coming year. Regardless, this report directly addresses the most material of stakeholders' issues.

Over the last year Kiwi have responded with concern to the unprecedented Covid-19 pandemic, approximately $50 billion in support and stimulus has been injected into the New Zealand economy, and our borders have been effectively closed for a full year.

Concern for the safety and wellbeing of each other and our communities has never been so important for so many people. While Covid-19 continues to rage around the world, concern for safety and wellbeing has clearly been the most material issue for our stakeholders. This is linked closely with the resilience of our organisation.

Climate change is increasingly important for people. Over FY21, the Government declared a Climate Emergency and announced significant policy changes to mandate biofuels across the transport fuel industry. The Climate Change Commission published its first draft carbon budget, highlighting the change that needs to be made across the economy if New Zealand is to meet its climate change commitments.

The New Zealand transport fuel industry is now undergoing a phase of rapid transformation, and legislation has been passed introducing terminal gate pricing from bulk fuel storage terminals; work is underway to potentially exit crude oil refining in New Zealand and transform Refining NZ into a fuel import terminal. With the scale of this change comes some stakeholder uncertainty around security of fuel supply under a new operating model.

At the same time, Z continues to implement a strategy to ensure it is optimising the operation of its fuel terminals and monetising their scale, including by progressively operating them independently outside of long-standing industry agreements.

In response to Covid-19, Z elected to raise more capital to strengthen its balance sheet during an uncertain time. As a result of securing the necessary debt waivers to recapitalise, Z had to temporarily suspend dividend payments until after 1H22. Due to Z's better-than-expected recovery from Covid-19, we have been able to renegotiate these debt waivers and are able to pay a dividend of 14 cents per share to shareholders for FY21. Over the period, Z has strengthened its business, cut costs, and optimised the operation of its core business. At the same time, Z has also continued to lead political and business advocacy around New Zealand's climate change strategy and how to decarbonise the economy.

Integrated Reporting requires us to clearly understand the most material matters for our stakeholders and to then address them in this report. To ensure we do understand these matters, Z engages consistently and frequently with a wide range of stakeholders. We ask them to tell us what matters, and we deliberately capture this feedback in the following materiality table.

Z can break its stakeholder universe down into the following five broad groups, although the most material issues are becoming increasingly connected and shared across multiple stakeholders:

Our customers and communities

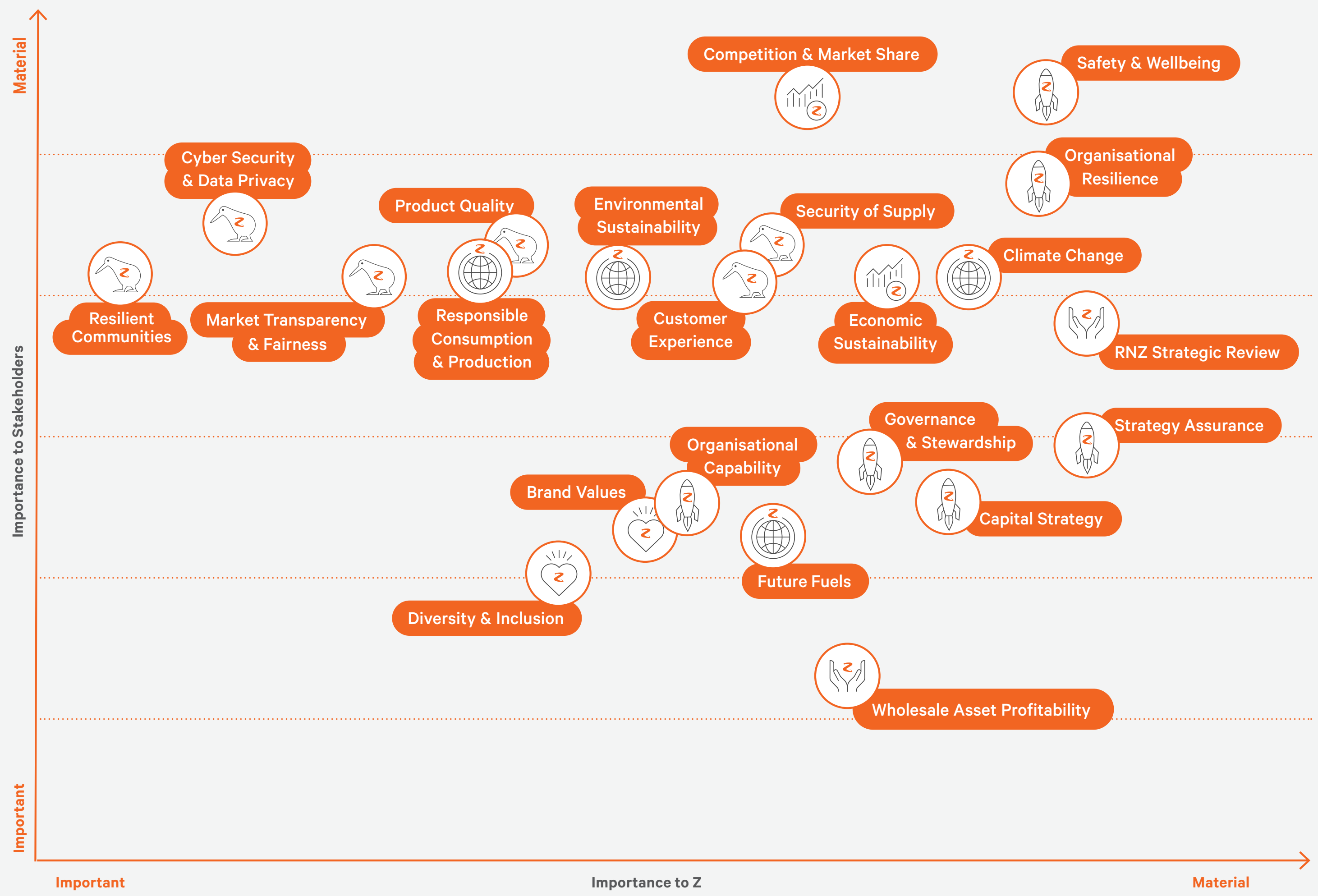
Communities became increasingly important over FY21 as, for relatively long periods of time, people were unable to leave them.

The role of Z's retail network in particular became much more important for neighbourhoods and communities as a safe, convenient way to buy food and household supplies without having to confront a socially distanced supermarket.

Over the period of the national lockdown Z provided $337,000 in free fuel to our partners at St John Ambulance and $44,000 in free fuel to Wellington Free Ambulance to support their frontline work in protecting community safety and wellbeing. We also provided

Our material topics

Summary of material topics discussed in stakeholder engagement, grouped by value outcome areas



Key

Our assets | Our finances | Our capabilities | Our people and culture | Our environment | Our place in New Zealand

free fuel via Sharetank, to the Student Volunteer Army Grocery Service to help them deliver essential supplies to the doors of the elderly, vulnerable or those living alone.

We learned a lot through the Covid-19 lockdowns around the changing needs of our customers — particularly their need for speed. Harnessing our previous investments in digital technology and customer experience (CX) capabilities, we've been actively developing new customer offers that bring the two together, for example our 'Pay by Plate' technology (see page 24).

Z is proud of the way we operated as an essential community service, safely and reliably serving our customers and communities, over the most challenging periods of 2020.

Investors

Z is grateful for the support from its investors during FY21 and continues to engage closely with investors on the company's strategy, short-term business focus and performance.

As a result of the inherent uncertainty Covid-19 represented for our business and the economy, Z adopted a precautionary approach and strengthened its balance sheet over FY21, raising an additional $347 million from existing and new investors.

A condition of raising this additional capital was that Z was not able to pay dividends until its 1H22 result. Z successfully renegotiated with our banks and debt providers in order to pay a full year dividend of 14 cents per share for FY21.

FY21 was an extraordinary year, yet Z still managed to declare a dividend to shareholders. We are acutely aware that a resilient balance sheet and capital strategy that supports the company through any market disruption to come, while providing reliable and sustainable dividends, is a keen area of focus for our investors. We remain committed to generating sustainable, reliable returns to our shareholders and ensuring a strong, flexible balance sheet to face both the challenges and opportunities of the next decade.

In this year's half year result in November 2020, Z clearly outlined its four areas of focus to improve the business to investors. At that results announcement, Z committed to the following four outcomes which also form the theme of this report:

- **Reducing costs**
- **Holding market share**
- **Monetising scale**
- **Managing capital**

No one part of the New Zealand community or economy was spared the uncertainty of Covid-19 over the last year, including our investors. In response to the uncertainty, Z overhauled its market reporting, disclosing weekly fuel volume sales data, for which the company was applauded by investors and stakeholders.

Over the year we've taken a number of important steps to cut costs, free up working capital, streamline our operations and focus on efficiency with the goal of rapidly resuming a solid, reliable dividend flow to our investors and rewarding them for their support.

While clearly focused on profitability, capital management and dividends, Z's investors are also increasingly focused on climate change and where they choose to invest. For example, Blackrock, the world's largest investment fund with US$8.7 trillion in assets under management at the end of December 2020, is asking three things from the companies it invests in for 2021: https://www.blackrock.com/corporate/literature/publication/our-2021-stewardship-expectations.pdf

- Board and Workforce Diversity with local market best practice
- An understanding of key stakeholders and their interests
- Plans to align their businesses with the global goal of net zero GHG emissions by 2050.

This approach is increasingly representative across institutional investors and in this context Z's approach to sustainability and ESG is now highly strategic to our company and our future.

This is Z's fifth year of integrated reporting and we remain committed to best-practice ESG-related reporting as the most effective way of demonstrating how we think about climate change, how it might impact our business, what we are committed to and the progress we are making towards a lower emissions economy.

Central Government

Z has engaged comprehensively with Government over FY21 on multiple issues, but primarily in supporting its response to Covid-19. As the supplier of almost half of New Zealand's transport fuels and the operator of strategic energy infrastructure, Z was immediately designated as an essential service.

Security of fuel supply — particularly to emergency services — has been important in managing a pandemic and then in beginning a lengthy economic rebuild with a focus on infrastructure investment.

Z engaged formally with Government working groups to contribute to ensuring a smooth and uninterrupted liquid fuel supply chain — from fuel imports to supplying emergency services and commercial and retail customers — to support the New Zealand economy and protect the wellbeing of people.

Z also engaged with Government around areas of policy focus, particularly the need for policy support to enable liquid biofuels to be widely used in New Zealand and around the shape of the Emissions Trading Scheme. Z produced a Briefing to the Incoming Energy Minister in December 2020 outlining its business operations, its policy priorities and climate-related commitments and published it for all stakeholders to read at: https://z.co.nz/about-z/news/general-news/briefing-to-the-incoming-minister-of-energy-and-resources/

Z has also responded to the Climate Change Commission's first draft carbon budget for New Zealand and our submission to the consultation can be viewed at: https://z.co.nz/about-z/news/general-news/z-energys-submission-to-the-climate-change-commission/

As the owner of the largest bulk fuel storage network in New Zealand, Z also engaged with Government and the Ministry of Business, Innovation and Employment (MBIE) in support of the passing of the Fuel Industry Act, which introduces terminal gate pricing from bulk fuel storage terminals and supports more wholesale fuel supply competition. We have kept MBIE and Ministers up to date with our leadership in rapidly implementing the recommendations from the Commerce Commission's 2019 Market Study well before we were required to do so.

As the fuel industry embarks on a new phase of transformation, particularly around the potential exit of importing and refining crude oil, Z continues to engage with government stakeholders about these changes and their possible implications for New Zealand.

As evidenced in our Briefing to the Incoming Minister, Z has also continued to engage regularly with Government in support of its climate change and emissions reduction objectives, including providing research papers on sustainable aviation fuel and hydrogen at: https://z.co.nz/assets/Uploads/Submission-to-ICCC-on-Reducing-GHG-Emissions-through-Sustainable-Aviation-Fuel-SAF2.pdf and https://z.co.nz/assets/Uploads/Z-House-View-Hydrogen2.pdf

We've taken a number of important steps to cut costs, free up working capital, streamline our operations and focus on efficiency.

The business sector

Z — indirectly — continues to play a leadership role in representing and advocating for the growing number of New Zealand businesses concerned with climate change and committed to taking action.

Z Chief Executive Mike Bennetts is the founding Convenor of the New Zealand Climate Leaders Coalition. Comprising more than 100 of New Zealand's leading businesses, in 2019 the signatories committed to the following statement:

> *As signatories to the Climate Leaders Coalition, we are acting on climate change now, to create a future that is low-emissions, positive for our businesses and the economy, and inclusive for all New Zealanders.*
>
> *We are committed to the Paris Agreement target to keep warming below 2 degrees and to further pursue efforts to limit the temperature increase to 1.5 degrees.*
>
> *By being a signatory to the Coalition, our organisations are actively:*
>
> - *Measuring our greenhouse gas footprint, having the data independently verified by a third party and making the information publicly available;*
> - *Adopting targets grounded in science that will deliver substantial emissions reductions so our organisations contribute to New Zealand being carbon neutral by 2050. These targets will be considered in current planning cycles;*
> - *Assessing our climate change risks and publicly disclosing them;*
> - *Proactively supporting our people to reduce their emissions; and*
> - *Proactively supporting our suppliers to reduce their emissions.*

Through its Chief Executive, Z is helping lead a national conversation around the role of businesses in decarbonising and supporting New Zealand reaching its 2030 Paris Accord emissions reduction targets.

This role requires active advocacy at Government level, a strong presence discussing climate-related issues through the media and a direct role in supporting the aspirations and commitments of Kiwi businesses.

During the Covid-19 lockdown in FY21, Z also supported its small business customers with extended payment terms and credit options. Z published a range of materials to support small businesses accessing government support, shared our experience on technology options and published videos with our thoughts on protecting wellbeing and leading through a crisis at: https://z.co.nz/keeping-business-on-the-move/z-business-Covid-19-resources

The media

FY21 required leadership and effective communication from across the economy on a very wide range of issues across a wide range of stakeholders.

Just some of these issues include: the economic challenges of refining crude oil in New Zealand, the passing of legislation to change elements of the fuel industry, ensuring secure supplies of fuel and convenience products to customers under crisis conditions and continuing to advocate publicly for climate-related solutions.

Over the year, Z regularly fronted up to discuss these issues and a wide range of others with media.

Z values its relationships with media as a way of reaching the broadest possible range of stakeholders with the issues that matter to it. From the earliest days of the company being formed, Z's position has been to speak with media freely and honestly wherever it can — this position continues.

In an industry that has historically been insular and closed, discussing the issues that others are not prepared to can at times be a lonely position, but this approach reflects Z's values and its accountability to its customers and stakeholders.

The following section of this report steps sequentially through the Z supply chain discussing issues of highest stakeholder materiality.

Te whakahou i te rārangi tukutuku

Transforming our supply chain

The time for New Zealand to be importing crude oil from the other side of the world is over.

It no longer makes economic or environmental sense to operate a small, sub-scale refinery in the Far North of New Zealand. Z is now supporting Refining NZ to convert New Zealand's only refinery into a much simpler, more cost-effective and less emissions-intensive import and distribution terminal for refined fuels.

Exiting the crude oil supply chain and instead importing New Zealand's fuel as finished products will be a significant change to the way the New Zealand fuel industry operates. New Zealand has operated a small oil refinery near Whangārei for more than 55 years, but it no longer stacks up or best serves New Zealand's energy security, environmental or economic goals.

Refining NZ is unable to compete with larger, more efficient refineries around the Asia-Pacific region. Globally, there is a trend away from uneconomic crude oil refining operations in favour of ensuring the refined fuel supply chain is from the most efficient sources.

By way of example, over the last two years Z has had to subsidise operation of the refinery due to low gross refining margins around the Asia-Pacific region by way of $48 million of fee floor payments.

Not only has Z's exposure to crude oil refining recently cost the company and its shareholders but it has disadvantaged Z in the market against competitors who have simply imported their refined fuel requirements.

The economics of domestic refining are unlikely to improve.

Part of Z's commitment to reducing costs lies now in ensuring Refining NZ is converted into a fuel import terminal on commercial terms.

Part of Z's commitment to reducing costs lies in ensuring Refining NZ is converted into a fuel import terminal on commercial terms. Doing so will remove a major source of earnings volatility for Z and enable the company to deliver much more consistent and reliable earnings. It will level an uneven playing field and help deliver competitive prices and security of fuel supply for customers.

It will also simplify Z's supply chain, removing complexity and risk from Z's operations, while at the same time reducing the amount of capital employed in the business.

The refining process produces a range of fuels, even if some are not wanted or needed. Moving to an import terminal will allow Z to sell only the fuels its customers want, rather than having to export by-products of the refining process — for example, marine fuel oil — at a loss. Importing the country's jet fuel requirements rather than having to make them regardless of demand will also reduce costs and ensure the development of a fair, transparent and commercial domestic jet fuel market.

Exiting the crude oil refining process will enable Z to release approximately $150 million that is tied up in working capital — in crude oil on ships at sea or awaiting processing. It will also provide opportunities to reduce operating costs associated with delivery of fuel to New Zealand ports via coastal shipping.

The value to Z of moving rapidly to an import model are clear and compelling, but so too are the benefits to customers and the country.

It may seem counter-intuitive but moving to an import-only fuel supply will strengthen and deepen New Zealand's security of supply. This has understandably been a concern for stakeholders as change at Refining NZ has become inevitable.

Under an import model, Z will be in the international fuel markets much more frequently and at any time multiple vessels for different companies will be heading to different ports in New Zealand with a range of transport fuels. It will be simpler and more convenient to divert ships to different parts of the country and easier to dial up a new shipment at short notice if required.

New Zealand's fuel will likely come from our backyard in the Asia-Pacific region rather than crude oil from the Middle East which can take one month to reach New Zealand.

New Zealand will end up with a much more efficient, reliable and flexible fuel supply chain without the greater environmental risks of importing crude oil. There is the potential to remove unnecessary cost and associated carbon emissions from the industry through moving to an import terminal with relatively low energy requirements.

We want to be clear that none of this commentary is in any way a criticism of Refining NZ or its people, who are highly skilled and committed professionals. Refining NZ has invested steadily in its equipment and has run a very safe operation for many years. It has simply reached a point in time where it can no longer compete internationally.

Our finances

Reducing costs

Z supports the principle of converting Refining NZ to an import terminal cost-effectively and on a commercial basis, but with due care for its assets and respect for its people — a number of whom have served the company for many years.

As refining capacity in New Zealand has reduced by 25 percent over the last 12 months due to Covid-19 demand disruptions, there are a range of commercial negotiations that need to be completed between the Refinery and its customers. While Z will support Refining NZ in the work that needs to be done, it will also bring a strong commercial perspective to ensuring this period of change is managed as efficiently and effectively as possible on behalf of our customers and investors.

As both a shareholder and a customer of Refining NZ, Z supports the review process that Refining NZ has run to reach this point and will now push hard to ensure the changes that are so clearly needed are made safely and maximise value to customers and the country.

Te arotahi ki ngā mākete matua

Focusing on core markets

As part of Z's commitment to optimising its core business, non-core elements of our business will remain under review.

Z's core business is the management of its supply chain, the safe and efficient operation of its terminal, truck stop and retail service station assets, the delivery of fuel to commercial customers and fuel and convenience products to retail customers.

Over the period, Z exited one non-core part of its operation — the delivery of marine fuel oil to vessels in Auckland Harbour via a barge, the *Awanuia*.

The *Awanuia* has been a unique element of Z's business since the company was formed over a decade ago. However, due to changes at Refining NZ, the production of marine fuel oil has become a discretionary activity. Within the overall business the earnings contribution from the *Awanuia* was modest and it represented a level of operational risk that required intensive management.

The *Awanuia* and its crew has made an important contribution to maritime operations in New Zealand. Not only has it safely and conveniently refuelled cruise and cargo vessels for many years, but in 2011 it played a critical role in removing marine fuel oil from the grounded vessel, the *MV Rena*, off Tauranga, preventing a much bigger environmental catastrophe.

Over the last year Z moved to an import-only supply of bitumen. The capability we have built in supply chain management gives Z valuable choices in how to meet customers' bitumen demand.

Z now imports bitumen directly to supply to its commercial customers, rather than again selling a by-product of the refining process. These changes make a simpler, more focused supply chain with reduced earnings volatility and stronger commercial drivers. As New Zealand embarks on a significant programme of infrastructure investment as a part of the Covid-19 'Build Back Better' economic recovery plan, bitumen remains a very important product. We continue to actively support our customers with their bitumen needs — the only thing that is changing for customers is the source of manufacture.

Investors should expect Z to continue to review all non-core elements of its operations on an ongoing basis as part of its commitment to an optimised core business, a simplified supply chain, efficient use of capital and cost reductions.

Tauhokotia te tauranga tukutuku

Commercialising Z's terminal network

Z operates the largest network of the most strategically important fuel storage assets in New Zealand. We own and operate more than 50 percent of New Zealand's bulk fuel storage terminals, representing 191 million litres of storage, and have a fuel market share of approximately 40 percent.

The safe, reliable operation of these bulk fuel storage terminals is critically important to the operation of the New Zealand economy.

Despite the contribution of these core assets to the national economy, these fuel terminals have never generated a fair, appropriate commercial return for the capital that is committed to them. As we focus on optimising our core business and monetising our scale, that is now changing.

Last year, the Government passed the Fuel Industry Act, with strong support from Z. The legislation flowed from the Commerce Commission market study of the New Zealand fuels sector which found there were opportunities for greater competition through companies making fuel available from bulk fuel terminals at a commercial wholesale price to others in the industry.

Z has historically responded favourably to requests from competitors for access to bulk fuel on commercial terms, as this approach starts to ensure our terminal assets generate commercial returns.

Historically the sharing of terminal assets has rewarded those who do not invest in terminals and led to inadequate returns from those who do.

The Fuel Industry Act provides the impetus for Z to begin to unwind these historic industry arrangements to ensure our assets are fairly remunerated.

Z is well-prepared for this change. We have taken the management of our terminals out of industry joint ventures and run them ourselves. In 2020, ahead of regulatory changes, we exited industry arrangements with our Nelson fuel terminal, which now sells fuel to any industry participants — distributors, commercial customers and competitors — on a commercial basis.

This has been an effective pilot which gives us confidence for how we might progressively change the operation of other terminals. In March 2021, after careful consideration, Z confirmed it will take its tanks out of industry arrangements at the Port of Tauranga and operate them independently on a commercial basis.

As New Zealand moves to a fuel import-only model, these fuel terminal assets are more important than ever to our country and to Z.

As New Zealand moves to a fuel import-only model, these fuel terminal assets are more important than ever to our country and to Z.

Our assets

- Monetising scale

He tirohanga matua ki te rārangi tukutuku

A snapshot of our supply chain

While New Zealand's transport fuel supply chain looks set to change significantly over the next two years, this is how our supply chain operated over a Covid-19-disrupted FY21.

Fuel volumes from the previous year — FY20 — are provided to demonstrate the impact of Covid-19 on Z over FY21.

9.5 million barrels

Imported 9.5 million barrels of crude oil into Refining NZ, producing 1,566 million litres of finished petrol, diesel, aviation fuel and marine fuel oil

FY21

1,694 million litres

Provided 1,694 million litres of fuel to Commercial customers

FY21

10 million barrels

Imported 10 million barrels of refined oil, including bitumen

FY21

191.3 million litres

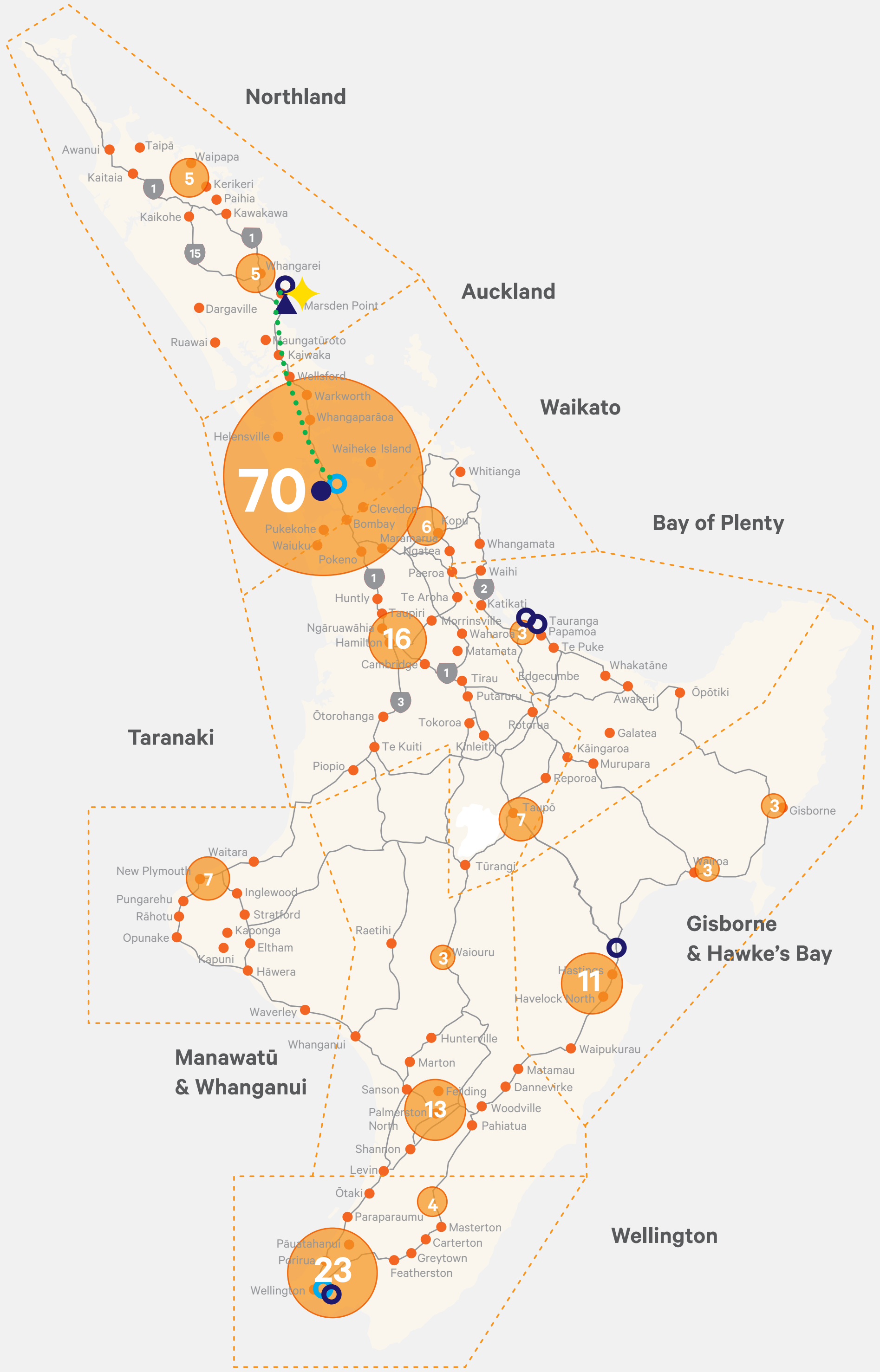
Directly owns and operates 10 bulk fuel storage terminals with total storage of 191.3 million litres representing just over 40% of New Zealand tankage

FY21

1,392 million litres

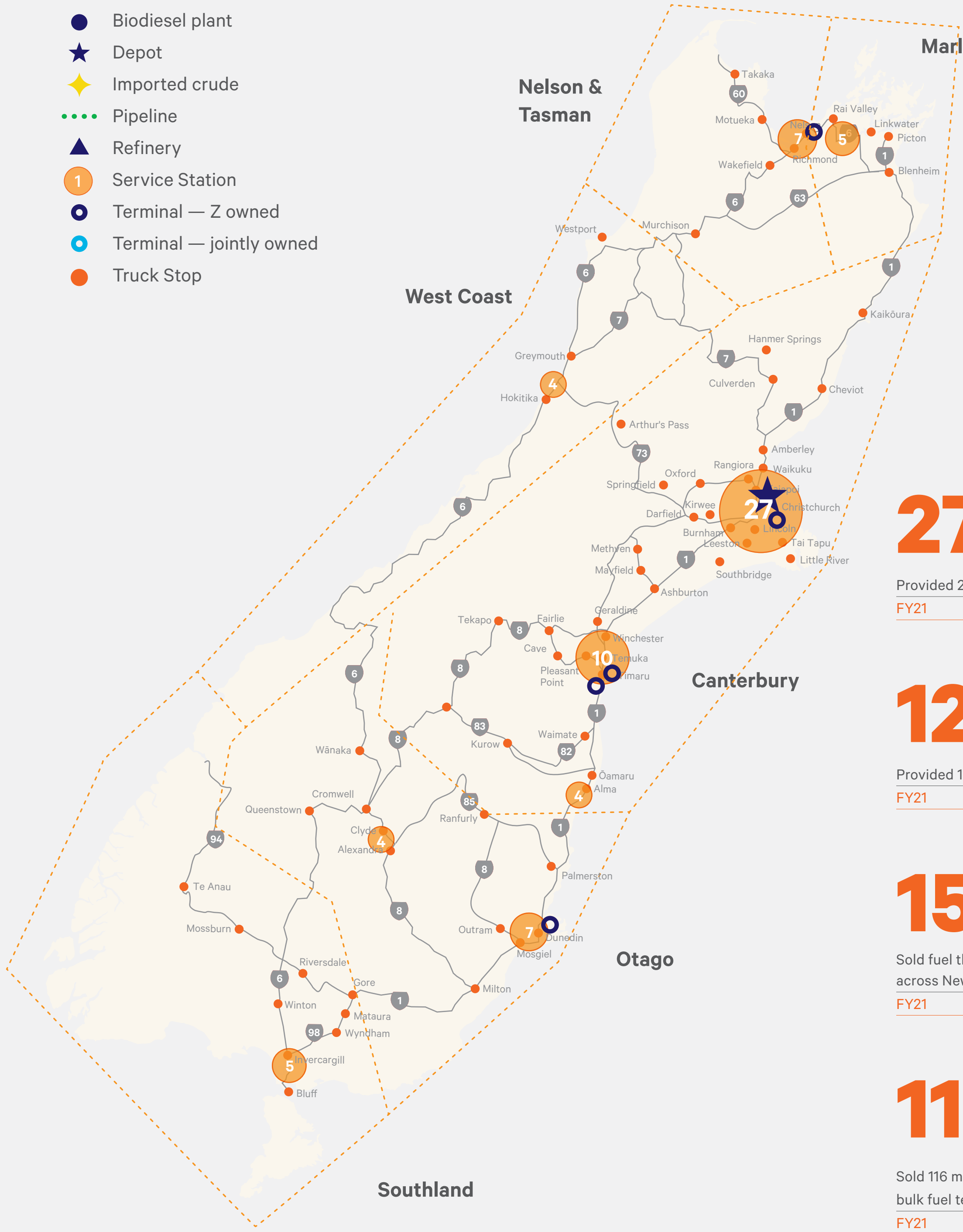
Provided 1,392 million litres of fuel to Retail customers via 197 Z-branded and 133 Caltex-branded service stations

FY21



Key

- Biodiesel plant
- Depot
- Imported crude
- Pipeline
- Refinery
- Service Station
- Terminal — Z owned
- Terminal — jointly owned
- Truck Stop



270 million litres

Provided 270 million litres of aviation fuel

FY21

120 million litres

Provided 120 million litres of bitumen

FY21

151

Sold fuel through a network of 151 truck stops across New Zealand

FY21

116 million litres

Sold 116 million litres of fuel directly from our bulk fuel terminals

FY21

2.7 million litres

Imported and sold 2,712,840 litres of biofuels

FY21

Tapatahi ana te tukutuku ki ngā kiritaki

Consistent delivery for Commercial customers

Z has focused tightly on consistent delivery for its Commercial customers over the last year. Security of fuel supply was vital to the ongoing operation of the economy over FY21 and, in the first half of the year in particular, Z worked tirelessly to ensure the national fuel supply chain was uninterrupted by Covid-19.

Z's Commercial customer portfolio and the truck stop infrastructure assets that support large sectors of it is a core part of our business. Over the last year Commercial fuel volumes were seriously disrupted through the Covid-19 lockdowns and steps through various alert levels, with overall Commercial volume down 70 percent during the height of the national lockdown.

Over this period, Z's Commercial team has focused on delivering the basics: retaining Commercial businesses, growing some accounts and providing security of supply during a highly uncertain period.

As the New Zealand economy recovered from the impacts of Covid-19 faster than many expected in the second half of the 2020 calendar year, Z has been well-positioned to fuel this growth.

The sector that has most driven this growth and supported the early stages of New Zealand's economic recovery is primary production — agriculture, horticulture and forestry. Z expects further growth opportunities for the Commercial business as many of the infrastructure projects funded as a part of the Covid-19 stimulus package — for example roading and construction projects — kick off in 2021.

Z has been disciplined in its approach to its Commercial customer portfolio over the last year as it has had to apportion its fixed cost base over reduced fuel volumes at times. Z has put effort into communicating frequently and transparently with its customers over this period and in ensuring all of its customers were clear on how to access Covid-19 financial support and government assistance if it was required.

While many businesses have been impacted by Covid-19, Z also observes an underlying resilience across our Commercial customers — through sales and payment terms, for example — as we work together on New Zealand's economic recovery.

FY21 was a year in which Z clearly demonstrated the unrivalled value of its Commercial customer offer — particularly the convenience of its national truck stop network, the efficiency of its supply assets and logistics and the convenience of a single fuel card system for use across all Caltex and Z-branded retail sites and truck stops.

The Commercial team has grown volume and delivered clear customer value — all within a context of rising levels of competition. We have started to drive more value from the scale of our network and have continued to optimise Commercial operations, including exiting the marine fuel barge operation and the domestic production of bitumen at Refining NZ, and now importing finished bitumen. There is more progress to be made on delivering a fully optimised Commercial business over the next two years.

As the New Zealand fuel industry goes through a period of significant change, we see further opportunities to add value for our customers, including through direct terminal gate supply at more locations for some Commercial customers.

Commercial customers and climate change

Z has never stopped seeking ways to support our Commercial customers in reducing their own carbon emissions. While electrification promises the ability to begin to decarbonise New Zealand's light passenger vehicle fleet, for many large Commercial customers with trucks and heavy machinery to run, the options are limited.

Over the last year Z has provided lower emissions biodiesel to core Commercial customers in the Auckland region that want to cut their emissions. Through our Highbrook truck stop we have supplied imported biodiesel as well as biodiesel that we had manufactured through our Te Kora Hou biodiesel plant before Z was forced to place it in hibernation due to challenging economics (see page 22).

With the Government's announcement in January 2021 that, subject to consultation, it intends to introduce a biofuel mandate for all fuel sellers in New Zealand, Z will likely face new choices around the future of its Te Kora Hou biodiesel plant and how to begin supplying a range of biofuels at scale for both our Commercial and Retail customers.

Focusing on small and medium-sized business

Small business is the heart of the New Zealand economy and they are leading New Zealand's post-Covid-19 economic recovery, with small business jobs in December 6.4 percent higher than prior to the March 2020 lockdown, according to data from our business partner, Xero.

Supporting our small and medium enterprises (SMEs) is an area of focus for Z. Our research has determined that SMEs primarily value ease and efficiency in running their businesses. In 2019, we launched Z Business Plus, our fuel card product designed with the needs of Kiwi small businesses in mind. Combined with the depth of our Retail and Commercial network, we have a compelling offer that makes life as simple as possible for busy small businesses.

We are committed to continuing to champion and celebrate small businesses and to keep them moving.

Since 2019, we've seen more and more Kiwi businesses sign up to Z Business Plus, with more SME customers with Z than before Covid-19.

In 2020, small businesses were hit hard by Covid-19 — what mattered to them and their worlds changed very quickly. To help, we put together a package to support small business customers including increasing discounts, extending credit terms and removing account fees through lockdown. We also launched our online Z Business Hub to provide access to tools, resources and support materials and ran a webinar for customers on how to look after themselves and their businesses during a crisis.

We also made hundreds of phone calls to check on our small business customers' wellbeing and discuss how we could further support them.

We are committed to continuing to champion and celebrate small businesses and to keep them moving. We're continuing to listen to our SME customers and understand their needs, and to evolve our offering to better suit them — across both digital and physical experiences.

Our place in New Zealand

Our environment

He rangahau: Te Kora Hou o Z

Case study: Z's Te Kora Hou biodiesel plant

Being at the leading edge of sustainability initiatives can be hard. No truer has this been than with Z's commitment to biodiesel production in New Zealand.

Z has actively developed the country's only commercial-scale biodiesel production plant, which can produce 20 million litres of pure, high-quality biodiesel per annum. Blended at 5 percent into conventional mineral diesel, this volume can see 400 million litres of diesel converted into a 'B5' biodiesel blend.

Using a B5 blend will enable diesel motorists to cut their emissions by 4 percent, saving 37,000 tonnes of CO2e per year.

Te Kora Hou — meaning 'the spark' — was developed, planned and then built at a cost of $50 million between 2010 and 2018. It can use inedible waste tallow to produce a high-quality biodiesel that exceeds all of New Zealand's fuel specifications.

It was the first plant of its kind built anywhere in the world without any form of government support — either a subsidy or a mandate requiring fuel sellers to sell a biodiesel blend. The plant was widely welcomed by our large trucking customers who wanted to reduce their emissions and use a more climate-friendly fuel.

Then, relatively quickly, the price of tallow increased by nearly 50 percent — driven by demand from countries with existing biofuel subsidies — and the price of crude oil halved. All of sudden, the economics of this plant did not work without government policy to support it. In 2020, we took the hard decision as part of our commitment to discipline in cost management to put the plant into hibernation, regrettably leading to 12 redundancies at the plant.

Despite this setback, we continued to advocate for government policy that would enable all motorists to use biofuels and cut their emissions. What the New Zealand Climate Change Commission's draft carbon budget on 31 January 2021 found is that we need to use all the tools available to us in order to cut emissions from across the economy, and that biofuels have an important role to play.

In January 2021, at our Te Kora Hou plant, the Government announced its intention to introduce a biofuels mandate for New Zealand. This is sensible and much-needed policy that is common in other parts of the world and the detail around introducing a biofuels mandate is, at the time of publication, currently being consulted on. While the detail is yet to be worked out, and final commitments made, Z's view is it will likely involve all fuel sellers having to sell biofuel blends and will likely involve all major fuel suppliers having to source and import biofuel products until domestic options are available. This will ensure a fair competitive market and will possibly involve Z selling biodiesel from its Te Kora Hou plant to competitors.

It is likely Z will have to import biofuels to meet a mandate across all fuel types. Again, Z has the national fuel supply network at sufficient scale to achieve this.

Over 2021 we are likely to be significantly increasing the volume of biofuels that New Zealand will need to materially cut emissions and combat climate change.

Our assets

Prime Minister Jacinda Ardern and Z's Biodiesel Plant Operations Manager Wayne Reid at Z's Te Kora Hou biodiesel plant, January 2021.

(Phil Walter via Getty Images)

Kia tere ake, kia koi ake mō te kiritaki

A quicker, competitive retail experience

Z's Retail network is the most visible core of our business; it is also the part of our business that most people experience regularly. Our Retail operations across both the Caltex and Z-branded networks are at the heart of most Kiwi communities.

Over FY21 we took some decisions around the Z Retail offer and which sites best fit within each brand. For example, we transferred three Caltex-branded sites to the Z brand and offer. This is part of optimising our Retail network and having the right customer offers in the right place. We also stopped the Z forecourt concierge offer due to shifting customer preferences and an opportunity to reduce onsite costs.

We will continue to focus on opportunities for shifting offers between the two brands over the coming 12 months, as well as continuing to develop and implement loyalty offers that are increasingly tailored to customers' specific needs.

Covid-19 and keeping our communities safe

Z's role in communities across New Zealand was critically important in managing the response to Covid-19 over FY21 — particularly during the national lockdown and the subsequent Auckland lockdowns.

Z's grocery and convenience store products played a vital role in providing Kiwi with the goods they needed during lockdown — milk, bread and, yes, toilet paper — in a simple, easy and safe way. With a greater focus on shopping local, sales of convenience store staple goods are up 3.5 percent year-on-year.

We were able to rapidly deploy the Covid-19 safety infrastructure needed across all of our sites — Perspex screens, signage, staff PPE — and to manage customers in a socially distanced way.

Z has contactless payments available across all of its retail sites, providing a safe shopping experience for essential goods and services. We are hugely proud of our Retailers and their teams who were immediately designated as essential workers. During a highly uncertain time, our people served their fellow Kiwi with courage and compassion.

With what mattered to our communities switching very quickly to safety and the basics, over the year there was a switch away from healthier, fresh food sales to more traditional 'comfort' foods, like pies.

Z's plans for the continued development of its fresh, healthy food range, alongside its existing and much-valued current offer, were disrupted by Covid-19 but will resume again over the next 12 months.

Delivering safety and speed with digital

While safety and security mattered more than ever for Kiwi across the country last year, very quickly the focus also swung back to speed and convenience.

One of the areas of focus for the retail and technology teams in Z has been to listen to our customers' feedback and then deliver solutions quickly. One way of combining both safety and speed in a new offer lay in harnessing the digital capabilities that Z has invested in over previous years. And so 'Pay in App' was born.

Using the Z App across our 197 Z-branded retail service station sites, customers can now, once they have registered, simply drive into a service station and:

- Use 'Pay in App' by selecting the Pump and confirming their already registered car and fuel grade profile, then confirm or select the payment method and fill amount, and fill up and go. This puts the control back into our customers' hands. And additionally;
- Use 'Pay by Plate' at 63 of these service stations, by simply driving in and being greeted on the digital screen on the pump; then fill up and leave with payment already taken care of. Our digital camera technology on site recognises the car's number plate, and simply charges the customer's preferred payment method once they have filled up.

Pay in App is the ultimate in ease, speed, and convenience, and over the last quarter of the year we have been actively promoting it to customers.

Since launching in November 2020, Pay in App experienced customer sign-up growth of more than 40 percent in the first two months, and the active customer base has already doubled.

The Z Pay in App was born from combining the best of our Caltex pay-in-app experience launched in April 2020 and our previous Fastlane trial; demonstrating Z's commitment to experimenting, building, and evolving innovative offers that meet customers' needs in a highly functional and delightful way.

Doing away with the queue

Over 2020, following the national lockdown and periods of social distancing due to Covid-19, we've noticed a greater reluctance from Kiwi to queue. Again, by listening to what our customers were telling us, through Covid-19 we've been able to effectively promote our app-based coffee offer.

Through the Z App customers can pre-order coffee, and a range of other hot and chilled beverages, while approaching a retail site, prepay for it through the app and simply collect and go.

This is proving an increasingly popular offer with sales via the app increasing rapidly over FY21 to more than 15 percent of Z drink sales, and revenue more than doubling on a monthly basis over the last 12 months.

The Sharetank advantage

Z continues to evolve its Sharetank offer to deliver ever more customer benefit. Over FY22, Z will also begin to promote and market the advantages of New Zealand's only virtual fuel tank.

Sharetank is a highly innovative digital offer that enables fuel sharing while ensuring a very competitive price. It allows customers to pre-purchase litres of fuel to redeem at a later date and share their balance with up to five friends, whānau or colleagues, all within the Z App.

Our capabilities

Our place in New Zealand

Across 63 Z-branded retail service sites, customers can now simply drive in, fill up, and leave with payment already taken care of in the Z App.

Customers can purchase up to 12,000 litres of fuel in a rolling 12-month period, buying at the lowest Z-offered price in a 30km range of their location and storing them in their virtual tank in the Z App. These litres can be exchanged for real fuel when the customer needs it at any one of 197 participating Z sites across the country, and we'll let them know if the price at that site is lower so they can choose whether to save their Sharetank litres for another day.

When a customer or anyone in their group is ready to fill up with fuel for real, they just fill their tank and pay using their Sharetank balance. All it takes is a simple scan of the Z App at a participating Z station.

In a new development, Z launched a retail electricity customer pilot offer — Z Electric, see page 27 — that rewards customers with free fuel litres via Sharetank. This is an example of effectively integrating multiple customer offers with digital technology. We believe Z is the only fuel retailer in the world that allows customers to earn ongoing fuel rewards (via Z Electric) that are automatically deposited into a customer's virtual fuel tank (Sharetank) and can then be effortlessly redeemed via our no-touch payment method (Pay in App). Customers can even choose to offset their purchases and rewards through permanent New Zealand forests.

Offsetting our carbon emissions at retail sites

Our customers tell us they are concerned about climate change but don't know what they can do at an individual level to help.

So in February 2020 Z launched Carbon Count on the Z App — a digital service that automatically calculates the carbon footprint of the fuel you buy, giving you the choice to offset part or all of those emissions through Permanent Forests NZ Limited.

This is a unique offer in the market that provides retail customers with the opportunity to act to combat climate change every time they fill up. This further demonstrates the opportunities for distinctive customer engagement through our investment in digital capability.

With the Climate Change Commission's publication of its initial draft carbon budget in January 2021, focus looks set to increase sharply on what we can all contribute to meet New Zealand's climate change commitments. Z will increasingly market this offer to customers in FY22.

Our new digital capabilities

All of these offers represent the evolution of our focus on customer experience (CX) and digital capabilities.

We have now baked our CX and digital capabilities into our business and have been able to end our reliance on digital and CX contract resources as part of our commitment to cost reductions.

Z now has a unique digital and CX capability across the company that lies at the heart of our customer strategy. We will continue to use these capabilities to delight our customers with new products, offers and services over the next 12 months.

Tā tātou whakataunga tūtanga

What we choose to stand for

Z has always elected to publicly stand for the things we believe are most important to our customers, communities, investors and people. We call these things our 'Stands' and they are the areas in which we seek to make a distinctive contribution.

With the challenges posed by climate change and Covid-19, and with global concern continuing to mount over issues of racial and gender equality in particular, these four Stands have never been more relevant, important and urgent across our stakeholder universe than in FY21.

Z's assessment of materiality that underpins this report confirms that what we are choosing to stand for are the things that genuinely matter most.

Environmental sustainability

Z will move from being a part of the climate change problem to the heart of the solution

Community

A resilient and healthy Aotearoa New Zealand that empowers our youth, neighbourhoods and Z whānau

Diversity and inclusion

Being successful being ourselves and reflecting Aotearoa New Zealand

Safety and wellbeing

Enhancing the lives of our people and communities.

This report has already canvassed a range of developments and initiatives underway in our business to advance these four Stands. The following section of this report covers some of our more detailed and specific reporting against them.

Our aspirations in these Stands can have the greatest impact on the following 10 UN Sustainable Development Goals:

Te tiaki taiao

Environmental sustainability

Z stands for an environmentally sustainable New Zealand that is an example to the rest of the world and an inspiration to Kiwi. We will move from being a part of the climate change problem to the heart of the solution.

The fuels we sell and which our customers use produce approximately 10 percent of New Zealand's greenhouse gas emissions. As a company we have always been committed to helping lead New Zealand towards a low emissions future and have experimented in adjacent technologies.

We were the first fuel company to introduce an EV charger at a retail service station, we have built a biodiesel production plant, invested in a ride-sharing service, offset all of our operational emissions and have introduced multiple sustainability initiatives covering waste and energy consumption. We have led discussion on important issues, contributing to industry research on biofuels, hydrogen and electric mobility as reflected in our submission to the Climate Change Commission's Draft Recommendations; https://z.co.nz/assets/Uploads/Z-Energy-submission-to-the-Climate-Change-Commission-March-2021-FINAL.pdf

Cutting emissions gets hard once the relatively simple emissions reductions opportunities have been completed and, despite what people say, not many want to pay any more for cleaner energy alternatives.

However, we have not executed some of our early initiatives as well as we would have liked and we must and will do better. We remain committed to Z moving to the heart of the climate change solution.

Over FY21 the issue of climate change became increasingly important for our investors, Government, customers and our own people. Our strategy remains focused on optimising our core business and transitioning to a low carbon future.

Introducing Z Electric

The biggest advantage that New Zealand has in combating climate change is that approximately 85 percent of its electricity comes from renewable sources. As a result, approximately 4 percent of New Zealand's total emissions comes from electricity compared to approximately 19 percent from transport.

As New Zealand seeks to maximise the use of renewable electricity across our economy, Z is also committed to using its digital and customer experience capabilities, and its large customer base, to trial opportunities to enter the electricity market.

In 2018, Z purchased a 70 percent share in the wholesale spot market electricity retailer Flick Electric. Flick is a modern, progressive, tech-savvy electricity company and Z's shareholding has taught us a lot about the opportunities of widespread electrification and the challenges also facing this market.

In March 2021, Z announced the creation of Z Electric. Using the Flick systems and processes, Z now has a distinctive, fully Z-branded electricity offer in the market. We will offer competitive electricity prices and provide our current customers with new digitally enabled offers that bundle together their fuel and electricity requirements.

One of the products developed at the launch of Z Electric is the opportunity to reward customers with bonus fuel litres for their electricity spend through the use of Sharetank in the Z App, which can then be offset easily using Z's Carbon Count feature also in the Z App.

Diversifying into a branded electricity offer will enable Z to understand the customer loyalty benefits and value arising from moving into cleaner, more sustainable energy markets — all at very little operational cost.

How we are tracking on our targets

Further to Z's sustainability policy, in FY17 Z set a range of sustainability stretch targets and areas of focus for our business. FY21 marked the end of the target period, so the table on the next page maps how we have progressed against our commitments.

We have made very good progress in most areas, though significantly reducing operational carbon emissions has been particularly challenging and, while we have made material reductions, we have not delivered against the target we set for ourselves.

This is an area in which many businesses across New Zealand are currently struggling. While complex, Z is committed to reducing its own operational emissions in line with the Paris Agreement to limit warming to 1.5 degrees Celsius above pre-industrial levels. For Z, this translates to a revised target of 42 percent reduction in operational emissions over FY20–FY30. Supporting this commitment will be new climate-related metrics and targets focused on reducing the carbon impact of the energy products Z sells. This will be determined in FY22.

Our environment

How we are tracking on our targets

We must act in order to make good on what we stand for. Our sustainability goals and targets were developed using the UN Sustainable Development Goals as a framework.

Three outcomes were set to lead us on a pathway to contribute authentically to the welfare of New Zealand's natural environment and its people by the end of FY21. In addition, recognising our size and scale in New Zealand, our goals and targets cover Z's operations as well as those of our key suppliers. The table below outlines our progress against these goals, with targets to be reset during FY22.

Outcome	Progress	Status
Use less and waste less in our operations		
Reduce carbon emissions	We have reduced our carbon emissions by 18 percent since FY17 against a target of 30 percent by FY21. Each year we voluntarily offset the emissions we cannot avoid in permanent New Zealand forests (see local permanent forests below).	◐
Reduce waste	Our commitment is to reduce waste to landfill year-on-year from our operations (offices, terminals and Z retail sites) continuing to move towards being zero-waste. Waste to landfill is 19 percent below last year. We aim to use water as efficiently as possible, and this year have started the installation of permanent water tanks to supply car washes in the water-constrained Auckland region, estimated to save 12 million litres of water a year once completed. Over 32.5 million litres of water were recycled through existing Z car wash infrastructure this year.	●
Reduce retail electricity	We are currently 2 percent below our 2012 baseline, and have reduced retail electricity 5 percent year-on-year since FY18, with a focus on efficiency.	◐
Make purchasing decisions that support sustainability		
Supply chain	Z's Supplier Code of Conduct is embedded in all of Z's Standard Supplier Agreements outlining minimum standards and expectations on ethical, social and environmental business practices. It was updated in July 2020 to reflect regulatory changes, for example, the Zero Carbon Amendment Act, Australian Modern Slavery Act and Z's refreshed Safety & Wellbeing Stand. All suppliers must confirm compliance with the Code on an annual basis.	●
Customers reduce fossil fuel use	While the biodiesel plant was hibernated in FY21, Z continued to offer support to commercial customers who are committed to reducing their carbon emissions and impact on air pollution. Z biodiesel, a B5 blend, is now also available at the Z Highbrook truck stop in Auckland to all Z Business cardholders.	●
Lower carbon products and services	Our investment in climate positive car-sharing company Mevo continues. Our staff use Mevo for business trips in Wellington, with 1 tonne CO2-e offset from Z business trips. There was a 65 percent reduction in business travel over FY21, largely due to Covid-19. The launch of Z Electric represents the next step in Z's low carbon business transition.	●
Enable others to reduce their impact		
Customers experience emerging transport technologies	Z's EV chargers continue to grow in popularity with 14,132 charges in the past year, saving over 138 tonnes of CO2-e.	●
Carbon offsets	Carbon Count was launched in February 2020, allowing any driver in New Zealand to view and choose to offset their emissions from their fuel use through the Z App.	●
Partnerships for a low emission economy	We've been proud to partner with Trees That Count since 2017, funding 56,698 new native trees and supporting 64 planting communities leading to better biodiversity, cleaner waterways and better physical and mental health for our New Zealand communities.	●
Local permanent forests	Z has partnered with Permanent Forests NZ Limited to ensure that all voluntary offsets are locked in long-lived forest carbon sinks in New Zealand that both address the climate crisis and restore local landscapes. A total of 160,465 tonnes CO2-e has been offset in permanent forests since FY17.	●
Policy and leadership	We continue to advocate and lead for the development of policy that moves New Zealand to a low-emissions economy and recently advocated for more ambitious targets on biofuels in response to the Climate Change Commission Draft Recommendations. Through our membership with the Climate Leaders Coalition, Sustainable Business Council and Sustainable Business Network, we take a leadership position to inspire and enable Kiwi to take action and reduce their environmental impact.	●

Key ● We're on track and doing well ◐ We've made some good progress but we need to do more ○ We're off track and need to do more

Note: Full details can be found at https://z.co.nz/about-z/what-matters/sustainability

Greenhouse gas emissions — tonnes CO2-e

Scope	Base Year (FY17)	FY18	FY19	FY20[1]	FY21
Scope 1 — Z offices and Retail sites	3,907	3,853	3,837	4,127	3,398
Scope 2 — Z offices and Retail sites	4,045	4,223	4,195	3,371	3,191
Scope 3 — Z offices and Retail sites	3,339	3,875	4,495	3,369	2,434
Scope 3 — New Zealand supply chain	34,247	31,041	29,303	29,785	29,017
Total operational emissions[2,3]	**45,250**	**42,992**	**40,704**	**39,605**	**37,149**
% change from FY17	**–**	**-6%**	**-10%**	**-12%**	**-18%**
Scope 3 — Share of refinery	634,848	618,483	555,892	520,708	475,255
Scope 3 — International supply chain (rest of supply)	807,542	983,939	902,215	1,031,309	852,236
Scope 3 — Z product emissions from our customers	9,488,277	10,330,585	10,459,104	9,990,103	8,039,840
Total emissions	**10,976,205**	**11,975,999**	**11,958,268**	**11,582,773**	**9,405,371**

1 There has been a restatement to 'FY20 Scope 3 — Z product emissions from our customers' and, therefore also 'FY20 Total emissions' due to MfE 2019-corrected emissions factors for aviation fuel and aviation gasoline.

2 Total operational emissions excludes emissions from line losses and upstream electricity, which are included in the sum totals above for Scope 3 — Z offices and Retail sites and New Zealand Supply Chain. In FY21, emissions from air travel were amended to include radiative forcing from the reporting year FY20, therefore there is a minor restatement to FY20 operational emissions.

3 Total operational emissions intensity has decreased by 3 percent from FY17 per litre of fuel sold. Emissions are reported in tonnes of carbon dioxide equivalent (tonnes CO2-e), which, in line with the GHG Protocol Corporate Standard, includes the three main greenhouse gases: carbon dioxide, methane and nitrous oxide. MfE Emissions Factors are used in all cases where available for data sets.

A full greenhouse gas inventory is available to view at https://z.co.nz/about-z/what-matters/sustainability/

KPMG have provided an unmodified reasonable assurance opinion as to whether Z's Greenhouse Gas statement has, in all material respects, been prepared in accordance with the Greenhouse Gas Protocol's Corporate Standard requirements for the period 1 April 2020–31 March 2021.

Site waste data

By far the biggest area of waste generation in our business is through our retail operations. However, we also aim to reduce waste across our corporate sites, including offices and terminals. Here is how our site waste tracked over FY21 (acknowledging significant disruption due to Covid-19 lockdowns).

Waste by composition, in metric tons (t)

Waste composition	Total waste generated	Waste diverted from disposal	Waste directed to disposal
Retail sites	4,286t	2,782t	1,504t
Corporate sites	84t	26t	57t
Total waste	**4,370t**	**2,809t**	**1,561t**

Waste diverted from disposal by recovery operation, in metric tons (t)

	Retail sites	Corporate sites	Total
Non-hazardous waste			
Recycled cardboard & paper	1,642t	13t	**1,656t**
Recycled composting & organics	371t	4t	**375t**
Recycled plastic, cans & glass	769t	9t	**778t**
Total waste diverted, in metric tons (t)			**2,809t**

Hazardous waste[1], in metric tons (t)

	Total
Landfill	**2,468t**
Total hazardous waste	**2,468t**

1 Hazardous waste comprises mainly soil and spill from site remediation works such as fuel tank replacements. The material is safely disposed of in licensed waste facilities.

All waste is disposed of via landfill or recycled offsite. There are no waste incineration facilities used.

Waste data is based on a combination of actual and estimated weights reported by our waste management providers. Where no data was provided for a site an uplift has been applied.

Pūrongo TCFD tau tuarua

TCFD Report year two

Climate change presents many risks to businesses around the world, including financial risks related to future earnings and the value of assets. It is a material issue for Z.

The products that Z sells represent approximately 10 percent of New Zealand's emissions and Z has been in existence during a decade in which New Zealand's emissions from the transport sector have increased.

In line with our integrated reporting approach, last year Z adopted the TCFD Framework to begin to further assess the business's climate-related risks and opportunities. Climate-related financial risks require an integrated business approach to mitigate and manage now and into the future.

A four-year roadmap (see page 33) set Z on a path towards fully understanding and disclosing our climate-related risks and opportunities to provide transparency of the most material climate-related financial impacts. This approach aligns Z with the Government's recommendation to introduce mandatory climate-related financial disclosures by 2023. It also enables Z to incorporate the Climate Change Commission's carbon budget advice to set New Zealand on a path to net-zero by 2050.

Z's focus in FY21 was to assess and understand the business's material climate change risks and opportunities so that guidance can be provided on how to control for, mitigate or adapt to these risks.

A series of cross-functional internal workshops and analysis supported by external advisors informed this work. The outcome is a better understanding of Z's physical and transitional risks and opportunities based on two different climate scenarios. The workshops considered the risks and opportunities in the short term (2020–2025), medium term (2025–2040) and long term (2040–2060).

Our four-year TCFD roadmap

	FY20	FY21	FY22	FY23
Governance	• Gap analysis completed • Internal alignment achieved • Board approval			• Climate-related risks and opportunities quantified, and financial impacts identified
Strategy	• BEC Scenarios used to inform strategy	• Scenarios expanded to include a 2 degrees Celsius and one other comparison scenario	• Climate scenario analyses integrated into financial modelling and informs strategy	
Risk Management	• Approach to climate risk management documented	• Qualitative risk assessments identified physical and transitional climate-related risks • Climate risks integrated into risk management processes	• Climate-related risks and management process reviewed for effectiveness • Quality assurance of climate risk management and financial disclosures	
Metrics and Targets	• Carbon targets integrated into business planning	• Climate-metrics and targets under review and agreed		

Key

- Complete
- In progress
- Planned

Note: TCFD Index can be found on pages 127–128.

TCFD Report year two, continued

Climate scenarios

Last year, Z started to use the Business Energy Council (BEC) 2060 scenarios (Kea and Tūī) for long-term planning. These scenarios, combined with the latest climate projections provided by the Intergovernmental Panel on Climate Change (IPCC) and local New Zealand data, were used to assess Z's climate-related risks and opportunities in line with different temperature scenarios, including a below 2 degrees Celsius scenario.

In the 'Rapid Transition' scenario, climate change is recognised by society as the most important priority and New Zealand transforms itself rapidly into a low-emissions economy to meet net-zero targets. In the 'Slow Transition' scenario, climate change is recognised as one of many competing social and environmental priorities and emissions peak by 2040 before beginning to decline.

Rapid transition

New Zealand aggressively transforms itself into a low-emissions economy to meet net-zero targets. There has been a global transition to a low-emissions economy and the Paris Agreement has been implemented.

Global warming is well below 2 degrees Celsius over the next century.

Reference scenarios include:

- **BEC2060 Kea scenario**
- **IPCC RCP 2.6**
- **MfE Climate Change projections for New Zealand, 2nd edition and supporting regional documentation from NIWA**

Slow transition

Climate change is recognised as one of many priorities. New Zealand leverages its traditional comparative economic advantages to generate wealth and does not transform its economy. Emissions peak by 2040 and then begin to decline as the world begins to appreciate the impacts of climate change. Global economies have failed to curb emissions over the medium term, resulting in warming of 3 degrees Celsius or more by 2100.

Reference scenarios include:

- **BEC2060 Tūī scenario**
- **IPCC RCP 4.5**
- **MfE Climate Change projections for New Zealand, 2nd edition and supporting regional documentation from NIWA**

BEC scenarios

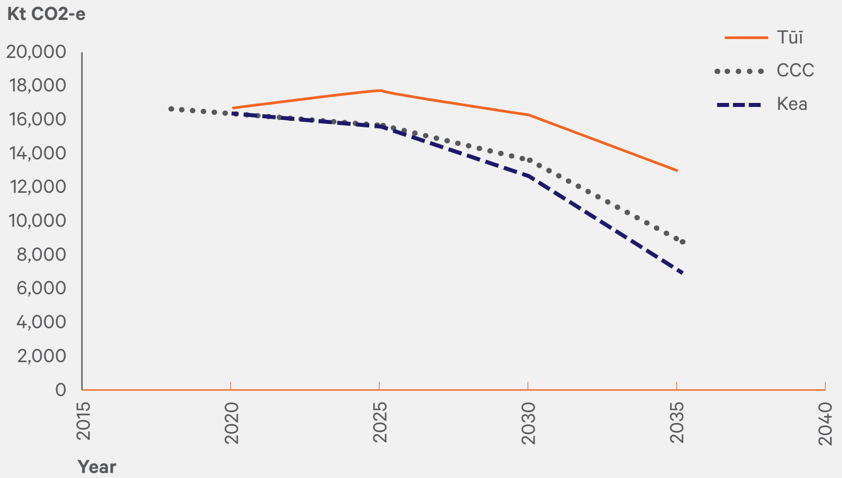
On 31 January 2021, the Climate Change Commission (CCC) released their Draft Advice to put New Zealand on the path to meeting its 2050 targets under the Climate Change Response (Zero Carbon) Act. The CCC's advice calls for a rapid decline in emissions from transport, with a fall of 47 percent from 2018 to 2035. This includes an import ban on internal combustion engines for light vehicles in the early 2030s, continued tax increases on fossil fuels combined with encouragement for active transport and mode shift. This would result in very steep declines in fossil fuel demand post 2030.

Z has since mapped the CCC 'Our path' forecasts (the grey line in the graph to the right) to the two BEC scenarios (Tūī and Kea) that Z has been using for long-term planning. Given the CCC's advice is still in draft stage, it is more indicative than exact, but clearly shows that the CCC's forecasts are consistent with the Kea scenario, and therefore within Z's previous long-term demand forecasts.

Z has commissioned further modelling to undertake sensitivity analysis and test the scenarios. Following this, Z will then complete the quantification of its own House View, with the expectation it will not materially differ from the CCC pathway.

Like all scenario planning, these scenarios are not predictions of the future. Nor are they created as desirable or undesirable outcomes. The scenarios simply allow the testing of Z's plans and current positions. The likelihood is that the future may sit somewhere between the two scenarios, but they allow us to explore what is possible to help influence how we plan for the future and what we do now.

Transport fuel emissions Kt CO2-e



Projected transport fuel emissions (in kilo-tonnes of carbon dioxide equivalent) under Kea, Tūī and Climate Change Commission 'Our path' scenarios.

2020 qualitative analysis of Z's climate-related risks and opportunities

Physical | **Risk Cause** | **Transitional**

Risk Consequence

Physical

- **Corporate**
  - Increased operating costs (water and cooling)
  - Increased environmental regulation and compliance costs
  - Increased insurance premiums
- **Operations**
  - Asset damage and maintenance costs
  - Supply disruption
  - Increased reliance on third-party infrastructure mitigation
- **Social**
  - Workforce safety and wellbeing

Transitional

- **Corporate**
  - Increased cost of capital
  - Increased operational costs due to higher carbon price
  - Increased litigation, regulation and compliance costs
  - Re-pricing of asset values
  - Reduced revenue through diminished demand for product
- **Operations**
  - Reduced performance of assets
- **Social**
  - Reduced employee wellbeing
  - Reduced talent attraction and retention
  - Inability to provide products that meet customer expectations

Opportunity

- Potential expansion of biodiesel delivery areas
- Ability to leverage scale to reduce supply disruption
- Partner with third-party asset owners to mitigate shared infrastructure risks

- Invest in low carbon products and services
- Reduce exposure to compliance and regulation costs
- Leverage Z's distributed footprint across NZ
- Optimise strategic asset planning
- Attract talent through proactive approach to a low carbon transition
- Enhance customer experience through low carbon offerings

Business Response

- Carry out risk assessment findings integrated into business unit strategic and financial planning
- Perform quantitative analysis of high-risk locations determined by site value and physical risk exposure
- Develop and agree an engagement plan with third-party asset owners

- Strengthen balance sheet and pay down debt
- Deliver additional cash flow through exiting crude oil supply
- Develop alternative, low carbon revenue streams
- Reduce operational emissions and exposure to carbon costs whilst providing options for customers to do the same
- Build capabilities
- Provide transparent ESG Reporting

TCFD Report year two, continued

Physical risks and opportunities

Z's physical assets, including terminals, pipelines, truck stops and retail sites, were assessed against a range of projected changes to New Zealand's climate in the year 2040 (the mid-point in line with BEC's 2060 Energy Scenarios).

Both acute (floods, heatwaves) and chronic (changing rainfall patterns, rising sea level) physical impacts were considered. The key climate-related risk causes to Z's assets were identified as changing rainfall patterns, increased frequency and severity of droughts, and rising sea levels.

Z's Enterprise Risk Management framework was used to assess the materiality of each risk identified. Material risks are shown in the infographic on the preceding page.

Many of the risks identified are not new and now occur in the short term (for example, storm events causing shipping disruptions and increased demurrage costs). However, the likelihood of these events occurring are currently low. Increased likelihood of occurrence in the medium term (by 2040) and in the long term (by 2060) creates a need to integrate the risk assessment findings into long-term asset planning.

The next steps for Z are to integrate these findings with those of the value-based Natural Hazard Exposure Review completed in FY21. This review provided an analysis of Z's assets' exposure to climate-related hazards (wind, storm, lightning, floods, wildfire, hail, tornado and storm surge) and non-climate-related hazards (earthquake and tsunami) using Munich Re's Natural Hazard database 'Nathan' and Swiss Re CatNet for current climate conditions. The review was limited in its usefulness for predicting future climate risks, however it did identify flooding events as causing the highest climate-related risk of damage to Z's assets.

The underlying data from the physical scenario analysis and Natural Hazard Exposure Review will be used to determine those high-risk locations by site value and physical risk exposure in FY22. This will enable Z's long-term asset plans to be updated to account for climate risk.

Common to all of Z's supply chain elements was the increased reliance on third-party infrastructure being adequately maintained and mitigated against projected climate change impacts. The roading network, stormwater systems and port wharfs are the third-party-owned assets most critical to Z's operations, and highlight the need and opportunity to work in partnership with others to reduce the burden of long-term climate-related risks.

Transitional risks and opportunities

Transitional risks are caused by policy, legal, technology and market changes occurring in the transition to a low carbon economy. Depending on the nature, speed and focus of these changes, transitional impacts may pose varying levels of corporate, operational and social risk or opportunity.

In contrast to the physical risks identified, the consequences of transitional risks and opportunities are much more likely to be seen in the short to medium term (2020–2040). Z's response therefore is to focus on how we manage the transitional risks in the short term. This provides an opportunity to successfully mitigate the transitional risks now, with a view on mitigation options to manage physical risks in the medium to long term (2040–2060).

Many of the transitional risks and opportunities identified from the scenario analysis are not new and have a corresponding business response. This is reflected both in Z's actions to reduce exposure to carbon costs from its own operations and to develop new, low carbon revenue streams, such as Z biodiesel (Z BioD), Mevo and Z Electric. However, the analysis did highlight the need to consider time horizons in prioritising our mitigation response whilst constantly reviewing the underlying context, such as the recent draft advice from the CCC. The draft advice brings clarity to the policy and market settings that must result if the transport sector is to play its large part in decarbonising to meeting net-zero by 2050. Z will continue its commitment to transition to a low carbon future and now has an enabling environment to deliver within.

Climate Strategy

How Z thinks about carbon and climate change has directly impacted our strategy, the decisions we make every day, and the choices we make around our own activities and customer offers. The biodiesel plant at Wiri Auckland has been part of the solution to providing New Zealanders with an immediate low carbon transport fuel alternative. Z regularly engages with government on the need for meaningful, tangible transport decarbonisation policies, particularly in relation to biodiesel.

On 28 January 2021, the Government announced a suite of transport decarbonisation policies, including the introduction of a biofuels mandate. The package of decarbonisation policies paves the way for future investments in low carbon fuel and transport energy, whether that is in sustainable aviation fuel, electric mobility or hydrogen.

Z's feedback on the draft CCC recommendations is that the right fuel for the right use case is the correct strategic approach to ensure broad consensus and get as many people as possible on the low carbon journey. To that end, Z's submission focused on two areas of the recommendations for the transport sector — be more ambitious on biofuels and further incentivise construction of electric vehicle charging infrastructure: https://z.co.nz/assets/Uploads/Z-Energy-submission-to-the-Climate-Change-Commission-March-2021-FINAL.pdf

Risk Management

For some time, climate change has been a risk for Z, identified and managed at an enterprise level through Z's Enterprise Risk Management processes and frameworks. This approach to climate risk management is necessarily evolving as climate change becomes ever more present and complex and infiltrates beyond the enterprise to business unit level. Over the past year, Z has focused on achieving more granularity by doing further work to identify, at a high level, physical and transitional climate-related risks across various time horizons and at all levels of the organisation. This approach has been informed by Z's existing Enterprise Risk Management System (ERMS) as well as TCFD guidance.

This more detailed risk identification process has followed the bottom-up and top-down approach set out in Z's ERMS. From a top-down perspective, key principle and emerging risks at an enterprise level have been identified through deliberate, focused discussions and analysis with members of Z's Executive team and Audit and Risk Committee. From a bottom-up perspective, both enterprise and business unit risks have been identified through workshops involving members of the Executive team and key representatives from each area of Z's business. This bottom-up work was specifically focused on climate change risk and utilised two scenarios (Tūī and Kea) to prompt the identification of transitional and physical risks across several time horizons, including those on page 35 of this report.

The risk identification process has determined that climate-related risks exist at both business unit and enterprise level; in addition, the process has illuminated how climate change impacts existing risks already identified and being managed. The Risk and Assurance team is now working with business units and Executives to guide them in conducting the next stage of work to assess and manage new risks or evolve risk assessments and controls already in place.

Climate metrics and targets

Z has further committed to adopting climate-related metrics and targets grounded in science. This includes the revised target to reduce its operational carbon emissions by 42 percent by 2030 in line with efforts to limit global warming to 1.5 degrees Celsius above pre-industrial levels. In light of the recent CCC draft carbon budgets, Z's review of climate-related metrics and targets associated with the fossil fuel products it sells is being re-modelled with a clear direction to be provided by 1HFY22.

Ngā rerekētanga me te whakaurutanga

Diversity and inclusion

Building a diverse and inclusive Z

We are committed to reflecting the diversity of New Zealand with an inclusive culture so that diversity can be fully expressed and manifest in tangible benefits. We will lead the way in developing a Kiwi firm that has our people being successful, being ourselves.

Z remains committed to building a genuinely diverse organisation where the success of the company is built upon the diversity of people, thinking, perspectives and backgrounds.

To achieve this outcome, we must get the best from all our people. This starts with every member of the Z team feeling included and comfortable bringing their best self to work every day. We seek to build a company that accurately reflects the composition and diversity of the communities we serve.

While we are making good progress, we are not there yet.

RAINBOW TICK CERTIFIED
www.rainbowtick.co.nz

GenderTick member

Here's what Z would look like if it was a village of 100 people:

3 ▼
Māori
FY20: 5%

1 ▼
Pacific Islander
FY20: 2%

12 ▼
European
FY20: 13%

64 ▲
NZ European
FY20: 60%

15 ▲
Asian
FY20: 14%

2
Middle Eastern, Latin American or African
FY20: 2%

2
Other
FY20: 3%

1
Prefer not to say
FY20: 1%

1
Non-binary and Prefer not to say
FY20: 1%

39 ▲
Female
FY20: 37%

60 ▼
Male
FY20: 63%

51 ▼
Have dependants
FY20: 52%

79
Have a tertiary education
FY20: 79%

1
Have a disability
FY20: 1%

2.2
Absenteeism rate
FY20: 1.92%

42 yrs
Average age of Z employees
FY20: 42 years

19
Auckland
FY20: 23%

60
Wellington
FY20: 59%

21
Rest of NZ
FY20: 18%

3
Gen Z (born 1997–present)
FY20: 3%

23
Millennials (born 1984–1996)
FY20: 22%

35
Xennials (born 1977–1983)
FY20: 34%

22
Gen X (born 1965–1980)
FY20: 25%

17
Baby Boomers (born 1946–1964)
FY20: 15%

Diversity and inclusion, continued

Challenges in diversity and inclusion

Z has a clear plan to increasingly build diversity into our business but we have not been as successful as we would like in delivering it.

Z has a 50:50 gender split target but we have a long way to go to get there with a 62:38 male to female ratio. Over FY21 there was an 8 percent increase in women in senior leadership positions to 42 percent, but we have work to do to continue to build a pipeline of talented women for introduction into and promotion across Z.

We continue to make progress on pay parity and have closed the gap to 2 percent. The largest gap outside of our most senior roles is at career level 5 (in a job scale of 1–9) primarily as a result of a small number of historically highly paid outliers who joined Z from Caltex in 2016. Work will continue in FY22 to further reduce this gap across all levels of the business.

In building a more representative business Z has more challenges in building in ethnic diversity. In particular, currently only 3 percent of Z people identify as Māori, against a national population of 16.5 percent, and 1 percent as Pasifika against 9 percent of New Zealand.

Over FY21 Z has worked hard to embed Te Reo and tikanga Māori across the business and we will undertake a focused and deliberate programme of work in FY22 to continue to drive us towards the diversity we seek.

Our strategy to drive diversity and inclusion

In February 2021 the Executive team considered, discussed and approved Z's Diversity and Inclusion work programme for the next three years.

One of the elements discussed in confirming this plan was the need to promote and encourage diversity of thinking and a more inclusive style of leadership across the company.

While our engagement data shows people feel comfortable and free to share their thoughts and observations openly, there may be barriers emerging in which there is less listening and more tightly holding one's own perspective than we would like.

In addition to specific Diversity and Inclusion targets, our new Leadership Framework focuses on what it takes to lead in a diverse workplace and get everyone contributing at their best, including:

- People Leaders valuing diversity and translating the collective mindsets, capabilities, and aspirations of their teams into positive impact; and
- Everyone achieving together by embracing an inclusive environment where anyone can safely ask a question, propose a new idea and/or provide constructive feedback.

These principles also underpin Z's approach to organisational design.

Our Diversity and Inclusion work programme for FY22 is focused on maintaining Z's core strengths and what is now 'business as usual at Z', for example maintaining Z's Rainbow Tick accreditation and sharing our journey to date with others. At the same time, Z will continue to weave its Diversity and Inclusion commitments into all of Z's processes and frameworks, actively celebrate diversity across all of its operations and continue to experiment with ways to increase representation in key areas.

While cementing 'the basics' of Diversity and Inclusion, Z has committed to sharpening its focus in accelerating progress in female, Māori and Pasifika representation. In particular, Z has committed to the following two enduring outcomes against which it will measure progress quarterly:

- Our population represents Aotearoa New Zealand
- We are one of the most inclusive workplaces in Aotearoa New Zealand.

Against these outcomes, Z has committed by the end of FY24 to closing the gender pay gap (currently sitting at 2% excluding our Executive), achieving a 45/45/10 gender ratio (men, women, any gender — including non-binary) at every career level in Z, and making material uplifts in our representation of women in operational roles and Māori employees.

Focus on wellbeing and organisational resilience

The wellbeing of Z's people and the company's organisational resilience are linked, and both have been areas of clear focus for Z in FY21.

Covid-19 posed significant operational challenges to Z that were successfully managed. We had to urgently move all our office-based staff into a working-from-home arrangement at the same time as rapidly gearing up our operational teams — primarily terminal operators and retail service station staff — to operate as essential workers with appropriate protections in a live Covid-19 environment.

Z's previous investments in digital technology and capability paid off immediately, with all office-based staff effectively able to walk out the door with their laptop and resume immediate and effective remote working. The hardware and software tools we provided for our people worked seamlessly, enabling continued efficient operations.

Maintaining culture and living Z's values remotely was something the company worked hard at through carefully designed internal communications, with regular whole-of-company remote stand-up briefings during the initial lockdown period and beyond.

Teams learned to use digital technology effectively with many saying the quality of team interaction was at times more focused and more productive than previously in person.

In addition to our leaders and teams supporting each other, we had digital tools that supported us across Z. Thanks to our online engagement tool we were able to stay close to what mattered to our people, with frequent snapshots of engagement — highlighting any emerging issues and allowing rapid response to any concerns.

Despite working remotely in a highly uncertain environment, receiving no annual performance incentive and with a significant cost-cutting programme underway, Z's people thrived. People demonstrated their best leadership and focused on core issues that really mattered.

A new programme to set, drive and track progress and performance against targets every quarter rather than annually contributed to a feeling of clear focus and accountability. Lower value work was stopped.

We recognised that individual experiences of work differed in FY21. There was additional demand for some of our people working remotely, depending on personal circumstances — from home schooling children, to living in flatting environments, to having whānau with high health risks. We put in place policies and practices to support some of this including our wellbeing support (see pages 44–45).

Feedback from our people is that operating under a highly uncertain environment, we all lived our values. We cut costs without cutting headcount; we kept ourselves and our people safe and looked after people's physical and mental wellbeing; we communicated clearly and effectively and focused people on work that really mattered.

As a result of all of these initiatives, Z's level of staff engagement over FY21 rose sharply to just below the top-10 percent global standard, as measured by Peakon, our engagement service provider, from a 94 percent aggregated response rate.

A new approach to remuneration

While any performance incentives that were due to be paid in FY21 were abandoned, Z's previous approach to performance-based pay also changed in FY21. Historically all staff incentives were calculated by a mix of company performance and individual performance.

For everyone excluding the Executive and sales teams, this has been abandoned in favour of just the one aggregate measure that matters: company performance. When the time comes for most Z staff to again be considered for performance-based remuneration, the primary consideration will be the company's performance measured against a balanced scorecard reflecting financial performance, safety and wellbeing and the living of Z's values.

This approach further aligns Z's approach to remuneration with shareholder interests.

Despite the challenges of the year and reduced income for members of the Z team, staff satisfaction with their remuneration remains high, with people generally feeling fairly paid.

The Gender Tick

While Z has more work to do in achieving its gender balance goals, it has the right foundations in place to do so. In FY21, Z secured Gender Tick accreditation. Run by the YWCA, the Gender Tick is awarded to organisations who pass an audit of policies and processes to determine that there is no gender bias in the organisation, at: https://www.ywca.org.nz/workplace/gendertick/

Accredited organisations also must demonstrate commitment to:

- A gender-inclusive workplace
- A safe workplace
- Flexible work and leave
- Leadership representation
- Equal pay.

Our people and culture

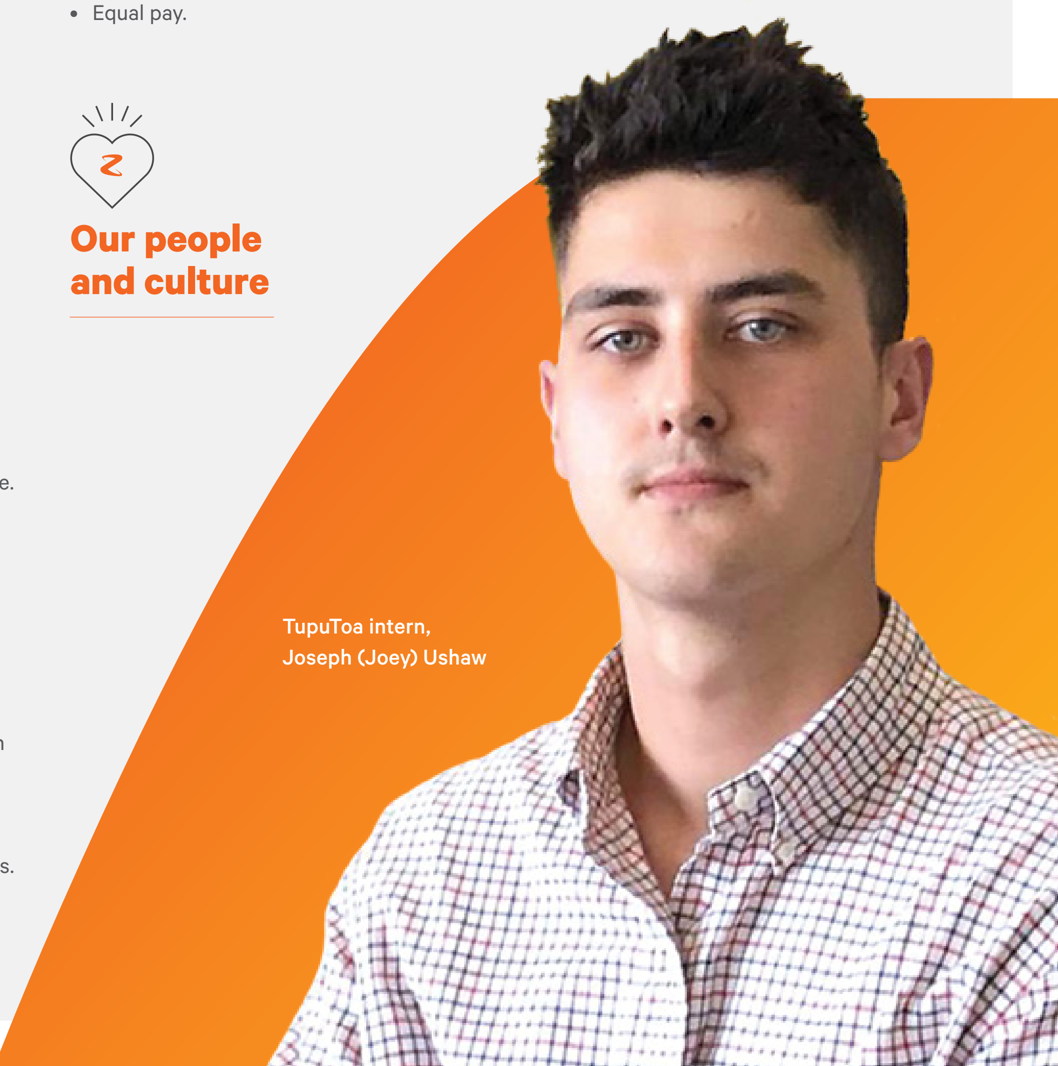
TupuToa

Part of Z's commitment to increasing its Māori representation is through the TupuToa internship programme. TupuToa's vision is all about growing Māori and Pacific leaders for a greater Aotearoa: https://www.tuputoa.org.nz/

Z is a strong supporter of this programme, having partnered with TupuToa for the last three years. Over FY21 we had three TupuToa interns in the company.

One of Z's TupuToa interns, Joseph (Joey) Ushaw, spent the summer working in Z's Innovation Refinery. Joey has recently completed his business studies degree from Auckland University of Technology, with a focus on Marketing and Entrepreneurship. Outside of work, he is an accomplished softball player and brought that competitive spirit to Z.

He spent his time with us working on the launch of Z Electric, bringing new thinking and some great ideas to help bring this offer to life.



TupuToa intern,
Joseph (Joey) Ushaw

Hapori

Community

We stand for a resilient and healthy Aotearoa that empowers our youth, neighbourhoods and Z whānau.

Z has always stood for supporting the local communities in which we are based, but Covid-19 put these commitments into much sharper focus.

When we talked about the health of our own whānau our focus immediately came onto how we could best support and keep safe those Z frontline workers in our retail service stations. Faced with Covid-19 in our communities and our retail operations deemed essential services, it was our frontline whānau that supported their communities and in turn required our support.

Z's retail operations provided an invaluable lifeline in many communities across New Zealand during the periods of Covid-19 lockdown, providing people and families with reliable, safe access to staple essential goods.

Year-on-year, sales of convenience store products rose by 3.5 percent as customers looked for a convenient and comfortable way to shop for basics and avoid supermarket queues.

With our frontline team serving the public across the country every day, our focus was also on their safety. We ensured plentiful supply of personal protective equipment (PPE) and Perspex screens and ensured clear signage was prominent at every site. All of our sites have contactless payments which further protected customers and our staff.

In the context of Covid-19, Z chose not to run its Good in the Hood community investment programme. Pulling it together over 197 sites felt like a distraction and handing out voting tokens was inconsistent with our safety and wellbeing commitments. Our teams had enough on their plates.

Instead, we sought to more directly and immediately support champions in our community. We donated $337,000 to our partners at St John Ambulance and $44,000 to Wellington Free Ambulance to support the operation of their ambulances during lockdown and donated free fuel to the New Zealand Student Volunteer Army who delivered food and essential supplies to elderly and vulnerable people across our communities.

In relation to our use of PPE on Retail sites, we needed some help here. During the initial national lockdown, we struggled to get our hands on enough initial supply of face masks for frontline workers. Westpac Bank supported us by providing some from their stocks. In return for the masks we made a $20,000 donation of fuel to the Life Flight Trust via our aviation team, which provided the ability to complete over 54 missions.

$496,200

Z made donations of $496,200 to support champions in our community, including Z Retail team staff suffering significant financial hardship, in relation to Covid-19

FY21

A focused Good in the Hood

In 2021, Good in the Hood is back — with a twist. To mark 10 years of Z, this year we're using Good in the Hood to support the 10 organisations our customers have most supported and valued over the last decade.

From 1 June, each of these 10 organisations will be in to receive a share of $700,000, with votes being placed as per usual with orange tokens at each Z Retail site. Z Retailers will get to choose the four charities that they promote in their community and a lot of the funds will filter back into the regions where it's needed most.

These 10 organisations which have most resonated with our customers will be announced later in May 2021.

We have also continued to support the outstanding work of the Graeme Dingle Foundation in its commitment to 'powering up future generations' both through Good in the Hood and in direct corporate support.

We donated $337,000 to our partners at St John Ambulance to support the operation of their ambulances during lockdown.

Haumarutanga me te hauora

Safety and wellbeing

We stand for enhancing the lives of our people and communities.

Due primarily to the health challenges of Covid-19, safety and wellbeing was the most material issue for Z and its stakeholders over the course of FY21. As such, safety and wellbeing is referenced and covered throughout this report rather than just in this section.

This is because, just as we have sought to do with our business, our approach to safety and wellbeing is integrated across all that we do.

Z has been, and continues to be, on a safety and wellbeing journey. It is a journey that will never be complete — we must never become complacent and we must always be vigilant; but we can acknowledge where we have made progress and where there is more work to be done.

In the decade since Z was formed our approach to safety and wellbeing has transformed from a very compliance-based and directive approach to one in which safety and wellbeing is cultural and increasingly integrated across our business and everything we do.

Z has a small, empowered safety and wellbeing team that focuses on building risk management capabilities across the business, which allows us to devolve key elements of risk management back into the business.

This devolution of the traditional 'health and safety' functions inside Z holds every member of the team accountable for ensuring the safety and wellbeing we strive for.

Safety and wellbeing at Z is now more digitally enabled, mature and culturally embedded than it has ever been in the past, and this served us well with the arrival of Covid-19 at the very end of FY20.

Personal accountability for safety and wellbeing

Genuine wellbeing can only be achieved when we are physically and emotionally healthy and feel safe in the work that we are doing, as well as being safe and supported in bringing our whole selves to our work.

Over FY21 we created and embedded a new wellbeing framework that clearly states our commitments on wellbeing, the capabilities required to manage wellbeing, both as a company and as individuals, and a range of tools people can use to enhance their own wellbeing.

Our Safety and Wellbeing stand is enabled through focus on the following key capabilities:

Engaged and visible leaders

At Z, we are committed to providing workplaces that enable safe, productive and engaging work.

Enabled safety system

Our safety system drives us to proactively focus on the risks that matter most, ensures the continual improvement of our operations, and it's part of everything we do. It drives us to meet our responsibilities as a New Zealand company and our internal standards too.

Capable and courageous people

We know that our people are key to our success and we work together to grow capability and empower them to speak up and actively participate. We back our people 100 percent to make the calls required for safe and reliable operations.

Planning for a pandemic

Z had actively prepared for the possibility of a pandemic — alongside a range of other crisis scenarios — and considered the implications on its supply chain.

In May 2015, Z commissioned and published an independent research report based on the outbreak of Ebola in Africa. Titled *Lessons From the West African Ebola Outbreak in Relation to New Zealand's Supply Chain Resilience,* Z shared this document widely with government stakeholders at the time and used it for its own internal preparation for the possibility of pandemic-related supply chain impacts: https://z.co.nz/assets/20150501-Supply-Chain-Resilience-Report-Final-Low-res.pdf

+66

This score places Z in the top 5 percent of companies as measured by our engagement service provider, Peakon.

Wellbeing eNPS score

With Covid-19 on the horizon at the beginning of the 2020 calendar year, this provided useful material around which to organise our crisis management team and strategic response to the rapidly evolving virus.

Supported by this original document and with a clear, well-rehearsed crisis management plan in place, Z operated two crisis management teams — week on, week off — between January and May 2020.

As part of our commitment to resilience, we actively build our crisis management capability and ensure we have the depth of people to run in crisis management mode for extended periods — as was required over FY21.

By the time the Covid-19 virus emerged in New Zealand, Z's processes were clear, staff were aware of their responsibilities, technology was tested, and the organisation ran differently but smoothly.

Z already offers unlimited sick leave and we made additional special leave available for people who had additional demands on their time over the lockdown period.

Protecting diversity — and our people

Following the 15 March 2019 Christchurch mosque attack in which 51 people were killed, we've been seeking to not only foster diversity in our company and communities, but to actively protect it.

As a baseline, Z has a strong Discrimination, Bullying and Harassment Policy which clearly sets out our expectations for ensuring conduct protects and celebrates diversity. The Discrimination, Bullying and Harassment Policy can be found in the Corporate Governance section of the Z Energy Investor Centre: https://investors.z.co.nz/corporate-governance/governance-overview

In addition to our 'We've got your back' campaign which we have run internally for much of the last two years, in July 2020 we joined the NZ Retailers Against Racism pledge committed to protecting our people from racism and abuse in the workplace: https://retail.kiwi/speaking-up-for-you/diversity

Weaving our commitments to Safety and Wellbeing, Community, and Diversity and Inclusion together under one umbrella, we have run this campaign featuring a sample of our Retail people talking openly and honestly about their experiences of racism on a Z forecourt, how it made them feel and the impact it has. https://z.co.nz/about-z/what-matters/community/weve-got-your-back/

These stories are a moving reminder to all New Zealanders as to what we must stand against. We have shared our people's experiences within the broader retail industry on effective ways to deal with verbal racial abuse and our retailers have trespassed verbally abusive customers.

Operational safety matters

The true mark of successful cultural leadership around operational safety is to measure performance during periods of change. With the fuel industry going through the early stages of transformation, focus on operational safety is more important than ever.

Z's increasing move to independent management of its fuel terminals and Refining NZ starting the process of potentially transforming into a fuel import terminal represent areas of clear and ongoing safety focus for Z.

At the same time, much of the focus on optimising Z's core business provides opportunities to reduce operational risk. For example, exiting the marine fuel oil barge operations and reducing the human presence on retail forecourts in response to changing consumer preferences both reduce costs, simplify the core business and reduce operational risk.

Exiting the crude oil supply chain is another example which, if well managed, will deliver significant safety, cost and simplification benefits.

Robberies decline

Another example of where Z is benefiting from previous investments in safety and wellbeing capability and equipment is in retail site robberies. From a high of 23 robberies in both FY17 and FY18, Z closed FY21 with four.

That is four too many, but we have invested up to $20 million in our systems and equipment over the last five years and the safety and wellbeing of our people are benefiting from that. We have a larger network than others in this sector and recorded fewer robberies.

The area of robberies is an interesting example as to the synergies in our digital investments. Originally in place to deter 'drive-offs' and robberies, our investment in quality digital CCTV equipment continues to serve this function but is also being harnessed to deliver the retail Pay by Plate offer.

Digital innovation and safety

Z's digital capabilities are further assisting in how we manage risk internally. Our digital systems and capabilities combined make risk information more accessible, easily interpreted and are supporting the business in making better evidence-based decisions around safety and wellbeing.

Over FY21 Z also implemented a new digital safety management system for Z's retail franchise operators which we extended to cover our corporate operations. This new simple and fast system has improved productivity, increased reporting rates and allowed for data from our Retail operational environment to more easily flow back into Z and inform our risk management programmes.

4.01 million hours

Number of hours worked (Z employees, retail sites, Mini-Tankers)

FY20: 4.1 million hours

4

Robberies

FY20: 14

3

Motor vehicle incidents

FY20: 2

0

Number of spills (loss of containment)

FY20: 6

0

Work-related fatalities

FY20: Zero

0

Tier 1 and Tier 2 process safety incidents

FY20: 1

Main types of work-related injury: Manual handling

FY20: Slips and trips

1.15

Total recordable case frequency*	FY20: 1.33	
Z employees:	FY20: 0.48	FY21: 0.72
Retailers and Mini-Tankers franchisees:	FY20: 1.56	FY21: 1.26

0.90

Lost time injury frequency*	FY20: 1.18	
Z employees:	FY20: 0.24	FY21: 0.24
Retailers and Mini-Tankers franchisees:	FY20: 1.43	FY21: 1.07

* TRCF and LTIF are based on 200,000 hours worked.

He pūronga nā Te Poari Whakahaere

Corporate Governance Statement

as at 31 March 2021

Covid-19 and its subsequent impacts have demanded more from the Z Board than in any other year. It has forced us to operate differently — in crisis management mode and remotely for much of the year — and to focus on broad and challenging material issues.

From ensuring the safety and wellbeing of our people and the customers we serve during a national lockdown and subsequent lockdowns of our biggest city; to protecting the organisational resilience of our company; to taking concrete steps to firm up our balance sheet and cut costs during uncertain times. And that is just Covid-19.

Over the year the Board has also focused on ensuring Z is well-positioned for a major reorganisation of the industry's supply chain, overseen the implementation of new legislation around the operation of bulk fuel storage terminals and ensured Z has the right strategy to optimise its core business, deliver strong returns to shareholders and respond to growing political, investor and community concern around climate change.

Again in response to uncertainty, Z has set new standards of corporate disclosure to stakeholders and investors during Covid-19, helping stakeholders understand the true impact on our business and the New Zealand economy.

Covid-19 has required a diverse yet cohesive governance team and the challenges of the year have required all of the skills we collectively bring to the Z Board.

This has been a year in which Z has benefited from previous commitments to a strong, values-driven culture, a genuinely diverse organisation and strong capability in wellbeing, safety and serving our customers.

The unprecedented experience of the downstream transport fuels industry across both the Board and Z's management has also served our company well during FY21.

This Corporate Governance Statement seeks to provide insight into how we have responded to the challenges of FY21, as well as how we have governed the company in service of the issues most material to our investors and stakeholders. This statement goes well beyond the compliance requirements on our company and seeks to provide a high level of transparency into what the Z Board does, how and why.

The Z Board would welcome any feedback on this Statement and how we may further improve the quality of our disclosure.

This statement goes well beyond the compliance requirements on our company and seeks to provide a high level of transparency into what the Z Board does, how and why.

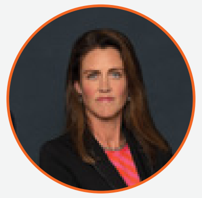
Tō tātou poari

The Z Board

On 30 April 2020, Alan Dunn left the Z Board after a decade of service. Alan brought a strong retail focus to the Z Board and has been particularly influential in the continued development of the Z retail offer and the development of strong customer experience capabilities across the Z team.

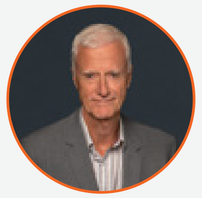
The Z Board and management team thank Al for his commitment to the Z Board.

Z Directors



Abby Foote
Joined
15 May 2013

Mark Malpass
Joined
30 October 2019



Steve Reindler
Joined
1 May 2017

Julia Raue
Joined
15 February 2016

Mark Cross
Joined
28 August 2015

Blair O'Keeffe
Joined
1 August 2018

Flick Energy Directors

Marcel van den Assum (Chair)

Matt Todd

Lindis Jones

Aimee McCammon

Aaron Snodgrass
(alternate for Matt Todd)

Scott Bishop
(resigned 31 March 2021)

Board Committee membership

The Z Board makes use of a number of Committees to ensure a clear focus on particular areas of the business. The following Corporate Governance Section references these Committees at various points and the table under Principle 2, requirement 2.4, outlines membership of Z's Board Committees and Director attendance as at the end of FY21.

The Z Board, continued

How we appoint the Board

The Z Board takes a structured approach to Board appointments and succession, ensuring the Board has the appropriate skills required to effectively execute its strategy. The process of evaluating and reviewing the Board's skills against what might be required in the future is ongoing and supplemented by professional, independent third-party review.

Capability building across the Board occurs through ongoing personal development and Board education programmes in targeted areas.

The Board's commitment to ensuring it has the right skills around capital management served Z well over FY21, with the Board and management working closely and effectively together with the capital markets and debt providers around recapitalising the company.

These skills remain vital to Z's future as the company resumes dividends, pays down debt and builds a more flexible and resilient organisation.

Z's Board has particularly strong skills in listed company governance, the liquid fuels industry and infrastructure management, and has increased its capability over FY21 in organisational transformation and management of significant change.

Directors' skills matrix as at 31 March 2021

Strategic context aligned to Director capability		Number of Directors with high and moderate capability	Balanced	Possible focus of future Board appointments	Focus of future Board learning
Creating value for investors by focusing on a safe and profitable core fuel business	**Strategic knowledge for scale oil** Brings extensive experience in the fuels industry with an emphasis on integrated downstream oil.	●●○	✓		
	Operating model transformation – balancing legacy and growth Former CEO, ideally brings large scale turnaround experience in an entity that has gone through significant change.	●●●○○○	✓		
	Heavy industry business (or similar) Extensive experience in engineering, construction and infrastructure and/or transport and logistics.	●●●○	✓		
	Finance and capital markets Former CFO or senior executive with extensive knowledge of financial strategy, cost optimisation and commercial acumen.	●●○○○	✓		
Delivering outstanding customer experiences while positioning ourselves for future disruption	**Retail transformation** Deep understanding of the retail business including value chain, customer experience transformation, supply and distribution.	●●○○	✓		
	Customer insight data and brand Brings extensive capability in customer innovation, brand and systems including data-driven marketing.	●○○		✓	
	Digitisation – back office and field Application of digital technology in physical retail. Expertise in customer-based app development and internet of things.	●○○		✓	
Remaining a people- and values-based company committed to future generations	**Listed company governance** Experience driving best practice in corporate governance, regulation, risk and compliance, and ESG.	●●●●○○	✓		
	HSE (Health and safety) Experience in workplace health and safety including knowledge of legal obligations and regulations.	●●●○○	✓		
	Sustainability and clean green energy Sustainability strategies to limit environmental impact including experience with alternative energy sources.	●○			✓

Key

● High Capability ○ Moderate Capability

All of these skills are highly relevant and important to Z's future.

Over FY21, the Board focused on increasing its capability in data and customer experience, as well as customer insight, brand and digitisation. These areas of focus will continue into FY22.

Last year Z reported it has been seeking an appropriately skilled and qualified new Director with particular skills in digital technology, data and customer experience since June 2019. This search was paused due to Covid-19 and will now resume. The market remains incredibly tight for people with these skills.

Increasing the Board's capability in Sustainability and Clean Energy also remains a focus for ongoing Board development.

The Z Board also measures itself on how diverse we are as a group, using a 'Diversity of Thought' measurement tool. Using this tool, we map the diversity of both the Board and Z Executive team so we fully understand how we think and work together and so we can be highly strategic in the recruitment processes for each group.

The year in the Z Board

Over FY21, the Z Board led the business through the Covid-19 pandemic, while in parallel refocusing the business on delivery of results as the company and the country moved through the Covid-19 crisis.

While Covid-19 was a major part of FY21, with a significant and enduring impact on Z's fuel volumes and earnings, the national lockdown began on 25 March — the last week of Z's FY20 year — and the country returned to Alert Level 1 on 8 June 2020.

With the first 10 weeks of FY21 in lockdown, Z was running a critical supply chain and all operational elements of its business were deemed 'essential services'.

All working remotely, the Z Board provided support to the Z management team, which was operating continuously under existing crisis management and pandemic plan structures. Alongside its operational crisis management team, Z also ran a strategic crisis team, with separate team members and structures to focus on the potential longer-term implications of the Covid-19 pandemic on the future for Z, for New Zealand and for global transport fuel supply chains.

Z's crisis strategy team was a focus for the Board, and Directors with skills and experience in global supply chain management and the broader fuels industry supported this team.

This work also focused on scenario planning, fuel demand forecasting and the potential impacts of the pandemic on operational infrastructure.

The Board's participation in this work was reflected in Z's pandemic response priorities. The insights generated through this work and the way the impacts of the pandemic were reported were valued by a wide range of stakeholders, including central government and investors.

Members of the Z Board with extensive capital market experience worked side-by-side with the Z team on the successful $347 million capital raise in May/June 2020 and to negotiate with Z's bankers.

In addition to strengthening Z's balance sheet with additional capital during the uncertainty of Covid-19, the Board made a decision not to pay the FY20 final dividend and to exercise its discretion not to make any annual Short Term Incentive bonus payments to Z people.

While managing lockdown conditions at the height of the pandemic, Z's Board and management continued discussions around the commitment to optimise the core business by reducing costs, holding market share, monetising Z's scale and carefully managing capital.

These four commitments were communicated to the market at the company's 1H21 results and they remain the operational focus for the company in FY22.

Consistent with these objectives, over FY21, $63 million in costs were cut from the business. Towards the end of FY21 the Board had supported management in making important decisions around the future shape of the company and the downstream transport fuels industry. In particular, Z committed to supporting the commercial transition of Refining NZ to a fuel import terminal, and decided to exit marine fuel oil barge operations.

The Z Board and management team reflected in depth on the lessons learned through the Covid-19 lockdown in order to maximise the effectiveness of its leadership and governance in an uncertain and rapidly changing context.

The focus for the Board now is on further optimising the core business, removing volatility, paying down debt and resuming dividend payments to shareholders.

Over the year the Z Board decided to align its own processes and procedures with a new performance management system across Z.

The Z Board, continued

Over FY21 Z rolled out a new system of managing quarterly performance and planning. This system delivers a clear set of company-wide objectives and key results (OKRs) in an integrated system of performance management and tracking delivery.

This system requires fortnightly discussions on performance and delivery with each Z team member. Results are recorded in the system allowing for tracking at both a company and an individual level and all levels in between.

The Z Board now uses an aligned performance monitoring process. Based on what it had learned from governing Z virtually through Covid-19, the Board agreed to meet quarterly for a full two-day in-person meeting (subject to external pandemic context) and to meet virtually for shorter periods in between these in-person meetings. Limiting in-person meetings supports Z's commitment to reducing travel, cost, and carbon emissions and provides leadership on these issues and Z's flexible working practices.

The two-day in-person meetings are scheduled to allow for an in-depth review of delivery and performance over the past quarter and to agree planning for the next quarter. This system is designed principally to support an overarching focus on delivery and execution.

These meetings are largely decoupled from Board Committee meetings, allowing for deep focus rather than a more time-constrained approach of 'getting through business' across a range of Board and Committee meetings.

We believe these changes will put the Board in the best position to most effectively lead Z's strategy delivery.

In September, the Z Board held a two-day offsite with the full Executive team.

The Board and Executive team agreed that 'optimising the core' was Z's single unifying purpose and agreed the metrics that demonstrate achievement of this purpose to be built into the OKR system for performance management and tracking delivery.

The priorities agreed to deliver on 'optimising the core' were:

- Strong focus on the size and speed of the cost reduction programme
- Focus on industry structures and in particular, maximising value where Z is relatively advantaged
- Focus on the operation of the supply chain under the new regulatory regime
- The value of Z's data and digital capabilities.

Again supporting the tight focus on delivery into FY22, the Z Board and Executive have agreed a 'performance contract' to measure and review progress on these priorities at each Board meeting.

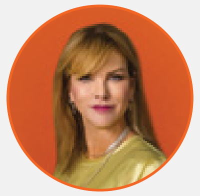
More broadly, the Z Board maintained a rigorous focus on risk management over the year, including new risks raised by the pandemic and the evolving challenges presented by climate change and cybersecurity.

The Board and Executive team agreed that 'optimising the core' was Z's single unifying purpose.

Tō tātou kāhui amorangi

Our Executive Team

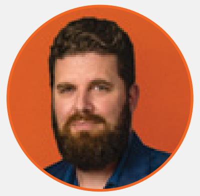
Mike Bennetts
Chief Executive Officer
Joined 1 April 2010



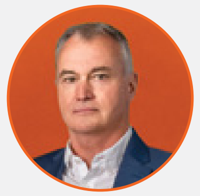
Debra Blackett
General Counsel and Chief Governance Officer
Joined 2 June 2015

Lindis Jones
Chief Financial Officer
Joined 10 May 2010

Helen Sedcole
Chief People Officer
Joined 29 January 2018



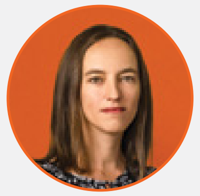
Julian Hughes
General Manager, Strategy and Risk
Joined 16 February 2015



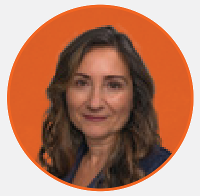
Andy Baird
General Manager, Retail
Joined 1 April 2019

Nicolas Williams
General Manager, Commercial
Joined 7 June 2011

David Binnie
General Manager, Supply
Joined 8 September 2014



Mandy Simpson
Chief Digital Officer
Joined 19 February 2019



Figen Ulgen
Chief Customer Officer
Joined 1 February 2021

Jane Anthony left Z in December 2020 and was replaced as Chief Customer Officer by Figen Ulgen on 1 February 2021.

Tā tātou tautuku ki Ngā Tikanga o NZX Rangatōpū Kāwanatanga

How we comply with the NZX Corporate Governance Code

The NZX Corporate Governance Principles

The NZX Corporate Governance Code was launched in 2017 and covers eight principles. These principles seek to "reflect internationally accepted corporate governance practices, which are intended to protect the interests of and provide long-term value to shareholders while also seeking to reduce the cost of capital for issuers".

The Z Board seeks to go well beyond these eight principles in its disclosure and reporting to shareholders and stakeholders. While much of this content has been covered elsewhere in this report (see 'How we report' on page 4) we also report briefly against each principle for completeness and to provide summary compliance information for those that seek it.

How we meet these conditions

Over FY21, Z has fully complied with the NZX Corporate Governance Code.

During the period, no significant fine or monetary sanction has been imposed against Z by any government authority. Nor has Z been made aware that it had broken any material law.

Z is not aware of any material non-compliance with environmental laws and/or regulations.

On 30 April 2020 Alan Dunn resigned from the Z Board after 10 years of service. The Board is working on filling this vacancy in line with its approach to Board appointments on pages 48–49.

Z was granted a waiver from NZX Listing Rule 4.5.1 on 11 May 2020 to allow a placement of up to 30 percent of Z shares without requiring approval by ordinary resolution by shareholders.

This related to Z's equity capital restructure response to the Covid-19 crisis. The waiver included a number of conditions such as requiring that existing Z shareholders would be given priority to obtaining a pro-rata allocation in the placement, an application of $50,000.00 per shareholder, and the requirement to subsequently disclose the proportions of existing shareholders and other investors that participated in the Placement and the allocation policy used to determine allocations in the Placement.

The NZX ruling stated that it was satisfied that the structure of the placement together with Z's proposed share purchase plan was such that almost all retail shareholders had a sufficient opportunity to maintain their pro-rata shareholding in the share purchase plan alone, and in doing so, met the policy objective underpinning the relevant listing rules.

The following section refers frequently to Z Board Charters and the charters for Board Committees, as well as codes, policies and other core corporate documents. All of these documents can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

PRINCIPLE 1 CODE OF ETHICAL BEHAVIOUR:

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Z has a clearly articulated Code of Conduct, which is one of Z's foundation documents. This is our code of ethical behaviour, but it goes well beyond ethics.

It sets clear standards of ethical and appropriate behaviour. All staff, including Directors and the leadership team, are expected to hold each other to account for the standards set in this document.

Our Code of Conduct can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

1.1 – The board should document minimum standards of ethical behaviour to which the issuer's directors and employees adhere to (a code of ethics).

The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly The standards may be contained in a single policy or more than one policy.

The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:

a. acts honestly and with personal integrity in all actions;

b. declares conflicts of interest and proactively advises of any potential conflicts;

c. undertakes proper receipt and use of corporate information, assets and property;

d. in the case of directors, gives proper attention to the matters before them;

e. acts honestly and in the best interests of the issuer, as required by law, and takes account of interests of shareholders and other stakeholders;

f. adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted);

g. adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and

h. manages breaches of the code.

The Code of Conduct also applies to secondees, contractors, consultants, 100 percent-owned subsidiaries and all Directors, which we define collectively as 'Z People'.

The Code outlines Z's values, policies, the responsibilities of Z as the employer and those of all individual line managers of people. The Code also sets out Z's obligations to our neighbourhoods, stakeholders and Government, and contractors and suppliers.

Additionally, the Code outlines some of our obligations related to financial reporting, commercial conduct, and company assets, information and equipment.

Z has an overarching internal Security Policy that supports our commitment to operating a safe and secure business. This Policy enables Z to prepare for, and be able to respond to, security threats and incidents to protect our people, information and assets.

The Code of Conduct also provides a range of escalation procedures for reporting ethical breaches, including the assurance of anonymity for whistle-blowers, consistent with the Protected Disclosures Act 2000.

It indicates the expectations of all Z people in relation to conflicts of interest, acceptance of gifts, bribery and corruption, and confidentiality. All Z people are provided with training and become familiar with the Code of Conduct when starting at Z. All Z people are expected to adhere to the Code of Conduct. It is a condition of entering and remaining in Z's employment.

In FY21, Z extended its commitment to ethical conduct by publishing its first Modern Slavery Statement under the Australian Modern Slavery Act 2018 as part of Z's obligations under its ASX listing at https://modernslaveryregister.gov.au/statements/765/

The notion of modern slavery in New Zealand is unfortunately not as far-removed as it might sound. In July 2020 a Hawke's Bay horticulture labour contractor was sentenced to 11 years in jail for people trafficking and slavery.

Z's Modern Slavery Statement outlines how Z ensures exploitative practices such as forced labour, debt bondage, forced marriage, people trafficking, and child labour are not part of Z's operations or supply chain either directly or indirectly, noting that in New Zealand, franchised retail service station operations have been identified as a potential area of risk.

Z will take a multi-year path to fulfilling this responsibility, starting by identifying the highest risk areas and the most direct relationships we hold and then moving deeper into the indirect networks supporting our business.

In anticipation of the commitment to modern slavery eradication, in July 2020, Z launched a new Supplier Code of Conduct. This includes an expectation of all employees and subcontractors, parents, subsidiaries and affiliates providing products or services to Z to account for applicable laws, regulations and ethical standards such as the Modern Slavery Act: https://z.co.nz/about-z/what-matters/sustainability/working-with-our-suppliers/supplier-code-of-conduct/

Z commits to conducting regular assessments of compliance with its Supplier Code of Conduct and reserves the right to request documentation that demonstrates compliance.

PRINCIPLE 1 CODE OF ETHICAL BEHAVIOUR: continued

1.2 – An issuer should have a financial product dealing policy which applies to all employees and directors.

Z's Board and management are committed to the integrity of financial markets and to ensuring compliance with all the regulatory market requirements upon it.

Z's Securities Trading Policy is a critical part of this commitment. The Policy aims to ensure that every member of the Z team is aware of their obligations and legal requirements in relation to the trading in Z securities. The Policy applies to all Directors, officers, employees and contractors to Z, who intend to deal in Z Restricted Securities.

Previously called the Insider Trading Policy, the name of the Policy has been updated to make it obvious it applies to all Z-listed securities and bonds as well as equities. Other key changes made to the Policy are:

- Addition of a clause that the Policy applies not only to information concerning Z Energy Restricted Securities but also if individuals have inside information relating to quoted financial products of any other listed issuer;
- Clarity that the Policy does not extend to dealings in securities over which individuals have no ability to exercise any influence or control over dealing, such as a superannuation fund or managed fund;
- Addition of a clause allowing exceptions for Restricted Persons or employees in possession of inside information to accept an offer made to all shareholders pursuant to the New Zealand Takeovers Code;
- Addition of a clause that any known non-compliance of the Policy should be notified to the General Counsel and Chief Governance Officer, or confidentially to the Whistleblower service;
- Updates to role title names for Restricted Persons to whom additional rules apply.

The Securities Trading Policy can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

PRINCIPLE 2 BOARD COMPOSITION AND PERFORMANCE:

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

The Z Board seeks to ensure it is balanced with a diverse and complementary set of skills, backgrounds, experience and thinking. Over FY21 this balance of complementary skills proved particularly valuable as the Board balanced the governance of significant risk, operational, industry and capital structure matters. The Board makes appointments using a rigorous process, and partners in international Director recruitment, to ensure the right skills are on the Z Board at the right time and that it actively manages Board succession.

2.1 – The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.

Z's Board operates under a written Charter.

Z's Board Charter sets out how the Board exercises and discharges its powers and responsibilities in relation to Z's business and affairs. The Charter sets out the role, composition, responsibilities and duties, procedures, powers and authority, and review and accountability of the Board, the Chief Executive Officer and the Executive team.

This Charter is important in clarifying the functions of governance and management. It enables general Board oversight, including of management's implementation of Z's strategic objectives and performance.

The Charter can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

Z's Board Charter describes the procedure for nomination of potential candidates for appointment as Directors.

Potential candidates are recommended by Z's People and Culture Committee following consultation with external recruiters and are then considered by the Board.

2.2 – Every issuer should have a procedure for the nomination and appointment of directors to the board.

Board quality and capacity is, somewhat obviously, important. For context, in January 2021 the world's largest investor, Blackrock, noted that:

We are raising our regional expectations for director independence and director capacity to serve, reflecting our reliance on strong, engaged, and effective boards to look after investors' long-term economic interests.

Z has robust processes to support this sentiment.

A candidate must demonstrate appropriate qualities and experience, be able to commit the time needed to their role and meet certification requirements of the NZX and ASX. They must be free of conflicts of interest.

Assessments of overall Board diversity and thinking styles, including the fit of potential new Directors, is an integral part of this process.

The Board maintains a live skills matrix which records the mix of experience and expertise of the current Board and the future strategy and business needs to be considered for future appointments. This was updated in February 2021 as part of an independent Board evaluation. For more information on this skills matrix see page 48.

Directors are appointed depending on the specific needs of the Board at the time of appointment. Their independence, qualifications, skills and experience and the diversity of their thinking are all actively considered and reviewed.

All new Directors must undergo induction, familiarise themselves with the Z Board Charter, charters of the Z Board Committees and other key governance policies and documents.

The Charter outlines the procedure for nomination and appointment of Directors.

Directors are also expected to continuously educate themselves to effectively perform their role.

The Charter can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

PRINCIPLE 2 BOARD COMPOSITION AND PERFORMANCE: continued

2.3 – An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

Z enters into written agreements with all new Directors.

These agreements establish the terms and conditions of their appointment, including compliance with the Z Constitution, the Board and Committee Charters, and Board policies. This year the Board resolved that part of the agreement between Z and individual Directors will be a requirement to hold the equivalent of a year's Director's fee in Z shares within three years of appointment unless specific individual circumstances apply.

Directors also undergo a structured induction and training process which includes an introduction to Z's foundation document, the 'Z Why', and one-to-one engagement with each member of the Executive team and the CEO.

Z currently has six Directors and typically manages the number of Directors between six and eight (the maximum under the Z constitution).

While there is no formal requirement around maximum Director tenure, Z actively monitors this and plans for succession. Z is very mindful around Directors 'staying for too long' and seeks a mix of levels of experience across the Board to ensure the right balance between fresh thinking and strong industry knowledge and experience.

2.4 – Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests and director attendance at board meetings.

There are currently six Directors that serve on the Z Board. All are independent, including the Chair. There are no executive or non-independent Directors on the Board.

There are currently two women on the Board, one of whom is Chair of the Board, the other is Chair of the People and Culture Committee. The Board is committed to a target gender split of 40/40/20. Continued progress towards this target will be actively considered in all Director succession planning and recruitment.

Board profiles can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/board-of-directors

For details on Directors' interests in shares and bonds, see page 85.

Attendance at Board meetings

Directors attended the following Board and Board Committee meetings during the year

Director	Board meetings	ARC	PCC	SWC
Total number of meetings held	**7**	**4**	**3**	**5**
Abby Foote	7/7	-	3/3	5/5
Mark Cross	7/7	4/4	-	4/5
Julia Raue	7/7	-	3/3	5/5
Stephen Reindler	7/7	4/4	-	5/5
Blair O'Keeffe	7/7	-	3/3	5/5
Mark Malpass	7/7	4/4	-	5/5
Alan Dunn*	1/1	-	-	-

*Alan Dunn retired from Z's Board on 30 April 2020.

Other Z subsidiary Directors

Z Subsidiary	Names of Directors
Z Energy LTI Trustee Limited	Julia Raue
	Grant Glendinning
	Ben Rodgers (retired 5 June 2020)
Z Energy ESPP Limited	Julia Raue
	Grant Glendinning
	Ben Rodgers (retired 5 June 2020)
Z Energy 2015 Limited	Abby Foote
	Mark Cross
	Mark Malpass
	Julia Raue
	Stephen Reindler
	Blair O'Keeffe
	Alan Dunn (retired 30 April 2020)

2.5 – An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.

Z is committed to a culture that promotes and values diversity and inclusiveness. This is reflected in our Diversity and Inclusion policy which applies to all Z people and sets out processes for annual review of the organisation's performance against the policy and how it will be measured. The Board recognises that while Z has a clear plan to increasingly build diversity into our business and we have made some progress, there is more work to be done. Please refer to pages 38–41 for more information on Z's commitments in the Diversity and Inclusion space. Z's Diversity and Inclusion policy can be read here: https://investors.z.co.nz/corporate-governance/governance-overview

Total number of employees by employment contract (permanent and temporary) by gender

Employee Type	Female	Male	Non Binary/Not Disclosed	Total
Permanent	183	292	1	476
Fixed Term	11	11	0	22

Total number of employees by employment contract (permanent and temporary) by gender

Region	Female	Male	Non Binary/Not Disclosed	Total
Auckland	45	61		106
Canterbury	2	43		45
Otago	1	3		4
Mini-Tankers Driver		11		11
Bay of Plenty	2	9		11
Hawke's Bay		3		3
Nelson		9		9
Wellington	143	158	1	302
Home Office	1	6		7

PRINCIPLE 2 BOARD COMPOSITION AND PERFORMANCE: continued

Total number of employees by employment type (full time and part time), by gender

Employee Type	Female	Male	Non Binary/ Not Disclosed	Total
Full Time	160	299	1	460
Part Time	19	4		23
On Parental Leave	15			15

***Notes re total employees tables**

1. Twenty contractors were engaged in the year, predominantly to provide additional digital capabilities.
2. Variations across the numbers above are due to the operational side of the business, with more males employed in those roles which are predominantly based in regions outside of the main centres.
3. This data has been extracted from Z's payroll system.

Gender pay ratios

Our primary method for tracking gender pay internally measures the gap across all career levels excluding the Executive, as their remuneration is driven by market rates for their individual roles. When excluding our Executive, the gender pay gap across Z in FY21 was 2 percent in total. However, the methodology that is required to be reported in this section includes our Executive and CEO, whose higher remuneration influences these figures significantly.

The ratios of female to male average pay for Z's permanent employees at 31 March 2021 are set out below.

Significant locations of operation are those regions where at least 20 males and females are employed.

Ratio of basic salary and remuneration of women to men

By significant location of operation	Wellington	Auckland
Average base salary woman to man	0.87:1	0.88:1
Pay gap	13%	12%

Ratio of basic salary and remuneration of women to men for each employee category

By role	Wellington	Auckland
Leader of Self	0.95:1	0.91:1
Senior Leader	0.95:1	0.81:1
People Leader	0.92:1	0.97:1
Exec	0.66:1	n/a

The age groups of Z's permanent employees and Board at 31 March 2021

Age	% Employees	% Board
Under 30 years	16%	0%
30–50 years	60%	0%
Above 50 years	24%	100%

The ethnicities of Z's permanent employees and Board at 31 March 2021

Ethnicity	% Employees	% Board
NZ European/Pākehā	64%	100%
European	12%	0%
Asian (including Indian and Pakistan)	15%	0%
Other Ethnicity	2%	0%
Information Not Provided	1%	0%
Middle Eastern/Latin American/African	2%	0%
Māori	3%	0%
Pacific Islander	1%	0%

The number of Z permanent employees and Board with dependants at 31 March 2021

Dependants	Number
No	193
Yes	256
Not disclosed	49

Parental leave

Total number of employees that were entitled to parental leave, by gender

Female	Male	Non Binary/ Not Disclosed	Total
194	303	1	498

Total number of employees that took parental leave, by gender

Female	Male	Non Binary/ Not Disclosed	Total
13	0	0	13

Total number of employees that returned to work in the reporting period after parental leave ended, by gender

Female	Male	Non Binary/ Not Disclosed	Total
12	1	0	13

Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender

Female	Male	Non Binary/ Not Disclosed	Total
17	5	0	22

Return to work and retention rates of employees that took parental leave, by gender

	Female	Male	Non Binary/Not Disclosed
Return to work rate	85	100	NA
Retention rate	72	100	NA

PRINCIPLE 2 BOARD COMPOSITION AND PERFORMANCE: continued

Number of employees by education level

Education Level	Number
Tertiary	285
Post Graduate	113
Secondary	60
None or unknown	40

Z's capability-led strategy relies on all people developing their capability in Customer Experience (CX), innovation and digitisation. A CX-blended learning pathway is available for all staff, and over 80 percent have completed it so far. Our previous work in partnership with Microsoft to embed Microsoft 365 and upskill our people in digital capabilities via a scenario-based learning programme paid off as we entered lockdown, with our corporate workforce able to seamlessly transition to working remotely without an impact on productivity.

We have recently targeted capability build in CX for specialist roles, starting with product managers. A product management capability framework has been developed and is now in use for development planning for product managers, supported by online learning resources and a community of practice. In addition, capability has been built with our Segment Managers and Experience Owners in the development of strategies and effective evaluation of the initiatives that deliver on strategy.

Ways of Working (WOW) principles have been further developed and embedded across Z, with our WOW coaches building agile, lean and human-centred development capability. We have embedded these principles within the Z How — the operating model we have designed this year which will allow us to manage and evaluate ideas into clear road maps for the key parts of our business, prioritise what matters most and then deliver this at pace on a rolling quarterly cadence. E-learning to support the implementation of the Z How has been built, initially focusing on idea management.

Z delivers training and programmes through online learning modules using SAP's Litmos learning management system.

Z's revised Leadership Framework was launched early in FY21 to reflect changing expectations of leadership. Everyone at Z is a Leader and Covid-19 demonstrated how fit for purpose this revised framework is for leading through increasingly volatile times. A Learning and Development programme which supports all employees to develop these skills will be rolled out in FY22, beginning with our senior leaders.

Blended learning programmes have been tailored for frontline operations staff at Terminals and the Biodiesel plant. Z has partnered with Otago Polytech EduBits to add micro-credentials to Terminals training for the Wharf Attendant role, and intends to expand the programme if this is successful.

EAP Services Limited provides career coaching and is available to all staff and their immediate families.

Outplacement and career coaching services are provided by CDL Insight Consulting.

Diversity of governance bodies and employees

Percentage of individuals by gender, age and ethnicity

	% Employees		% Exec		% Board	
	FY21	FY20	FY21	FY20	FY21	FY20
Gender						
Female	39%	37%	40%	40%	33%	29%
Male	60%	63%	60%	60%	67%	71%
Non Binary/Not Disclosed	1%	1%	0%	0%	0%	0%
Age Group						
Under 30 years	16%	15%	0%	0%	0%	0%
30–50 years	60%	62%	40%	50%	29%	43%
Above 50 years	24%	23%	60%	50%	71%	57%
Ethnicity						
NZ European/Pākehā	64%	60%	80%	80%	100%	100%
European	12%	13%	20%	20%	0%	0%
Asian (including Indian and Pakistan)	15%	14%	0%	0%	0%	0%
Other Ethnicity	2%	3%	0%	0%	0%	0%
Information Not Provided	1%	1%	0%	0%	0%	0%
Middle Eastern/Latin American/African	2%	2%	0%	0%	0%	0%
Māori	3%	5%	0%	0%	0%	0%
Pacific Islander	1%	2%	0%	0%	0%	0%

Notes

The age groups of Board members were incorrectly stated in the FY20 report.

The standard deviation of Director age is 6.86 years.

PRINCIPLE 2 BOARD COMPOSITION AND PERFORMANCE: continued

New employee hires and employee turnover

Total number and rate of new employee hires during the reporting period, by age group, gender and region

	Number	Rate
Gender		
Female	31	54%
Male	26	46%
Non Binary/Not Disclosed		
Region		
Auckland	10	18%
Canterbury	1	2%
Otago	1	2%
Mini-Tankers Driver	3	5%
Bay of Plenty	0	0%
Hawke's Bay	0	0%
Nelson	0	0%
Wellington	42	74%
Home Office	0	0%
Age Groups		
Under 30 years	22	39%
30–50 years	31	54%
Above 50 years	4	7%

Total number and rate of employee turnover during the reporting period, by age group, gender and region

	Number	Rate
Gender		
Female	26	34%
Male	50	65%
Non Binary/Not Disclosed	1	1%
Region		
Auckland	23	30%
Canterbury	3	4%
Otago	1	1%
Mini-Tankers Driver	4	5%
Bay of Plenty	0	0%
Hawke's Bay	1	1%
Nelson	1	1%
Wellington	43	56%
Home Office	1	1%
Age Groups		
Under 30 years	14	18%
30–50 years	47	61%
Above 50 years	16	21%

2.6 – Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.

Z is committed to the continuous education of the Board. According to the Z Board Charter, all Directors are expected to continuously educate themselves to ensure they have the appropriate expertise to perform their duties effectively.

This year, the development opportunities for the Board provided by Z focused on structured 'deep dive' education sessions on the following issues:

- Covid-19 — the potential for resurgence and safety implications
- Building the capability of Z people
- Robberies and risk of abuse/wellbeing of staff
- Safety and Wellbeing/environment risk management
- Z's process safety management framework
- Retail operational risk management
- Z Loyalty activity (Pumped, FlyBuys, data-driven programmes and offers)
- Cyber risk — loss/exposure of customer/sensitive data
- Cyber risk — loss of control/access to Z systems or data
- Cyber risk — ransomware.

Individual Directors also pursued a range of external training and development, including attending sessions on governing through crisis, the need for clear business purpose, governing climate change risk, building governance capability, boardroom behaviour and attending the annual Corporate Governance Symposium.

Individual Directors also conducted safety 'walk and talks' (SWATS) as part of Z's operational risk management system including meeting with Z Mini-Tanker drivers, visiting the Te Kora Hou Biodiesel plant, and inspection of the Seaview pier facilities, including an update on asset management and strategy.

For FY22, areas targeted specifically for Director development include developing a coherent ESG strategy bringing together all the various activity streams across Z and setting clear future goals and commitments; a deep dive into the global status and development of future fuels; further deep dives on climate change risk; and work on the future of Z's retail business.

PRINCIPLE 2 BOARD COMPOSITION AND PERFORMANCE: continued

2.7 – The board should have a procedure to regularly assess director, board and committee performance.

The Z Board's People and Culture Committee is responsible for overseeing the annual evaluation process of the Z Board and Board Committees. As a condition of the Z Board Charter, the Board annually reviews and evaluates the performance of the Board, Committees and individual Directors.

This year the Z Board was reviewed by independent experts, including an organisational psychologist, in December 2020.

This process included attendance by the independent assessors at the full set of in-person Board and Committee meetings, one-on-one interviews with each of the Directors and key Executive team members, and reviews of Board papers, agendas, and minutes.

Feedback is provided to the Board as a collective, and individual feedback is given to each Director privately followed by individual conversations with the Board Chair.

The outcome of the review was discussed with the Board in February 2021. The report noted that systems, policies and processes are seen to be in good shape, with a rigorous framework in place and strong commitment to best practice. It also noted there is a strong collective skill set and all Directors are engaged and contributing strongly. The key recommendation for the Board was around generating more clarity on future strategy and using this clarity to focus diversity of thought and enhance Board cohesion.

This had previously been identified as an area of Board focus. Future strategy was addressed at the February Board meeting following the Board's discussion on the broader Governance review. The Board also agreed that strategic choices will remain an area of focus over FY22.

2.8 – A majority of the board should be independent Directors.

One hundred percent of the Board is independent. In order for a Director to be considered independent, the Board must affirmatively determine that the Director does not have a disqualifying relationship or material relationship with Z Energy.

Additionally, the Chair's other commitments must not be such that they are likely to hinder the Chair's effective performance of the role.

2.9 – An issuer should have an independent chair of the board. If the chair is not independent, the chair and the CEO should be different people.

Abby Foote is Z's independent Chair of the Board. The roles of Z's Chair and the CEO are required to be held by different people.

PRINCIPLE 3 BOARD COMMITTEES:

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

The Z Board has a number of Committees, providing specialist areas of focus on core parts of the business, such as Safety and Wellbeing, People and Culture, and Risk. Details of these Committees and Director attendance at their meetings is on page 56.

3.1 – An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not the chair of the board.

Z's Audit and Risk Committee (ARC) operates under a written charter. All members (100 percent) of the ARC are independent Directors and the Chair of the ARC is not the Chair of the Board.

The ARC Charter can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

3.2 – Employees should only attend audit committee meetings at the invitation of the audit committee.

Z's employees only attend ARC meetings at the invitation of the Committee. Committee meeting procedure is outlined in the ARC Charter.

3.3 – An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.

Z's People and Culture Committee (PCC) performs the duties of a remuneration committee and it operates under a written charter.

The PCC guides and reviews Z's People and Culture and Remuneration strategies. This involves reviewing short- and long-term incentive offers, and Z's structures and policies to ensure they support the delivery of Z's strategy and business plans. The PCC subsequently makes recommendations to the Board. The PCC also approves Z's annual remuneration budget.

The PCC agrees on remuneration of the CEO, the Board and the Executive. This element of the PCC's role involves approving performance criteria for the CEO. The Board Chair is responsible for the CEO's performance review. The PCC approves CEO remuneration and recommends incentive payments or other adjustments to CEO remuneration to the Board, considering the CEO's performance review with the Board Chair.

The PCC establishes, develops and oversees a formal and transparent process for the Board to review and evaluate the performance of the overall Board, the Board Committees, and individual Directors, and to determine appropriate Board remuneration subject to approval by shareholders as required by the NZX Main Board and Debt Market Listing Rules.

It is the responsibility of the PCC to review and provide oversight of diversity and inclusion within the Z Group. This is particularly relevant in the context of providing assurance that Z's remuneration practices are checked for bias and in support of Z's commitment to closing the gender pay gap.

Management only attend PCC meetings if invited by the Committee. The PCC Charter can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

PRINCIPLE 3 BOARD COMMITTEES: continued

3.4 – An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.

The People and Culture Committee (PCC) assists the Board with succession planning and recruitment for the Board, CEO, Executive and other agreed key people.

The PCC directly designs and implements Z's succession planning for the Board, including the Chair of the Board, and the CEO. The succession planning strategy addresses continued effective composition, necessary and desirable skills, experience, knowledge, diversity and judgement and appropriate size of the Board.

The PCC identifies and recommends individuals for nomination to be members of the Board and Board Committees to ensure the effective composition of both. The PCC considers factors such as skills, experience, qualification, tenure (if applicable), diversity, judgement, the ability to work with other Directors, fit with the culture of Z, and current and future ability to lead and support Z's strategy.

This year the Board asked to see more key talent as part of their commitment to managing succession, particularly senior leaders identified as potential Executive team successors.

The PCC consults as required with the CEO over appointments to the Executive team. This year Z appointed Figen Ulgen as Chief Customer Officer. Figen began working at Z on 1 February 2021, following the departure of Jane Anthony in December 2020 after 11 years in senior management roles.

Before immigrating to New Zealand and working as Head of Analytics and Insight at Countdown, Figen held senior executive roles at Intel and Microsoft in the USA, after working with McKinsey in her home country, Turkey.

Figen holds a Bachelor of Science and Computer Engineering and a Master of Science in Artificial Intelligence from Florida Institute of Technology (USA) where she held a Fulbright Scholarship. She published her PhD in Machine Learning while studying in Japan under a Government scholarship.

Figen adds proven expert executive capability in the areas of digital technologies, data and analytics, product management and development to the Z Executive team.

The PCC Charter can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

3.5 – An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identity the members of each of its committees, and periodically report member attendance.

The Board has appointed three standing Board Committees to assist in carrying out its responsibilities and has accordingly delegated responsibilities, powers and authority to those Committees.

These Committees assist the Board by focusing on specific responsibilities in greater detail than is possible for the Board as a whole. The Board ensures that each Committee has access to adequate resources to perform its functions effectively and efficiently.

The Audit and Risk Committee (ARC) has the responsibility of assisting the Board in ensuring oversight of all matters relating to risk management, including verification that there are appropriate processes to identify and manage risk, financial management and controls, and the financial accounting, audit and reporting of Z.

The People and Culture Committee (PCC) guides and reviews the People and Culture Strategy and policies. It provides assurance to the Board that the strategy and policies are designed and implemented effectively and are fully compliant with all legislative and listing requirements. The PCC also oversees all people policies including remuneration frameworks.

Over FY21 the Health Safety Security and Environment (HSSE) Committee changed its name to the 'Safety and Wellbeing Committee' reflecting the changes made in the business and an increasing focus on holistic wellbeing as well as physical health.

This was a key focus for Z during the Covid-19 lockdowns and is aligned with stakeholders' concern around organisational resilience and wellbeing. Over the year considerable progress was made at Z on developing accessible wellbeing resources and leadership.

The Board Committee charters can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

3.6 – The board should establish appropriate protocols that set out the procedure to be followed if there is as takeover offer for the issuer including any communication between insiders and the bidder. The board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.

Z adopted its Takeover Response Policy in 2019 to assist the Board and management if Z receives an offer or an approach by a potential acquirer for a controlling stake in Z.

The purpose of the Policy is to ensure that Z is well-prepared for any approach and therefore will be better able to control the takeover response process, and respond to any approach in a professional, timely and co-ordinated manner. Such a response will ensure that any approach is properly managed in the best interests of Z and its shareholders.

Z has a takeover response manual for reference by the Board and relevant senior management to assist in the effective operational management of any potential takeover offer.

While acknowledging a takeover is not a crisis, the Z crisis management plans and pandemic response plans proved to be highly effective and accessible in developing frameworks, responses, roles and responsibilities. The format for Z's takeover response manual is also familiar to Z people.

Z's Takeover Response Policy sets out specific obligations that apply to Directors, the CEO and the CFO, as well as certain other employees who may be involved in a takeover response process.

In the event of an offer or approach occurring, the material contained in the Policy would be supplemented by Z's management and external advisers at the time.

The Takeover Response Policy can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

PRINCIPLE 4 REPORTING AND DISCLOSURE:

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

This report seeks to demonstrate the Z Board's commitment to high-quality disclosure and reporting to shareholders and stakeholders. Z places a high value on transparency and the relevance and quality of its financial and non-financial reporting and seeks to make appropriate market disclosures in a timely fashion.

4.1 – An issuer's board should have a written continuous disclosure policy.

Z's Market Disclosure Policy ensures the company keeps Z's investors and markets informed through a clear and balanced approach that communicates both positive and negative developments.

The Board is committed to providing timely, consistent, accurate, and credible information to the market.

Z's standing Disclosure Committee is responsible for ensuring Z's compliance with its disclosure obligations. The Committee consists of the Board Chair, the ARC Chair, the CEO, the CFO, Z's Corporate Communications and Investor Relations Manager, the General Counsel and Chief Governance Officer.

The CEO and the Executive team are required to provide all material information to the Disclosure Officers. The Disclosure Committee also monitors external markets to ensure it is complying with external requirements.

The Market Disclosure Policy can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

As part of Z's commitment to continuous disclosure, and in response to high levels of investor and stakeholder uncertainty around the impacts of Covid-19, Z committed on 9 April 2020 to disclosing weekly fuel volume data to the markets in response to requests for greater clarity around fuel market trading conditions during the Covid-19 pandemic.

This level of disclosure is unique in the fuel market and has been welcomed by investors and stakeholders.

4.2 – An issuer should make its code of ethics, boards and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.

Z's Investor Centre on its website (www.z.co.nz/investor) contains a Corporate Governance section which holds the Z Board Charter and the Charters for Z's Sub-Committees. This section also includes Z's Code of Conduct and all other Z policies for public consumption.

All key governance, policy and disclosure documents are available on the Z Investor Centre website.

4.3 – Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.

Z's Executive team is responsible for implementing and maintaining appropriate accounting and financial reporting principles, policies, and internal controls designed to ensure compliance with accounting standards and applicable laws and regulations.

Z's external auditor is KPMG. KPMG is responsible for planning and carrying out each external audit and review in line with applicable auditing and review standards. They are accountable to shareholders through the ARC and the Board respectively.

The Z Board retains overall responsibility for financial reporting.

The ARC makes sure that it and the full Board are sufficiently informed about best-practice financial reporting and Z's operations to know whether financial reporting is fit for purpose.

The ARC reviews Z's risk-management systems and receives quarterly reports relating to risk management from Z's risk and assurance function and from management.

Additionally, two certifications from Z's risk and assurance function are generated every year, providing assurance to the Board that Z's financial records have been properly maintained, and that the financial statements comply with generally accepted accounting principles and give a true and fair view of Z's financial position and performance.

Non-financial reporting

Z is committed to best-practice reporting and transparency at all levels of the organisation. This currently includes reporting against the Global Reporting Initiative (GRI) and Integrated Reporting <IR> guidelines and this report is the fifth annual report using these frameworks.

Both the GRI and <IR> guidelines are recognised by the Sustainable Stock Exchanges Initiative. Z also complies with NZX's Environmental, Social and Governance guidance and reports against the United Nations Sustainable Development Goals.

Z also reports against the Task Force on Climate-related Financial Disclosures (TCFD) and the Australian Modern Slavery Act 2018 (see 'How we report' on page 4, 'TCFD Report year two' on pages 32–37, 'Principle 1.1' (modern slavery) on page 53, and 'TCFD Index' on pages 127–128).

The ARC makes sure that it and the full Board are sufficiently informed about best-practice financial and non-financial reporting.

PRINCIPLE 5 REMUNERATION:

"The remuneration of directors and executives should be transparent, fair and reasonable."

5.1 – An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.

Directors' fees

The Board determined that there would be no increase in Director fees this year. The last increase in the Z Board remuneration was in 2017.

None of the Z Directors are entitled to any remuneration from Z other than Directors' fees and reasonable travel, accommodation and other expenses incurred in the course of performing duties or exercising powers as Directors.

No Directors are entitled to any retirement benefits. In addition to Directors' fees, additional fees are paid to the Chair and members for work carried out by Directors on various Board committees to reflect the additional time involved and responsibilities of these positions.

The current total remuneration pool for Z's non-executive Directors at 31 March 2021 is $1,100,000 per annum.

	Board fees	ARC fees	PCC fees	SWC fees	Total remuneration
Abby Foote* Chair, Board of Directors Member, ARC Member, SWC	$185,000	-$4,194		$10,000	$190,806
Mark Cross Board of Directors Chair, ARC Member, SWC	$97,000	$20,000		$10,000	$127,000
Julia Raue Board of Directors Chair, PCC Member, SWC	$97,000		$20,000	$10,000	$127,000
Stephen Reindler Board of Directors Chair, SWC Member, ARC	$97,000	$10,000		$20,000	$127,000
Blair O'Keeffe Board of Directors Member, PCC Member, SWC	$97,000		$10,000	$10,000	$117,000
Mark Malpass Board of Directors Member, ARC Member, SWC	$97,000	$10,000		$10,000	$117,000
Alan Dunn** Board of Directors Member, ARC Member, SWC	$8,084		$833	$833	$9,750

* Abby Foote returned $4,194 in Audit and Risk Committee fees paid in error.
** Alan Dunn retired from Z's Board on 30 April 2020.

5.2 – An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.

Approved Director remuneration for FY21

	Position	Fees (per annum)
Board of Directors	Chair	$185,000
	Non-executive Director	$97,000
Audit and Risk Committee (ARC)	Chair	$20,000
	Member	$10,000
People and Culture Committee (PCC)	Chair	$20,000
	Member	$10,000
Safety and Wellbeing Committee (SWC)	Chair	$20,000
	Member	$10,000

Flick Energy Directors' remuneration received in FY21

The data in this table relates to Flick Energy Director remuneration. No other payments were made to Flick Energy Directors.

	Board Fees
Marcel van den Assum	$81,000
Scott Bishop	$-
Matt Todd	$54,000
Aimee McCammon	$45,000
Lindis Jones	$-
Total	**$180,000**

PRINCIPLE 5 REMUNERATION: continued

CEO and senior officer total remuneration for FY21

We believe in creating a clear link between performance and reward. We report on remuneration earned for the respective year of performance rather than remuneration paid as a more appropriate way of illustrating how pay relates to performance. This means this reporting includes cash bonuses earned over the course of the FY21 year even though they will not be paid until May 2021/FY22.

Although it is not required in New Zealand, we have disclosed the remuneration for our senior officers (as disclosed to the NZX) as well as the CEO. This is consistent with our commitment to an open and transparent relationship with our shareholders who have expressed increasing interest in remuneration reporting in recent years. We have also provided information on the performance targets Z set for the CEO and senior officers in this period.

CEO and senior officer remuneration

				Pay for performance			
Position	Salary and fees	Fixed taxable benefits	Subtotal	STI paid in FY21 for FY20 performance	Gross LTI paid in FY21 for 2017–20 period	Subtotal	Total remuneration
Chief Executive Officer	$1,180,000	$60,908	$1,240,908	$590,000	$ –	$590,000	$1,830,908
GM Retail	$440,000	$23,908	$463,908	$198,000	$ –	$198,000	$661,908
GM Supply	$420,000	$22,908	$442,908	$126,000	$ –	$126,000	$568,908
GM Commercial	$420,000	$22,908	$442,908	$189,000	$ –	$189,000	$631,908
Chief Financial Officer	$510,000	$25,500	$535,500	$229,500	$ –	$229,500	$765,000

Notes

1. Gross LTI — no payment as performance hurdles were not met.
2. Gross STI — excludes any KiwiSaver contribution.
3. Total remuneration excludes variances based on previous 12 months accumulative annual leave hourly rates, and loan repayment and tax deduction for LTI.
4. Fixed benefits are 5% employer KiwiSaver contribution and medical insurance.
5. In April 2020, the Executive nominated not to receive a remuneration increase.
6. In May 2020, the Board chose not to pay STI for the entire organisation.

Breakdown of pay for performance

Z's remuneration position is to benchmark total fixed remuneration (base pay) to the upper quartile of the external market. This means that with our Short-term Incentive (STI) annual bonus payment (cash bonus), the total rewards we offer are in the top 10 percent of the New Zealand market when people deliver results above plan. This includes both individual targets and company-wide targets.

Every permanent Z employee's remuneration package comprises a base salary, an STI component, and health insurance (with Southern Cross) for themselves and their immediate family. Z also makes a 5 percent employer contribution to KiwiSaver.

One hundred percent of Z employees had regular performance and career development reviews during the reporting period.

The base-salary model is informed and adjusted each year based on data from independent remuneration specialists. An employee's base salary is determined from a matrix of their own performance and their current position in the market and reviewed annually.

Our STI model is focused on articulating performance goals for Z overall, and rewarding all our people for working together to deliver these.

STI values are calculated as a percentage of base salary and determined based on the complexity of the roles. Employees' STI payments are determined following a review of the company's performance and may be paid out at a multiplier of zero to two times an individual's STI target. While the value of the employee STI payments are solely driven by company performance (with the exception of the Executive and Commercial Sales employees), any individual who is underperforming is not eligible for participation in this scheme.

The Executive team and selected senior employees are also eligible for participation in a Performance Rights Long-Term Incentive Plan (PRLTIP). This is a share-based incentive scheme which focuses on alignment with long-term shareholder interests by using a share-based incentive over a three-year vesting period on an at-risk basis aligned with the achievement of defined performance targets. Again, there are both individual and company targets.

For shares to be issued under the scheme, participants must meet their individual performance targets and the company must achieve a total shareholder return (TSR) in the three-year period of at least 25th on the NZX 50. Payment is also subject to the discretion of the Board.

Thirty percent of executives' salary (excluding the CEO) is subject to stock ownership requirements or guidelines. There are no stock ownership requirements or guidelines for the CEO.

Loans are not provided to executives.

Performance measures for long-term equity and cash awards granted in the last fiscal year are published in our annual report each year.

Short-term Incentive (STI) scheme at Z FY21

The CEO Target bonus amounts for Z Energy meeting expectations for both company and individual performance is 50% of base salary. If the individual and/or the company's overall performance is below or exceeds expectations a multiplier is applied.

Although it is not required In New Zealand, we have disclosed the remuneration for our senior officers (as disclosed to the NZX) as well as the CEO. This is consistent with our commitment to an open and transparent relationship with our shareholders who have expressed increasing interest in remuneration reporting in recent years. We have also provided information on the performance targets Z set for the CEO and senior officers in this period.

STI multiplier matrix for CEO and Executive

	Individual performance	Unacceptable	Below expectations	Strong performance	Exceeds	Extraordinary
Company performance	Extraordinary	0.00	0.00	2.00	2.50	3.00
	Exceeds	0.00	0.00	1.50	2.00	2.50
	Strong performance	0.00	0.00	1.00	1.50	2.00
	Below expectations	0.00	0.00	0.50	1.00	1.50
	Unacceptable	0.00	0.00	0.00	0.00	0.00

Notes

Performance evaluation descriptors are as follows:

- Below expectations: Performance less than would normally be expected for the role either due to inconsistent delivery or inconsistent behaviours
- Strong performance: Performance fully meets expectations for the role both in what is delivered (results) and how it is delivered (behaviours)
- Exceeds: Consistently met expectations in all areas. Performance is measurably ahead of that expected for the role in either delivery against goals or leadership behaviours
- Extraordinary: Outstanding contribution to the business made. Generally recognised beyond own team as having delivered outstanding performance in both what was achieved and how they achieved outcomes. Leadership behaviours exceed expectations relative to role.

Z's STI cash bonus is based on three things for our CEO and Executive:

1. Company performance ratings
2. Individual performance rating
3. Base salary and the on-target bonus for role.

PRINCIPLE 5 REMUNERATION: continued

In February/March, the CEO and the Board agree on the company objectives to be achieved in the following financial year. The company objectives are targets aligned to the four strategic objectives which are to always be safe and reliable, deliver awesome customer experiences, generate heaps of cash flow and grow non-fossil fuel income. The Board assesses them in April after year end. In determining an overall performance rating, the Board assesses the key result areas individually and considers any additional achievements beyond plan.

Once the company objectives are set, individual objectives for the CEO and each Executive are set.

An STI bonus will be paid only if 85 percent of the annual company RC EBITDAF target has been met. Once this threshold has been met, payment is subject to the company performance rating.

To qualify for any payment, individuals must achieve a minimum overall performance rating of 'Strong performance' against their individual targets. To meet those expectations, individuals must deliver strong performance and exhibit behaviour consistent with Z's values and leadership framework over the course of the year.

The STI bonus is paid only if both the company and the individual achieve these nominated thresholds. The Board retains complete discretion over payment of STI bonuses and may determine that no bonus will be paid in a given year.

The Board considers the following areas of performance when determining the overall level of company performance:

- Significant Safety and Wellbeing incidents, such as fatalities
- Significant adverse reputational incidents, such as customer reaction to an operational failure
- The company's reputational alignment with being a world-class Kiwi company.

Restricted Share Long-Term Incentive Plan (RSLTIP)

The Executive team and selected senior employees were eligible for the Restricted Share Long-Term Incentive Plan (RSLTIP) that ran from April 2018 to March 2021. The RSLTIP was a share-based incentive scheme, not a cash bonus payment. The RSLTIP focused on alignment with long-term shareholder interests by using a share-based incentive over a three-year vesting period on an at-risk basis aligned with the achievement of defined performance targets. Again, these are both individual and company targets.

For shares to vest under the scheme, participants must meet their individual performance targets and the company must achieve a total shareholder return (TSR) in the three-year period of at least 25th on the NZX 50. Payment is also subject to the discretion of the Board.

For the 2018 RSLTIP, the total shareholder returns over a three-year period have not met the required entry level benchmark of #25 within the NZX50. Z actually ranked #41, and the Board have determined that no payout will be made. This is consistent with the principle that there should be strong alignment between shareholder interests and those of Z's senior managers.

The Board holds absolute discretion on the cash bonuses paid to participants, which are used to repay the participant loan balances on the vested shares.

RSLTIP 2018–2021

Key criteria:

- Must achieve at least 'strong performance' each year, otherwise pro-rated
- Continued employment on the vesting date
- Board discretion for significant operational failures
- TSR must be higher than the 50th percentile of NZX companies
- Outperformance to market is rewarded by additional payout of up to 200 percent for ranking of 5 or better.

RSLTIP leadership percentage

- CEO — maximum of 2 × 50 percent of salary
- All senior officers — maximum of 2 × 30 percent of salary.

CEO STI FY21 — 50 percent of salary if Z meets company targets and CEO meets individual targets

Meets all company targets above, plus demonstrates personal leadership, staff engagement, stakeholder management, brand ambassadorship and thought leadership.

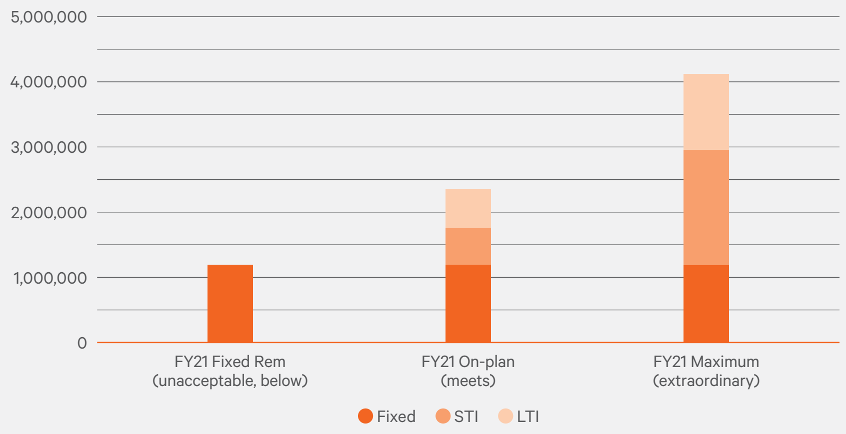
- CEO's annual bonus cap — 3 × target percent of bonus
- None of the annual bonus for the CEO is or can be deferred
- Our senior officers must meet individual performance targets that are direct subsets of the above-listed company STI FY21 measures
- Executives' annual bonus (excluding CEO) cap — 3 × target percent of bonus
- None of the annual bonus for executives can be deferred
- No part of the bonus is granted or will be granted guaranteed.

CEO pay for performance scenario FY21

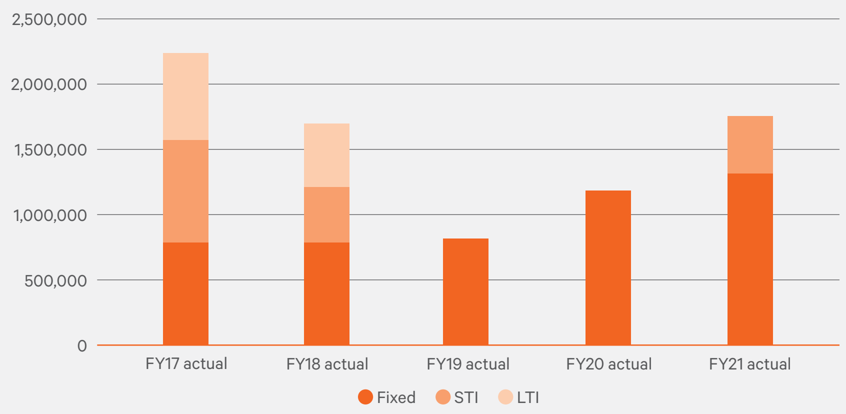
Remuneration policy and disclosures

The figures in the two graphs below are the total of current-year salary and fixed benefits paid in the year noted, and performance payments earned in that year and paid in the following financial year.

The first graph shows potential remuneration based on the scenario, and the second graph shows actual remuneration for the last five years.



Five-year summary CEO remuneration



PRINCIPLE 5 REMUNERATION: continued

Five year summary — TSR performance

For measuring total company performance, Total Shareholder Return (TSR) is the metric for RSLTI. This determines what proportion of shares vest.

Z's relative TSR ranking as shown below is determined based on where Z ranks against other companies in the NZX 50 at the end of the three-year term of the scheme.

Total Shareholder Return (TSR)

ZEL v NZX 50 assuming dividend reinvestment

Explanation of remuneration policy and items in scenario charts

The CEO target bonus amount for strong performance by both company and individual is 50 percent of base salary.

The numbers in the graphs on page 75 indicate the multiplier applied to an employee's bonus depending on company and individual performance.

Required disclosures

- Pay gap: CEO fixed remuneration ratio to Z permanent employee median fixed remuneration is 10.5:1 (excludes STI and LTI)
- Explanation of key elements of TSR methodology: as explained above
- Any information that has been omitted: no material information is omitted
- Any benefits not included: none
- Key terms of any CEO benefits: Z has agreed to pay Mike Bennetts' reasonable accommodation and living expenses in Wellington, and reasonable travel expenses for national travel (particularly between Wellington and Auckland). Mike has agreed to non-solicitation commitments (applying to Z's suppliers and employees) and a restraint of trade (restricting him from involvement in the downstream oil industry in New Zealand). Both of these generally apply for 12 months after the end of his employment as CEO. The restraint of trade does not apply if Mike is made redundant
- Any amounts withheld/clawed back: none
- Summary of any estimates used: none
- Remuneration that uses related parties: none.

Z granted an additional payment to four Executive team members in FY21, rewarding them for additional crisis management work.

The notice period for the CEO if the Z Board was to terminate the employment contract is four weeks.

Z employees' remuneration

The total number of corporate employees is 498, of which 476 are permanent.

326 Z employees (or former employees) received remuneration and other benefits over $100,000 in their capacity as employees during FY21, as set out in the table below. This includes salary, settlement payments and redundancy payments for all permanent employees. It would also normally include short- and long-term performance bonuses awarded at the end of the previous financial year and paid in this financial year, however this year there were no bonuses paid for the FY20.

This disclosure is based on actual amounts received in the year and differs from the disclosure on Executive Remuneration that reflects performance in FY21, not all of which is received during the current year. Z notes the high proportion of employees (65 percent) earning above $100,000 reflects Z's business model decisions. For example, traditionally lower-earning employee roles (like call centre staff) are presently outsourced to other New Zealand-based organisations.

Amount of remuneration	Employees
$100,000 to $110,000	35
$110,001 to $120,000	34
$120,001 to $130,000	40
$130,001 to $140,000	32
$140,001 to $150,000	29
$150,001 to $160,000	36
$160,001 to $170,000	23
$170,001 to $180,000	21
$180,001 to $190,000	15
$190,001 to $200,000	10
$200,001 to $210,000	7
$210,001 to $220,000	8
$220,001 to $230,000	5
$230,001 to $240,000	5
$240,001 to $250,000	5
$250,001 to $260,000	1
$260,001 to $270,000	3
$270,001 to $280,000	1
$280,001 to $290,000	2
$290,001 to $300,000	1
$310,001 to $320,000	2
$370,001 to $380,000	2
$380,001 to $390,000	1
$410,001 to $420,000	1
$420,001 to $430,000	1
$430,001 to $440,000	1
$440,001 to $450,000	1
$460,001 to $470,000	2
$530,001 to $540,000	1
$1,240,001 to $1,250,000	1
Total	**326**

PRINCIPLE 5 REMUNERATION: continued

Flick Energy employees' remuneration

The data in this table relates to Flick Energy permanent employees only and the figures include all remuneration and benefits.

Amount of remuneration	Employees
$100,000 to $110,000	6
$110,001 to $120,000	1
$120,001 to $130,000	1
$130,001 to $140,000	3
$140,001 to $150,000	3
$160,001 to $170,000	1
$200,001 to $210,000	1
$210,001 to $220,000	1
$230,001 to $240,000	1
$270,001 to $280,000	2
$350,001 to $360,000	1
Total	**21**

5.3 – An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short-term incentives and long-term incentives and the performance criteria used to determine performance-based payments.

We report on the CEO's income for the year of performance, as opposed to the date of payment.

The Board completed a review of the CEO's base remuneration in April 2020. However, facing into the uncertainty of Covid-19, the Executive and CEO nominated not to receive a base remuneration increase in FY21. Their remuneration will be reviewed again in early FY22 to ensure their salaries remain appropriate for the role and skills required.

Further details about CEO remuneration and benefits are available under Principle 5, requirement 5.2.

PRINCIPLE 6 RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

6.1 – An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.

Z considers that it has followed robust enterprise risk management practices in accordance with Z's Risk Management Policy during the reporting period. Naturally, Covid-19 was a critical principal enterprise risk requiring significant dedicated attention from Management and the Board during FY21. In that context, the consideration of safety, wellbeing and effective risk management — always areas of strong management and governance focus at Z — have been particularly heightened over the period.

Z has an enterprise Risk and Assurance system, designed to ensure a proactive, consistent, and systematic approach to identifying and managing risk, and ensuring independent and objective views on the design and operational effectiveness of internal controls.

Z's Risk and Assurance system recognises two principal functions: Risk and Assurance, and Safety and Wellbeing.

Risk and Assurance has a primary focus on enterprise risk (commercial, strategic, legal, reputational, people, culture and climate-related) and business risk (insurance and financial risk, including core financial controls, treasury, delegated authorities, and suspicious transactions).

Safety and Wellbeing has a primary focus on operational and infrastructure risk and protecting and enhancing the wellbeing of people.

Z's Risk Management Policy provides clarity on roles and responsibilities for risk and assurance. The Board is responsible for the overall effectiveness of Z's risk management and internal control systems, setting enterprise-risk appetite, and annually reviewing enterprise risks.

The Risk Management Policy can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

The Audit and Risk Committee (ARC) is responsible for oversight, monitoring and reviews. Each year, it approves and subsequently monitors the annual risk and assurance plan on behalf of the Board.

It takes into account the internal and external environment, changes in the likelihood and consequence ratings of existing enterprise risks, new risks, emerging risks and the individual business-unit risk profiles. The ARC takes into account specific risks and broader linkages between those risks. If a risk is not deemed to have the right level of control in place, a treatment plan is identified and implemented to manage the risk. Similarly, if additional risk assessment or review is required then this will be identified; a recent example of this being the way in which Z is managing climate-related risks.

This year, the ARC introduced a new 'risk watchlist' to the highest priority principle enterprise risks and ensure resources are being appropriately allocated to the development of controls and mitigants for these risks.

Management regularly reports to the Board on principle enterprise risks through a series of risk deep dives. These entail the Executive risk owner discussing one or two risks with a detailed risk control plan for each.

The CEO is responsible for promoting a culture of proactively managing risks, reporting to the ARC and managing any changes to the rating of enterprise risks. Z's General Manager, Strategy and Risk, is responsible for providing a single framework for risk management at Z, consistent with Z's Risk Management Policy and the Board's risk appetite, including facilitating regular reviews and updates to the CEO and the ARC.

6.2 – An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management.

Because of the nature of Z's business, safety and wellbeing risks are an area of continuous focus. Z's Safety and Wellbeing Committee oversees health and safety risk and is responsible for all risks that could cause harm to people or the environment arising from Z's operations and activities.

Over FY21 safety and wellbeing emerged as the most material issue of concern to stakeholders, and much of the Board and management team's focus over the year was protecting the safety and wellbeing of our people, customers, communities and our economy in light of risks associated with Covid-19.

More information on Z's commitment to Safety and Wellbeing is available on pages 44–45.

Z's Safety and Wellbeing Committee approves an annual Safety and Wellbeing enterprise plan, receives assurance and performance reports, monitors implementation of Z's Operational Risk Management system, and oversees the management of major hazard facilities.

Z discloses its Safety and Wellbeing indicators quarterly to the market in its quarterly operational data, which is available on Z's Investor Centre. These indicators are: lost time injuries; spills to ground; robberies; fuel quality incidents; process safety incidents; food safety incidents; Z's total recordable case frequency; and motor vehicle incident frequency.

The quarterly operational data can be found in the Announcements section of the Z Energy Investor Centre at: https://investors.z.co.nz/announcements/nzx-announcements

PRINCIPLE 7 AUDITORS:

"The board should ensure the quality and independence of the external audit process."

7.1 – The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures:

a. for sustaining communication with the issuer's external auditors;

b. to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired or could reasonably be perceived to be impaired;

c. to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and

d. to provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.

The oversight of Z's external audit arrangements is the responsibility of the ARC. The key roles of the ARC are ensuring that the independence of the external auditors is maintained, and that Z's external financial reporting is highly reliable and credible.

The ARC Charter states that one of the responsibilities of the ARC is to sustain communication with Z's external auditors by providing a formal forum for free and open communication between the Board, Z's Risk and Assurance function, the external auditors and management. The ARC Charter indicates the different ways in which communication occurs with Z's external auditors.

Z's External Auditor Independence Policy outlines the framework for the relationship with its external auditors. The Policy was reviewed in August 2020 following the Financial Markets Authority New Zealand (FMA) report 'Audit Quality — a Directors' Guide' on auditor independence and reviews of policies in other listed companies. The ARC noted the policy was substantially consistent with FMA guidelines and similar to the equivalent policies reviewed. Relatively minor amendments were made. KPMG are retained as Z's audit firm and a process was completed in FY21 to appoint a new audit partner.

The Policy outlines the general requirements for approval of external auditors.

A firm may only be approved if it is considered to have full knowledge of the relevant facts and has impartial judgement on issues related to the engagement.

The external auditor must not have held a management position at Z within two years prior to the engagement that involved financial oversight. The firm must not allow the direct compensation of its audit partners for selling other services to Z.

The Policy also outlines the guidelines for ensuring that any other assurance services provided by Z's external auditor do not conflict with the independence element of the role. A general set of principles to be applied is provided.

The ARC must pre-approve all statutory and regulatory audit and related assurance services provided by the external auditor.

Aside from core audit services relating to the statutory and regulatory audit, there are other assurance services by the external auditor that are permitted as long as these are pre-approved. The Policy also clarifies other services that are not appropriate or permitted for the external auditor to carry out.

Z trusts and relies on KPMG's internal processes and declarations.

The updated External Auditor Independence Policy can be found in the Corporate Governance section of the Z Energy Investor Centre at: https://investors.z.co.nz/corporate-governance/governance-overview

7.2 – The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.

Z's external auditors attend all of Z's ASMs and are available to answer questions from shareholders in relation to their audit.

7.3 – Internal audit functions should be disclosed.

The Enterprise Risk and Control Committee is a management committee chaired by the General Manager, Strategy and Risk. This committee has oversight of the implementation and operation of Z's enterprise risk management system, and considers general risk and control matters consistent with the Board's risk appetite.

Z's Enterprise Risk and Assurance function reviews and reports on the effectiveness of internal control systems and procedures. It has full access to the ARC. Each year, the ARC determines the scope and activities of Z's Risk and Assurance function.

The Head of Risk and Assurance has direct access to the CEO, reports to the Chair of the ARC for functional risk and assurance purposes, the CFO for administrative purposes and the GM, Strategy and Risk for other purposes.

PRINCIPLE 8 SHAREHOLDER RIGHTS AND RELATIONS:

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Z's starting position is that shareholders are the owners of the company. Z respects its shareholders and is committed to communicating with them openly and transparently. With that commitment comes a commitment to listening, and Z seeks to understand shareholders' views, perspectives and ideas on a continuous basis.

Over FY21 there was a great deal of uncertainty across the capital markets as to what the impact of Covid-19 might be. In this context, Z redesigned the way it seeks to communicate with investors, moving, for example, to providing weekly fuel volume data disclosures instead of on a quarterly basis.

At its 1H21 result, Z also outlined clearly the steps and areas of focus for Z in rapidly rebuilding from Covid-19 and resuming dividend flows to investors. This report is a continuation of these areas of focus.

8.1 – An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.

Z has a comprehensive Investor Centre at www.z.co.nz/investor via which shareholders and stakeholders can access a wide range of disclosures, reports, policies and charters as have been referenced throughout this Corporate Governance section.

Z seeks to be open and accessible to shareholders and ensures face-to-face engagement with institutional investors whether in person or virtually. Z's annual meeting provides a form for retail investors to engage with both management and the Board. Z's hybrid ASM on 18 June 2020 saw 418 attendees (most online).

Technology allowed for questions to be submitted prior to or at the meeting and a record number of questions were raised.

8.2 – An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.

Z provides multiple channels through which shareholders can easily contact the company. All of Z's reporting and corporate information is available electronically through its website but Z will also provide information in other ways when that better suits an investor. Z also maintains an accessible social media presence.

Z has an Investor Communications Policy which sets out how Z will engage with shareholders at: https://investors.z.co.nz/corporate-governance/governance-overview

We're always happy to talk to shareholders. Z's Investor Centre website contains contact information for direct access to our Corporate Communications and Investor Relations Manager, Z's Board of Directors and Z's General Counsel and Chief Governance Officer.

Shareholders have the option to receive communications from Z electronically.

PRINCIPLE 8 SHAREHOLDER RIGHTS AND RELATIONS: continued

Contact information, frequently asked questions, and options to receive alerts and request information from Z can be found under the Shareholder Services section of Z's Investor Centre at: https://investors.z.co.nz/shareholder-services/investor-faqs

8.3 – Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested.

Major decisions that may change the nature of Z's business would be presented as resolutions at the ASM and voted on by shareholders.

8.4 – If seeking additional equity capital, issuers of quoted equity securities should offer further equity security holders to existing equity securities of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors.

As stated in this report, Z raised $347 million in additional equity capital in May/June 2020. The equity capital raise consisted of an institutional placement (including to new investors) (Placement) followed by a share purchase plan (SPP). The $347 million raised comprised $57.5 million in a share purchase plan and a fully underwritten $290 million placement of new shares.

The Placement was fully underwritten at $2.75 per share, and shares were allocated to existing shareholders and new investors at a price of NZ$2.90 per share, resulting in the issue of 100 million new fully paid ordinary shares. The Placement issue price represented a discount of 7.6 percent to the last close price of NZ$3.14 on 8 May 2020, and a discount of 7.3 percent to the five-day volume weighted average price (VWAP) of NZ$3.13. The Placement was conducted on an open-access basis and existing shareholders who participated were given priority to obtain a pro rata allocation. Over 95 percent of the new shares issued under the Placement were allocated to existing shareholders, with the remaining new shares issued allocated to new investors, in accordance with Z Energy's allocation policy.

The Share Purchase Plan (SPP) was offered to all eligible existing Z shareholders with a registered address in New Zealand or Australia, enabling them to each subscribe for up to a maximum of NZ$50,000 / AU$47,000 of new Z shares. 6,220 Z shareholders applied under the SPP with an average application of approximately NZ$9,239. Given the New Zealand Dollar to Australian Dollar exchange rate on the closing date, Australian Dollar applications were capped at AU$46,710. The new shares issued under the SPP were issued at a price of NZ$2.806, being a 2.5 percent discount to the five-day volume weighted average price of Z's shares traded on the NZX during the last five days of the SPP offer period (including the closing date).

Z was granted a waiver from Listing Rule 4.5.1 in connection with the equity capital raise offer (Waiver). As a part of its consideration of Z's application for the Waiver, NZX Regulation confirmed that the equity capital raise complied with recommendation 8.4 of the Corporate Governance Code.

The reasons for this include:

- As a condition of the Waiver, the Placement was conducted on an 'open access' basis, so that existing Z shareholders with a broker relationship could participate
- As a condition of the Waiver, existing Z shareholders were given priority to obtain their pro rata allocations in the Placement
- As a condition of the Waiver, Z was required to disclose the proportions of existing investors and new investors who participated in the Placement
- NZX Regulation was satisfied that approximately 99 percent of existing Z retail shareholders would have the opportunity to maintain their pro rata shareholding under the SPP alone.

In total, the new shares issued through the Placement comprised 25 percent of Z Energy's shares prior to the completion of the Placement. This means that Z did not rely on the waiver from Listing Rule 4.5.1 granted by NZX Regulation on 11 May 2020.

8.5 – The board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.

Each year the Annual Shareholders Notice of Meeting is sent to shareholders by mail and email at least 28 days before the meeting. Notices are also made available in the Announcements section of the Z Investor Centre website at least 20 working days prior to the meeting at: https://investors.z.co.nz/announcements/annual-shareholder-meeting

Ngā puakanga tāpiri

Additional disclosures

Disclosure of Directors' interests

Z Directors:

Director	Positions	Company
Abby Foote	Director	Z Energy 2015 Limited
		Sanford Limited
		Freightways Limited
Blair O'Keeffe	Director	Z Energy 2015 Limited
		Endzone Commercial Limited
		Central Economic Development Agency (ended 31 March 2021)
		Napier Port Holdings Limited
		Port of Napier Limited
		Central Air Ambulance Rescue Limited
	Chair	Hawke's Bay Rescue Helicopter Trust
Julia Raue	Director	Z Energy 2015 Limited
		Z Energy ESPP Trustee Limited
		Z Energy LTI Trustee Limited
		Jade Software Corporation Limited
		Television New Zealand Limited
		The Warehouse Group Limited
		Southern Cross Health Society
		Southern Cross Pet Insurance Limited
Mark Cross	Director	Z Energy 2015 Limited
		Milford Asset Management Limited
		Milford Funds Limited
		Chorus Limited
		Xero Limited
	Member	Investment Committee of Te Puia Tapapa Private Equity Fund
	Shareholder	Milford Asset Management Limited
Mark Malpass	Director	Z Energy 2015 Limited
		Candesco Limited
		Steel & Tube subsidiaries
	Member	Auckland Grammar School Board of Trustees
	Power of Attorney	Steel & Tube Holdings Limited
Stephen Reindler	Director	Z Energy 2015 Limited
		Pearl Coast Properties Pty Limited
		Broome International Airport Pty Limited
		Broome Shared Services Pty Limited
		Steel and Tube Holdings Limited
		CMUA Project Delivery Ltd
	Chair	Waste Disposal Services (unincorporated joint venture)
		D & H Steel Construction Limited
		Clearwater Construction Limited
	Independent Advisor	Massey University/AgResearch Joint Food Science Centre Steering Committee
		Air New Zealand development at Auckland Airport
	Shareholder	Auckland International Airport Limited
		Air New Zealand
		Meridian Energy Limited
		Contact Energy Limited
		Vector Limited

Flick Energy Directors disclosed the following interests in other named companies at 31 March 2021:

Director	Positions	Company
Marcel van den Assum	Shareholder	Flick Energy Limited
	Director and shareholder	Regen Limited
		Merlot.Aero Limited
	Director	Education Payroll Limited
		Guam Nominee Limited
		Wipster Independent Shareholders Limited
		Wip App Limited
		CropX (NZ) Limited
		Sprout Agritech Limited
	Shareholder	Yonix Limited
		Cogo Connecting Good Limited
	Member	Angel Association
	Beneficiary of a Deed of Indemnity provided by	Flick Energy Limited
Matt Todd	Group Chief Executive	Eastland Group Limited
	Director	Eastland Group Limited and subsidiaries
		Plus Business Limited (formerly Matt Todd Holdings Limited)
		Gisvin Limited
	Beneficiary of a Deed of Indemnity provided by	Flick Energy Limited
Lindis Jones	Chief Financial Officer	Z Energy Limited
	Director	The New Zealand Refining Company Limited
	Beneficiary of a Deed of Indemnity provided by	Flick Energy Limited
Aimee McCammon	Managing Director	Augusto Group (Augusto, Augusto Entertainment, Corner Store, New Ventures)
	Advisory board member	Pic's Peanut Butter
	Beneficiary of a Deed of Indemnity provided by	Flick Energy Limited
Aaron Snodgrass (Alternate for Matthew Peter Todd)	Chief Financial Officer	Eastland Group Limited
	Director	Eastland Group Limited and subsidiaries
		AP Snodgrass Limited
	Trustee and Chairman	Dilworth Trust
	Board Trustee and Chairman	The Dilworth Foundation
	Beneficiary of a Deed of Indemnity provided by	Flick Energy Limited
Scott Bishop (Resigned 31 March 2021)	Chief Innovation Officer	Z Energy Limited
	Beneficiary of a Deed of Indemnity provided by	Flick Energy Limited

Directors' interests in share transactions

The following Directors disclosed an acquisition or disposal of relevant interest in Z shares or bonds during the year to 31 March 2021:

Director	Number of shares or bonds in which a relevant interest is held	Acquired shares for the year to March 2021
Abby Foote	Z Energy Limited — 52,040 shares	14,255 shares
Julia Raue	Z Energy Limited — 21,191 shares	10,691 shares
Mark Cross	Z Energy Limited — 18,000 shares	17,818 shares
Stephen Reindler	Z Energy Limited — 18,100 shares	10,600 shares
Blair O'Keeffe	Z Energy Limited — 53,685 shares	53,685 shares
Mark Malpass	Z Energy Limited — 15,000 shares	

Additional disclosures (continued)

Senior officers' interests in shares and bonds

The senior officers disclosed the following relevant interests in shares at 31 March 2021:

Executive team member	Interest as registered holder of shares	Z RSLTIP interests	Z PRLTIP interests	Z PRLTIP interests	Z ESPP interests
Mike Bennetts	367,076 shares (held by Kammjam Trust)	69,351 shares for the period ended 31 March 2021	185,535 shares for the period ended 31 March 2022	398,649 shares for the period ended 31 March 2023	Nil
Lindis Jones	120,415 shares	19,401 shares for the period ended 31 March 2021	48,113 shares for the period ended 31 March 2022	103,378 shares for the period ended 31 March 2023	Nil
Nicolas Williams	43,893 shares	17,143 shares for the period ended 31 March 2021	39,623 shares for the period ended 31 March 2022	85,135 shares for the period ended 31 March 2023	Nil
Andrew Baird		Nil	41,509 shares for the period ended 31 March 2022	89,189 shares for the period ended 31 March 2023	Nil
David Binnie		17,946 shares for the period ended 31 March 2021	39,623 shares for the period ended 31 March 2022	85,135 shares for the period ended 31 March 2023	Nil

Donations

For the year ended 31 March 2021, Z made total donations of $683,040 (2020: $874,551).

Flick Energy Limited made donations of $3,000 (2020: $1,496) during this period.

Material transactions

Z did not enter into an employment contract or contract for personal services during FY21 that would be classified as a Material Transaction under Listing Rule 5.2.2(e)(i).

Indemnity and insurance disclosure

As permitted by its constitution, Z has entered into a deed to indemnify its Directors and its personnel who serve as Directors of related companies for potential liabilities or costs they may incur for acts or omissions in their capacity as Directors of Z or its related companies. Z has a Directors' and Officers' Liability Insurance Policy in place. This provides insurance for the liabilities of the Directors and employees of Z for acts or omissions in their capacity as Directors or employees. Neither the indemnity nor the insurance policies cover dishonest, fraudulent, malicious, or wilful acts or omissions. The Directors have disclosed entry into the deed of indemnity and the Directors' and officers' liability insurance in its interests register.

As permitted by its constitution, Flick has entered into a deed to indemnify its Directors for potential liabilities or costs they may incur for acts or omissions in their capacity as Directors of Flick. Z has a Directors' and Officers' Liability Insurance Policy in place that covers Flick's Directors. This provides insurance for the liabilities of the Directors of Flick for acts or omissions in their capacity as Directors. The insurance policies do not cover dishonest, fraudulent, malicious, or wilful acts and omissions. The Directors have disclosed entry into the deed of indemnity and the Directors' and officers' liability insurance in its interests register.

Payments to an auditor

Z audit fees are set out in note 7 of the Financial Statements. None of Z Energy 2015 Limited, Z Energy ESPP Trustee Limited, or Z Energy LTI Trustee Limited paid any amounts to an auditor, for audit fees or otherwise, during the period.

Flick Energy Limited paid its auditors (KPMG) a fee of $44,000 plus disbursements.

Substantial product holders

According to notices given under the Financial Markets Conduct Act 2013, the following were substantial product holders of the company at 31 March 2021:

Substantial product holders	Number of voting products in substantial holding (ordinary Z shares)	Percentage of shares held at date of notice	Date of notice
Accident Compensation Corporation	46,524,110	8.95%	18/05/20
L1 Capital Pty Ltd	26,113,002	5.02%	27/11/20

The total number of Z ordinary shares on issue at 31 March 2021 was 520,136,969.

Distribution of ordinary shares and shareholders

At 31 March 2021

Size of holding	Number of shareholders	%	Number of shares	%
1–1,000	5,025	28.33	2,740,820	0.53
1,001–5,000	7,853	44.27	20,767,827	3.99
5,001–10,000	2,535	14.29	18,785,125	3.61
10,001–50,000	2,055	11.58	42,325,211	8.14
50,001–100,000	171	0.96	11,994,869	2.31
100,001 and over	101	0.57	423,523,117	81.42
Totals	**17,740**	**100**	**520,136,969**	**100**

Distribution of ordinary bonds and bondholders

At 31 March 2021

ZEL 040

Size of holding	Number of bondholders	%	Number of bonds
1–1,000	0	0.00	0
1,001–5,000	108	10.99	540,000
5,001–10,000	264	26.86	2,556,000
10,001–50,000	504	51.27	13,594,000
50,001–100,000	55	5.60	4,573,000
100,001 and over	52	5.29	128,737,000
Totals	**983**	**100**	**150,000,000**

ZEL 050

Size of holding	Number of bondholders	%	Number of bonds
1–1,000	0	0.00	0
1,001–5,000	82	8.61	410,000
5,001–10,000	215	22.58	2,084,000
10,001–50,000	543	57.04	15,258,000
50,001–100,000	72	7.56	5,921,000
100,001 and over	40	4.20	46,327,000
Totals	**952**	**100**	**70,000,000**

ZEL 060

Size of holding	Number of bondholders	%	Number of bonds
1–1,000	0	0.00	0
1,001–5,000	133	18.40	665,000
5,001–10,000	184	25.45	1,744,000
10,001–50,000	325	44.95	8,100,000
50,001–100,000	35	4.84	2,843,000
100,001 and over	46	6.36	111,648,000
Totals	**723**	**100**	**125,000,000**

Additional disclosures (continued)

Our 20 largest registered shareholders

At 31 March 2021

Rank	Holder name	Account	Holding	% issued capital
1	New Zealand Central Securities Depository Limited		209,802,802	40.34
2	HSBC Custody Nominees (Australia) Limited		33,244,879	6.39
3	CS Third Nominees Pty Limited		29,325,215	5.64
4	Citicorp Nominees Pty Limited		18,347,088	3.53
5	FNZ Custodians Limited		17,505,007	3.37
6	Forsyth Barr Custodians Limited	1-CUSTODY	15,844,080	3.05
7	J.P. Morgan Nominees Australia Pty Limited		12,612,534	2.42
8	New Zealand Depository Nominee		10,809,342	2.08
9	JBWere (NZ) Nominees Limited	NZ RESIDENT	8,888,837	1.71
10	BNP Paribas Nominees Pty Ltd	DRP	7,144,709	1.37
11	National Nominees Limited		6,118,403	1.18
12	Pt Booster Investments Nominees Limited		5,152,179	0.99
13	Citicorp Nominees Pty Limited	COLONIAL FIRST STATE INV	4,486,934	0.86
14	BNP Paribas Nominees Pty Ltd	AGENCY LENDING DRP	3,921,106	0.75
15	JBWere (NZ) Nominees Limited	RES INST	3,200,370	0.62
16	Custodial Services Limited	1	3,104,610	0.60
17	Hobson Wealth Custodian Limited		2,846,491	0.55
18	Custodial Services Limited	4	2,601,620	0.50
19	Hawkesby Management Limited		1,908,122	0.37
20	Forsyth Barr Custodians Limited	1 E	1,771,521	0.34

Our 20 largest registered bondholders

At 31 March 2021

ZEL 040

Rank	Holder name	Account	Total units	% issued capital
1	New Zealand Central Securities Depository Limited		50,917,000	33.94
2	FNZ Custodians Limited		13,492,000	8.99
3	Forsyth Barr Custodians Limited	1-CUSTODY	11,082,000	7.39
4	Hobson Wealth Custodian Limited	RESIDENT CASH	9,546,000	6.36
5	Custodial Services Limited	4	8,125,000	5.42
6	Investment Custodial Services Limited	C	5,606,000	3.74
7	Custodial Services Limited	3	5,389,000	3.59
8	Custodial Services Limited	2	5,175,000	3.45
9	Custodial Services Limited	18	2,613,000	1.74
10	FNZ Custodians Limited	DTA NON RESIDENT	2,321,000	1.55
11	JBWere (NZ) Nominees Limited	NZ RESIDENT	1,571,000	1.05
12	Custodial Services Limited	1	1,537,000	1.02
13	University Of Otago Foundation Trust		1,005,000	0.67
14	Sui Fong Chan		1,000,000	0.67
15	Forsyth Barr Custodians Limited	1 E	913,000	0.61
16	Custodial Services Limited	16	871,000	0.58
17	FNZ Custodians Limited	DRP	465,000	0.31
18	Hobson Wealth Custodian Limited	AIL CASH	460,000	0.31
19	ENFT Limited		425,000	0.28
20	Custodial Services Limited	28	334,000	0.22

ZEL 050

Rank	Holder name	Account	Total units	% issued capital
1	FNZ Custodians Limited		9,115,000	13.02
2	Forsyth Barr Custodians Limited	1-CUSTODY	5,786,000	8.27
3	New Zealand Central Securities Depository Limited		4,824,000	6.89
4	Custodial Services Limited	4	4,244,000	6.06
5	Custodial Services Limited	2	2,715,000	3.88
6	Investment Custodial Services Limited	C	2,685,000	3.84
7	Custodial Services Limited	3	2,482,000	3.55
8	JBWere (NZ) Nominees Limited	NZ RESIDENT	2,297,000	3.28
9	Forsyth Barr Custodians Limited	1 E	2,265,000	3.24
10	Hobson Wealth Custodian Limited	RESIDENT CASH	1,477,000	2.11
11	Custodial Services Limited	1	924,000	1.32
12	Custodial Services Limited	18	840,000	1.20
13	FNZ Custodians Limited	DTA NON RESIDENT	725,000	1.04
14	Custodial Services Limited	16	646,000	0.92
15	Karl Heinz Lehmann & Anne Marie Lehmann		600,000	0.86
16	JBWere (NZ) Nominees Limited	56413	308,000	0.44
17	JBWere (NZ) Nominees Limited	NR USA	300,000	0.43
17	Zhaoxi Lu		300,000	0.43
18	Custodial Services Limited	12	269,000	0.38
19	Green Lane Research & Education Fund Board		250,000	0.36
20	Custodial Services Limited	7	215,000	0.31

Additional disclosures (continued)

Our 20 largest registered bondholders (continued)

ZEL 060

Rank	Holder name	Account	Total units	% issued capital
1	Forsyth Barr Custodians Limited	1-CUSTODY	19,140,000	15.31
2	New Zealand Central Securities Depository Limited		18,926,000	15.14
3	Custodial Services Limited	4	12,931,000	10.34
4	FNZ Custodians Limited		12,422,000	9.94
5	Custodial Services Limited	3	7,334,000	5.87
6	Hobson Wealth Custodian Limited	RESIDENT CASH	7,006,000	5.60
7	JBWere (NZ) Nominees Limited	NZ RESIDENT	6,870,000	5.50
8	Custodial Services Limited	2	6,195,000	4.96
9	Custodial Services Limited	1	3,430,000	2.74
10	Investment Custodial Services Limited	C	3,153,000	2.52
11	Custodial Services Limited	18	3,141,000	2.51
12	Custodial Services Limited	16	1,986,000	1.59
13	Forsyth Barr Custodians Limited	1 E	1,045,000	0.84
14	FNZ Custodians Limited	DTA NON RESIDENT	698,000	0.56
15	Hobson Wealth Custodian Limited	NON RESIDENTS CASH	451,000	0.36
16	JBWere (NZ) Nominees Limited	NR USA	438,000	0.35
17	Custodial Services Limited	6	422,000	0.34
18	Best Farm Limited		400,000	0.32
19	Custodial Services Limited	28	346,000	0.28
20	JBWere (NZ) Nominees Limited	32086	300,000	0.24

Pūrongo Pūtea

Financial Statements

as at 31 March 2021

Statement of comprehensive income for the year ended 31 March 2021

	Notes	2021 $m	2020 $m
Revenue	6	**3,520**	4,987
Expenses			
Purchases of crude, product and electricity		**1,765**	3,093
Excise, carbon and other taxes		**1,149**	1,150
Primary distribution		**43**	50
Operating expenses	3, 7	**273**	484
Share of loss of associate companies (net of tax)		**1**	-
Depreciation and amortisation	12, 13	**143**	144
Net financing expense	8	**38**	50
Impairment	13	**-**	96
Net lease expenses	10	**32**	35
Fair value movements in interest rate derivatives		**(10)**	3
Gain on sale of property, plant and equipment		**-**	(2)
Increase in decommissioning and restoration provision	17	**1**	9
Total expenses		**3,435**	5,112
Net profit/(loss) before taxation		**85**	(125)
Taxation expense/(benefit)	9	**28**	(37)
Net profit/(loss) for the year		**57**	(88)
Net profit/(loss) attributable to the owners of the company		**61**	(72)
Net loss attributable to non-controlling interest	5	**(4)**	(16)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Valuation adjustment of land and buildings		**17**	14
Revaluation of investments	15	**(15)**	(63)
Disposal of revalued assets		**(2)**	2
Total items that will not be reclassified to profit or loss		**-**	(47)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge and cost of hedging		**17**	4
Other comprehensive income/(loss) net of tax		**17**	(43)
Total comprehensive income/(loss) after taxation		**74**	(131)
Total comprehensive income/(loss) attributable to owners of the company		**78**	(115)
Total comprehensive loss attributable to non-controlling interest		**(4)**	(16)
Basic and diluted earnings per share (cents)		**11**	(18)

Statement of changes in equity for the year ended 31 March 2021

	Notes	Capital $m	Retained earnings $m	Investment revaluation reserve $m	Employee share reserve $m	Hedging reserve $m	Asset revaluation reserve $m	Non-controlling interest $m	Total equity $m
Balance at 1 April 2019		429	238	(13)	(5)	(5)	258	18	920
Adjustment on initial application of NZ IFRS 16		-	1	-	-	-	-	-	1
Adjusted balance at 1 April 2019		429	239	(13)	(5)	(5)	258	18	921
Net loss for the year		-	(72)	-	-	-	-	(16)	(88)
Other comprehensive income		-	-	-	-	4	-	-	4
Revaluation of investment		-	-	(63)	-	-	-	-	(63)
Disposal of revalued assets		-	4	-	-	-	(2)	-	2
Revaluation of assets		-	-	-	-	-	14	-	14
Total comprehensive income for the year		**-**	**(68)**	**(63)**	**-**	**4**	**12**	**(16)**	**(131)**
Transactions with owners recorded directly in equity:									
Share-based payments and own shares acquired		1	-	-	(1)	-	-	-	-
Dividends to equity holders		-	(188)	-	-	-	-	-	(188)
Supplementary dividends to equity holders		-	(15)	-	-	-	-	-	(15)
Tax credit on supplementary dividends		-	15	-	-	-	-	-	15
Total transactions with owners recorded directly in equity		**1**	**(188)**	**-**	**(1)**	**-**	**-**	**-**	**(188)**
Balance at 31 March 2020		**430**	**(17)**	**(76)**	**(6)**	**(1)**	**270**	**2**	**602**
Balance at 1 April 2020		**430**	**(17)**	**(76)**	**(6)**	**(1)**	**270**	**2**	**602**
Net profit/(loss) for the year		-	61	-	-	-	-	(4)	57
Other comprehensive income		-	-	-	-	17	-	-	17
Revaluation of investment	15	-	15	(15)	-	-	-	-	-
Disposal of revalued assets	12	-	2	-	-	-	(2)	-	-
Revaluation of assets	12	-	(17)	-	-	-	17	-	-
Total comprehensive income for the year		**-**	**61**	**(15)**	**-**	**17**	**15**	**(4)**	**74**
Transactions with owners recorded directly in equity:									
Issue of shares	20	347	-	-	-	-	-	-	347
Equity raise costs	20	(10)	-	-	-	-	-	-	(10)
Share-based payments and own shares acquired		-	-	-	(2)	-	-	-	(2)
Total transactions with owners recorded directly in equity		**337**	**-**	**-**	**(2)**	**-**	**-**	**-**	**335**
Balance at 31 March 2021		**767**	**44**	**(91)**	**(8)**	**16**	**285**	**(2)**	**1,011**

Statement of financial position at 31 March 2021

	Notes	2021 $m	2020 $m
Shareholders' equity			
Equity attributable to owners of the company		**1,013**	600
Non-controlling interest		**(2)**	2
Total equity		**1,011**	602
Represented by:			
Current assets			
Cash and cash equivalents		**162**	19
Accounts receivable and prepayments		**299**	297
Income tax receivable		**-**	24
Inventories	11	**570**	565
Derivative financial instruments	19	**77**	32
Assets held for sale	12	**-**	4
Other current assets		**1**	-
Total current assets		**1,109**	941
Non-current assets			
Property, plant and equipment	12	**816**	819
Right of use assets	10	**280**	282
Goodwill	13	**158**	158
Intangible assets	13	**497**	628
Investments	15	**42**	48
Derivative financial instruments	19	**38**	153
Other non-current assets		**13**	16
Total non-current assets		**1,844**	2,104
Total assets		**2,953**	3,045
Current liabilities			
Accounts payable, accruals and other liabilities		**605**	748
Income tax payable	9	**15**	-
Provisions	17	**21**	19
Short-term borrowings	18	**169**	70
Derivative financial instruments	19	**33**	91
Lease liability	10	**16**	14
Total current liabilities		**859**	942
Non-current liabilities			
Other liabilities		**8**	10
Provisions	17	**72**	74
Derivative financial instruments	19	**25**	26
Deferred tax	9	**94**	74
Long-term borrowing	18	**601**	1,032
Lease liability	10	**283**	285
Total non-current liabilities		**1,083**	1,501
Total liabilities		**1,942**	2,443
Net assets		**1,011**	602

Approved on behalf of the Board on 5 May 2021

Abigail Kate Foote
Chair

Andrew Mark Cross
Chair, Audit and Risk Committee

Statement of cash flows for the year ended 31 March 2021

	Notes	2021 $m	2020 $m
Cash flows from operating activities			
Receipts from customers		**3,542**	5,156
Dividends received		**-**	1
Interest received		**26**	43
Payments to suppliers and employees		**(2,393)**	(3,889)
Excise, carbon and other taxes paid		**(995)**	(985)
Interest paid		**(80)**	(104)
Taxation received/(paid)	9	**22**	(63)
Net cash inflow from operating activities		**122**	159
Cash flows from investing activities			
Proceeds from assets held for sale		**5**	2
Proceeds from sale of property, plant and equipment		**-**	24
Lease payments received from leases	10	**1**	1
Purchase of intangible assets		**(17)**	(51)
Purchase of investments		**(11)**	(5)
Purchase of property, plant and equipment		**(47)**	(51)
Net cash outflow from investing activities		**(69)**	(80)
Cash flows from financing activities			
Issue of shares	20	**347**	-
Equity raising costs	20	**(10)**	-
Net proceeds/(repayment) from bank facility	18	**(231)**	182
Purchase of shares	21	**(3)**	-
Dividends paid to owners of the company	20	**-**	(203)
Repayment of bonds	18	**-**	(135)
Payment of lease liabilities	10	**(13)**	(15)
Net cash inflow/(outflow) from financing activities		**90**	(171)
Net increase/(decrease) in cash		**143**	(92)
Cash balances at beginning of year		**19**	111
Cash at end of year		**162**	19

Reconciliation of net profit for the year to cash flows from operating activities

		2021 $m	2020 $m
Net profit/(loss) for the year		**57**	(88)
Adjustments to reconcile profit to net cash inflow from operating activities			
Depreciation and amortisation		**143**	144
Impairment		**-**	96
Share of loss of associate companies (net of tax)		**1**	-
Change in ETS units		**70**	(253)
Other		**(38)**	17
Changes in assets and liabilities, net of non-cash, investing and financing activities			
Change in accounts receivable and prepayments		**(2)**	202
Change in inventories		**(5)**	13
Change in accounts payable, accruals and other liabilities		**(143)**	71
Change in taxation		**39**	(43)
Net cash flow from operating activities		**122**	159

Notes to the financial statements for the year ended 31 March 2021

(1) Basis of accounting

Reporting entity

Z Energy Limited is a profit-oriented company registered in New Zealand under the Companies Act 1993 and a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. Z Energy Limited is listed, its ordinary shares quoted on the NZX Main Board equity security market (NZX Main Board), on the Australian Stock Exchange (ASX) and has bonds quoted on the NZX debt market.

The financial statements presented are those of Z Energy Limited (the Company, Parent) together with its subsidiaries, interests in associates and jointly controlled operations (Z or the Group).

Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and part 7 of the Financial Markets Conduct Act 2013. They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities and with International Financial Reporting Standards (IFRS). Z has reported as a Tier 1 entity under the External Reporting Board (XRB) Accounting Standards Framework, as a listed entity.

The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of certain assets, investments and financial instruments as identified in the accompanying notes. The functional and reporting currency used to prepare the financial statements is New Zealand dollars, rounded to the nearest million ($m), unless otherwise stated. The financial statements have been prepared on a GST-exclusive basis except billed receivables and payables, which include GST.

Basis of consolidation

Consistent accounting policies are employed in preparing and presenting the Group financial statements. Intra-group balances and any unrealised income or expenses arising from intra-group transactions are eliminated in preparing the Group financial statements.

(2) Changes in accounting policies

The accounting policies have been applied consistently to all years presented in these Group financial statements, with the exception of the early adoption of the amendment to NZ IAS 1 'Classification of liabilities as current or non-current' (NZ IAS 1) from 1 April 2020 and NZ IFRS 16 Leases (NZ IFRS 16). The early adoption of the amendment to NZ IAS 1 had no impact on classification of Z's debt facilities. Z has applied the NZ IFRS 16 practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the Covid-19 pandemic are lease modifications. The impact is disclosed in note 3.

(3) Critical accounting estimates and judgements

The preparation of financial statements requires management to make the following judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Refining NZ strategic review (notes 13, 15, 25)

On 25 June 2020, Refining NZ announced as part of their strategic review (previously announced on 15 April 2020), that two business model options would be taken forward; a Simplified Refinery model and an Import Terminal System (ITS) model. Both of these models impact Z as a customer and as a shareholder in Refining NZ.

Refining NZ implemented the Simplified Refinery model on 1 January 2021, reducing available refining capacity by circa 18% to circa 34 million barrels per annum.

On 17 December 2020, Z issued a notice of dispute under its Processing Agreement with Refining NZ in response to the Simplified Refinery model as the proposition did not allow Refining NZ's customers to access the full capacity of the refinery and made no financial adjustment for the reduced capacity. Z received a notice of dispute from Refining NZ under the Processing Agreement on 18 December 2020 seeking retrospective payment of additional funds up to $70m per annum relating to historic increases to the fee floor and changes to the capacity of the refinery. These disputes remain unresolved, and in conjunction with the strategic review, there is a range of potential outcomes that Z does not have complete control over.

Financial impact

Z has assessed the financial impact and disclosure requirements in compliance with NZ IFRS, predominantly NZ IAS 36 Impairment of Assets (NZ IAS 36), NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets (NZ IAS 37) and NZ IAS 10 Events after the Reporting Period (NZ IAS 10). Z has assessed the significant uncertainty of both the outcomes of the Processing Agreement disputes and likelihood of a decision by Refining NZ on whether or not to proceed with the conversion to an ITS. This assessment has resulted in Z expensing the processing fee and the fee floor top up for January, February and March 2021. As at 31 March 2021, the fee floor top up amounts for January and February had been paid to Refining NZ.

A change to the ITS model could impact Z on an on-going basis by simplifying the supply chain, which may lead to a reduction in working capital requirements and changes to operating expenditure incurred by the Group. In addition, there are likely to be some one-off conversion impacts, in particular a write-down in the value of any unrefined stock held at the refinery at the time of conversion to an ITS.

The impact on the Refining NZ Processing Agreement intangible asset has been assessed in note 13.

There will be no impact on the treatment of the investment in RNZ, this will continue to be recognised at the NZX-listed share price at balance date, disclosed in note 15.

The impact of events after balance date is disclosed in note 25.

Climate Change Commission

On 31 January 2021, the Climate Change Commission released its draft advice for the emissions budgets, plans and targets that will enable New Zealand to meet two commitments: the 2030 emissions reduction targets as per the Paris Agreement and to be net carbon zero by 2050. A wide range of advice was issued, including transport, heat industry and power, the Emissions Trading Scheme (ETS), forestry and waste.

If the draft advice is adopted by Government, transport emissions would be impacted significantly through a variety of initiatives including greater use of public transport, electrifying the vehicle fleet and increased use of low carbon fuels e.g. biofuels and hydrogen.

Z has accounted for its assets and liabilities included within the Statement of financial position in a manner consistent with the draft advice, with no revaluation changes required as at 31 March 2021. Once the advice has been finalised by the Climate Change Commission, Z will reassess if there is any impact on valuations within the Statement of financial position.

Provisions (note 17)

Liabilities are estimated for decommissioning and restoration (D&R) of certain sites of operation.

(3) Critical accounting estimates and judgements (continued)

Measurement of fair value (notes 12, 15 and 19)

Some of the Group's accounting policies and disclosures require the measurement of fair values. Land and land improvements are adjusted based on a land inflation index marker (see note 12).

Goodwill (note 13)

Goodwill is an indefinite-life intangible asset and is tested annually for impairment by estimating the future cash flows that the Group is expected to generate. Estimating future cash flows requires key judgements including expected fuel volume growth or decline, expected future margins, and the discount rate for valuing future cash flows.

Covid-19 pandemic

While some economic impacts of the Covid-19 pandemic have manifested during the year, there remains some uncertainty of the ongoing impact on the Group's business.

Covid-19 Provisions

The Group has recorded the following provisions to account for the impacts of the Covid-19 pandemic on the 31 March 2021 financial results:

	Doubtful debts $m	Convenience stores $m	Finished product costs $m	Secondary distribution $m	2021 $m
Recognition in the Statement of comprehensive income	Operating expenses	Operating expenses	Cost of goods sold	Operating expenses	
Balance at 1 April 2020	17	7	9	-	33
Created	-	2	1	5	8
Utilised	-	-	(8)	(4)	(12)
Released	(10)	(9)	(2)	(1)	(22)
Balance at 31 March 2021	7	-	-	-	7

The provisions have been updated to reflect the current estimate of the impact of the Covid-19 pandemic. Movements in the provision balances since 1 April 2020 relate to actual expenses billed, movement in doubtful debts to reflect current debtor balances and latest fuel prices, release of provisions no longer required due to reassessment of expected costs and the identification of additional distribution costs incurred as a result of the Covid-19 pandemic.

Doubtful debts
The remaining provision is for doubtful debts for the expected impact of recessionary decline caused by the Covid-19 pandemic on the debtor balances existing as at 31 March 2021.

Commercial customers
Z has performed an assessment of credit risk on its largest Commercial customers and provided for these based on a risk weighting. The criteria for the risk rating includes:

- Probability of enduring demand for that customer's business
- The ability of the business to access alternative sources of funding
- Z's understanding and experience with the customer

Retail customers and sub-tenants
Z has recorded provisions to account for the estimated financial impact of any defaults.

Wage subsidy

The Group received $3.4m of wage subsidies which have been recognised as an offset to salaries and wages within operating expenses, in line with NZ IAS 20 Government Grants.

Rent concessions

The Group received $0.5m of rent relief as a direct consequence of the Covid-19 pandemic. The Group has applied the NZ IFRS 16 practical expedient as a lessee not to treat the rent relief as a lease modification. $0.5m of rent relief has been recognised in the Statement of comprehensive income and the lease liability has been reduced by $0.5m.

(4) Replacement cost reconciliation

Replacement cost (RC) is a non-GAAP measure used by the downstream fuel industry to report earnings. RC removes the impact of changes in crude oil and refined product prices on the value of inventory held by Z. Z manages the Group's performance based on RC. The difference between Historical Cost (HC) earnings and RC earnings is a cost of sales adjustment (COSA), foreign exchange, commodity gains and losses and the associated tax impact.

Income statement on RC basis

	2021 $m	2020 $m
Revenue	**3,520**	4,987
Expenses		
Purchases of crude, product and electricity	**1,755**	3,005
Excise, carbon and other taxes	**1,149**	1,150
Primary distribution	**43**	50
Operating expenses (net of foreign exchange and commodity gains/losses on fuel purchases)	**334**	416
Total expenses	**3,281**	4,621
RC operating EBITDAF*	**239**	366
Share of loss of associate companies (net of tax)	**1**	-
RC EBITDAF	**238**	366
Below RC EBITDAF expenses		
Depreciation and amortisation	**143**	144
Net financing expense	**38**	50
Impairment	**-**	96
Lease depreciation	**20**	19
Lease interest income	**(1)**	(1)
Lease interest expense	**13**	17
Fair value movements in interest rate derivatives	**(10)**	3
Gain on sale of property, plant and equipment	**-**	(2)
Increase in decommissioning and restoration provision	**1**	9
Total below RC EBITDAF expenses	**204**	335
RC net profit before taxation	**34**	31
Taxation expense/(benefit)	**31**	(13)
RC net profit after taxation	**3**	44

* Earnings, before interest, taxation, depreciation (including gains and (losses) on sale of fixed assets), amortisation, impairment, fair value movements in interest-rate derivatives and movements in decommissioning and restoration provision (EBITDAF).

Reconciliation from statutory net profit after tax to RC net profit after tax

	2021 $m	2020 $m
Statutory net profit after tax	**57**	(88)
COSA	**10**	88
Net foreign exchange and commodity (gains)/losses on fuel purchases	**(61)**	68
Tax expense on COSA	**(3)**	(24)
RC net profit after tax	**3**	44

(5) Non-controlling interest

Z owns 70% of Flick Energy Limited (Flick) with 30% owned by non-controlling interest (NCI). Z consolidates 100% of Flick's results and presents the portion of profit/(loss) and other comprehensive income attributable to NCI.

Flick results for the year ended 31 March 2021	Flick 2021 $m	Flick 2020 $m
NCI Percentage	**30%**	30%
Assets		
Cash	**3**	4
Other current assets	**31**	2
Intangible assets	**3**	2
Other non-current Assets	**1**	1
Total assets	**38**	9
Liabilities		
Trade payables	**(9)**	(1)
Deferred tax	**-**	-
Provisions	**-**	-
Income tax payable	**(8)**	-
Other non-current liabilities	**-**	(1)
Total liabilities	**(17)**	(2)
Net assets	**21**	7
Net assets attributable to NCI (30%)	**6**	2
Revenue	**47**	39
Net loss	**(8)**	(7)
Other comprehensive income	**-**	-
Total comprehensive income	**(8)**	(7)
Total comprehensive income attributable to NCI (30%)	**(2)**	(2)
Flick goodwill write-down attributable to NCI	**-**	(11)
Other losses attributable to NCI on consolidation	**(2)**	(3)
Total comprehensive loss attributable to NCI	**(4)**	(16)

(6) Revenue

Revenue from major business activities — fuel and convenience retail

Revenue comprises the fair value of consideration received or receivable for the sale of fuel, convenience retail or other, which contains electricity income, in the ordinary course of the Group's activities. The Group's performance obligations are typically satisfied when the Group has supplied the product to the customer, the customer has accepted the product and the collectability of the related receivable is reasonably assured.

Fuel invoices are raised following delivery and settled in accordance with agreed payment terms. Some international customers are required to pay prior to delivery. Transaction price is based on agreed contract rates and delivered volumes and is allocated on delivery. Convenience revenue is recognised at the time of sale. Transaction price is based on the ticketed or contract price.

	2021 $m	2020 $m
Fuel	**3,399**	4,870
Convenience retail	**65**	64
Other	**56**	53
Total revenue	**3,520**	4,987

(7) Audit fees

Included in operating expenses are fees paid to the auditors (presented in whole dollars):

	2021 $	2020 $
Audit fees		
Audit and review of financial statements	**348,900**	344,000
Audit and review of 2020 financial statements additional fee	**30,000**	-
Agreed upon procedures — licence fee return	**4,500**	6,000
Cost of stock adjustment review	**10,250**	10,000
Total audit fees	**393,650**	360,000
Audit-related fees		
Greenhouse Gas Statement reasonable assurance	**30,000**	-
Total audit-related fees	**30,000**	-
Total audit and audit-related fees	**423,650**	360,000

(8) Net financing expenses

	2021 $m	2020 $m
Financing income		
Interest income from derivatives	**24**	40
Interest income from cash	**1**	1
Other finance income	**1**	1
Total financing income	**26**	42
Financing expense		
Interest expense on bonds	**14**	20
Interest expense on derivatives	**25**	42
Interest expense on secured bank facilities	**2**	5
Interest expense on USPP notes	**16**	19
Financing fees	**1**	1
Other finance expense	**6**	5
Total financing expense	**64**	92
Net financing expense	**38**	50

(9) Taxation

Taxation expense or benefit is determined as follows:

	2021 $m	2020 $m
Net profit/(loss) before taxation	**85**	(125)
Less share of loss of associate companies (net of tax)	**1**	-
Net profit/(loss) before taxation excluding share of earnings from associates	**86**	(125)
Taxation expense/(benefit) on profit for the year at the corporate income tax rate of 28% (2020: 28%)	**24**	(35)
Taxation adjustments:		
Non-deductible expenditure	**-**	11
Reinstatement of depreciation on buildings	**5**	(12)
Over-provision in prior periods	**(1)**	(1)
Taxation expense/(benefit)	**28**	(37)
Comprising:		
Current taxation	**8**	32
Deferred taxation	**20**	(69)
Taxation expense/(benefit)	**28**	(37)

Deferred tax

Deferred tax assets and liabilities are presented as a net deferred tax asset/(liability) in the Statement of financial position. The movement in deferred tax assets and liabilities is provided below.

In March 2020, the Government re-introduced the deductibility of depreciation on buildings for tax purposes, for buildings not primarily used for residential accommodation. This amendment applied from 1 April 2020 and the depreciation rate is 2% diminishing value. The impact of this change was assessed at 31 March 2020 to increase the tax base for these assets, reducing the difference between the carrying cost and the tax base. Both the deferred tax liability and tax expense reduced by $12m. This has been reassessed in the current year with an increase in both the deferred tax liability and tax expense of $5m. The comparative balances have not been restated.

	Property, plant and equipment $m	Intangible assets $m	Employee benefits $m	Finance lease $m	Other provisions $m	Derivative financial instruments $m	Other items $m	Total $m
Balance at 1 April 2019	(41)	(115)	-	4	2	6	1	(143)
Recognised in the Statement of comprehensive income	12	28	1	(1)	5	11	4	60
Over-provision in prior periods in the Statement of comprehensive income	(2)	-	-	-	-	-	(1)	(3)
Reinstatement of depreciation on buildings	12	-	-	-	-	-	-	12
Balance at 31 March 2020	(19)	(87)	1	3	7	17	4	(74)
Balance at 1 April 2020	**(19)**	**(87)**	**1**	**3**	**7**	**17**	**4**	**(74)**
Recognised in the Statement of comprehensive income	**7**	**3**	**-**	**-**	**(3)**	**(17)**	**(3)**	**(13)**
Over-provision in prior periods in the Statement of comprehensive income	**(5)**	**-**	**(1)**	**3**	**-**	**-**	**1**	**(2)**
Reinstatement of depreciation on buildings	**(5)**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**
Balance at 31 March 2021	**(22)**	**(84)**	**-**	**6**	**4**	**-**	**2**	**(94)**

	2021 $m	2020 $m
Deferred tax expected to be settled within 12 months	**(22)**	(12)
Deferred tax expected to be settled after 12 months	**(72)**	(62)
Deferred tax	**(94)**	(74)

Imputation credits available for use in subsequent reporting periods are $106m (2020: $118m).

(10) Leases

Leases as a Lessee

Under NZ IFRS 16, Z recognises right-of-use assets and lease liabilities for most property leases.

On inception of a new lease, the lease liability is measured at the present value of the remaining lease payments, discounted using Z's incremental borrowing rate at that date. The right-of-use assets are measured at an amount equal to the lease liability, and are depreciated over the estimated remaining lease term on a straight-line basis. Z presents the right-of-use assets and lease liabilities separately on the face of the Statement of financial position.

Z applies the following practical expedients when applying NZ IFRS 16:

- A single discount rate to a portfolio of leases with similar characteristics;
- Exemption to not recognise right-of-use assets for low-value leases; and
- Exemption to not recognise right-of-use assets for leases with less than 12 months remaining.

Nature of lease payments as a lessee

Z as the lessee has various non-cancellable leases predominantly for the lease of land and buildings. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

Information about leases for which Z is a lessee is presented below:

Right-of-use assets	2021 $m
Balance at 1 April 2020	**282**
Depreciation charge for the year	**(20)**
Additions to right-of-use assets	**9**
Adjustments to existing right-of-use assets	**9**
Derecognition of right-of-use assets	**-**
Balance at 31 March 2021	**280**

Right-of-use assets related to leased properties that do not meet the definition of investment property are represented as property, plant and equipment.

Amounts recognised in profit or loss	2021 $m	2020 $m
Leases under NZ IFRS 16		
Lease depreciation	**20**	19
Interest expense on lease liabilities	**13**	17
Lease expense on short-term leases	**1**	3

Maturity analysis	2021 $m	2020 $m
Leases liabilities as lessee		
Between 0 to 1 year	**16**	13
Between 1 to 5 years	**80**	74
More than 5 years	**203**	212
Lease liabilities as lessee	**299**	299

(10) Leases (continued)

Leases as a Lessor

Z acts as a lessor for subleases on sites that Z leases. Z assesses each sublease based on the right-of-use asset and expected useful life of the head lease, and where a sublease is for a significant part of the expected life of the lease, Z derecognises part of the right-of-use asset and records this as sublease receivable. Sublease receivables are measured using the present value of the future sublease income, discounted using Z's incremental borrowing rate at that date. Subleases which are not classified as being for a significant part of the expected life of the lease or of marginal costs are classed as operating leases.

Z has receivables from leases as a lessor relating to the lease of premises as shown below:

Operating lease income as a lessor	2021 $m	2020 $m
Income from subleasing right-of-use assets	**1**	1

Total lease expenses/(income) as lessor and lessee	2021 $m	2020 $m
Lease interest income	**(1)**	(1)
Lease depreciation	**20**	19
Lease interest expense	**13**	17
Net lease expenses	**32**	35

(11) Inventories

Inventory is stated at the lower of cost or net realisable value (NRV). The cost of inventories is based on the first-in-first-out principle. NRV is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Inventory write down at 31 March 2021 was $3m (2020: the impact of Covid-19 drove a significant fall in commodity prices resulting in a $53m write down of the closing value of crude and refined products as NRV fell below cost for certain products). The write down is recorded in cost of goods sold.

(12) Property, plant and equipment

Property, plant and equipment (PPE) is measured at fair value based on periodic valuations, less accumulated depreciation and any impairment after the date of revaluation.

An independent revaluation of all land and buildings (including terminal plants) is undertaken by an independent valuer every five years using a level 3 fair value methodology in line with the fair value hierarchy. In the years between independent valuations, the carrying value of land is adjusted annually by a land inflation index provided by an independent valuer based on recent sales, as underlying land values are considered the significant determinant of fair value changes for Z. An assessment of other PPE fair values is also performed annually by Z to assess the underlying assumptions for each asset class and determine whether any revaluation is required. Additions to PPE after the most recent valuation are recorded at cost.

The last independent revaluation was recorded at 31 March 2017, with the next revaluation scheduled for 31 March 2022.

Depreciation is provided on a straight-line basis. The major depreciation periods (in years) are:

Buildings	9–35
Plant and machinery	2–35
Land improvements	14–35
Terminal plant	5–35

Year ended 31 March 2021

Cost/valuation	Construction in progress $m	Buildings $m	Land and improvements $m	Plant and machinery $m	Terminal plant $m	2021 Total $m	2020 Total $m
Balance at beginning of year	34	118	319	405	211	**1,087**	1,046
Additions	46	-	-	-	-	**46**	51
Disposals	-	-	(1)	(13)	-	**(14)**	(12)
Transfers between asset classes	(50)	3	3	28	16	**-**	-
Right of use asset	-	-	-	-	-	**-**	(8)
Assets held for sale	-	-	-	-	-	**-**	(4)
Valuation adjustment	-	-	15	-	-	**15**	14
Balance at end of year	**30**	**121**	**336**	**420**	**227**	**1,134**	1,087
Accumulated depreciation and impairment							
Balance at beginning of year	-	(29)	(13)	(189)	(37)	**(268)**	(216)
Depreciation	-	(8)	(3)	(38)	(14)	**(63)**	(62)
Disposals	-	-	-	13	-	**13**	10
Balance at end of year	**-**	**(37)**	**(16)**	**(214)**	**(51)**	**(318)**	(268)
Carrying amounts							
At 1 April 2020	34	89	306	216	174	**819**	
At 31 March 2021	**30**	**84**	**320**	**206**	**176**	**816**	

Included in buildings ($13m) and plant and machinery ($1m) are assets held under finance leases (2020: buildings $16m and plant and machinery $1m).

For each revalued class, the carrying amount that would have been recognised had the assets been carried on a historical cost basis are: buildings $48m (2020: $48m); land and improvements $132m (2020: $132m); terminals $149m (2020: $145m); plant and machinery $184m (2020: $191m).

(12) Property, plant and equipment (continued)

The following table shows the valuation technique used in measuring the fair value of PPE, as well as the significant unobservable inputs used.

Asset class	Valuation techniques during full revaluation	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement	Valuation adjustments between full revaluation
Land and Buildings	Direct capitalisation approach based on a sustainable market rental is capitalised at an appropriate rate of return or yield derived from comparable asset sales. The market rental is built up from: - fuel throughput margin - estimated shop rental (for non-fuel sales) The value ascribed to the land is allocated using a value estimated based on recent comparable land sales with the residual value being allocated to buildings.	Throughput rental rate (cents/litre) 1.15-2.35 (Retail) Throughput rental rate (cents/litre) 1.00 (truck stop) Shop rental $125-$450 per square metre Capitalisation rate 5%-10%	The estimated fair value would increase (decrease) if: - throughput margins were higher (lower). - shop rental rates were higher (lower). - capitalisation rates were lower (higher).	Land and land improvements are adjusted based on a land inflation index marker. Land and buildings are assessed for impairment annually.
Terminal plant, and plant and machinery	Depreciated replacement cost approach is based on the gross current replacement cost, reduced by factors providing for age, physical depreciation, and technical and functional obsolescence considering an asset's total estimated useful life and anticipated residual value (if any).	Cost estimates sourced from contracting machinery suppliers and cost analysis of recent projects	The estimated fair value would increase (decrease) if: - cost was higher (lower); - remaining useful life was higher (lower); - technical and functional obsolescence was lower (higher).	Assessed for impairment.
Finance leases (buildings)	Net present value of contracted rental cash flow at lease commencement over the remaining term of the lease.	Discount rate 6.5%. Rental payments are sourced from lease agreements.	The estimated fair value would increase (decrease) if: - Discount rate was lower (higher); - Net rental of the lease was higher (lower); - Remaining term of the lease was longer (shorter).	Assessed for impairment.

Z considers the effects of the Covid-19 pandemic has not had a significant impact on the fair value of land and buildings or terminal plant and machinery.

Highest and best use

Z holds properties where the current market value in use is lower than the highest and best alternative use. However, Z holds these properties as part of its strategic network and, therefore, does not currently intend to change the use of these assets. The assets are recorded at their highest and best alternative-use valuation.

Assets held for sale

There are no assets held for sale at 31 March 2021.

(13) Intangible assets

Goodwill

Goodwill is the excess of purchase consideration and net identifiable assets acquired. Goodwill is not amortised, but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, by estimating future cash flow considering expected fuel volumes, margin and discount rates.

Chevron acquisition goodwill

On 1 June 2016, Z acquired 100% of the share capital of Chevron New Zealand (renamed Z Energy 2015 Limited), an importer, distributor and seller of transport fuel and related products. The acquisition has strengthened the Group's fuel network within New Zealand. Z recognised $158m of goodwill as part of the purchase price allocation. As at 31 March 2021, an annual impairment test of the goodwill was undertaken. The impairment test considered the impacts of Covid-19 on the carrying amount of the goodwill.

The recoverable amount of the cash generating unit (CGU) containing the goodwill has been calculated based on the present value of future cash flows expected to be derived from the CGU (value in use). This was calculated using a Z Board approved 20 year discounted cash flow valuation (DCF). Significant assumptions within the DCF include:

- Discount rate of 6.3% (real terms), which is the current weighted average cost of capital (WACC) estimated by Z and adjusted for lease financing
- Terminal value growth rate of -5%
- Future sales volumes which have been estimated based on management's internal view of industry volumes, informed by the growth rate assumptions within the Tūī and Kea Energy forecast fuel use scenarios developed by the BusinessNZ Energy Council for the period to 2060 ('BEC2060 Scenarios') and compared to consensus industry analyst forecasts. The demand profile is more pessimistic than Tūī until around 2030, but more optimistic in the long-run out to 2040.

A 20 year DCF has been used instead of a five-year DCF due to the industry life cycle. The headroom between the carrying amount and the recoverable amount of the CGU has decreased due to the current market conditions, however, there is still sufficient headroom to conclude that no impairment is required. The discounted cash flows are most sensitive to the following assumptions:

Change in key assumptions	Reduction in valuation $m	Increase in valuation $m	Would the indicated sensitivity result in impairment?
Discount rate [+/-0.50%]	(152)	167	No
Retail margins [-/+ 1cpl]	(138)	138	No
Capital expenditure [+/- $10m] per annum	(115)	115	No
Market demand change [Kea]	(771)	102	No

Z will continue to monitor market conditions on an ongoing basis and make necessary judgement on the need for impairment of the goodwill.

Brands

Brands were acquired as part of the Chevron acquisition and are amortised over six years on a straight-line basis.

Contracts and customers acquired

Contracts acquired include customer contracts, supply agreements and leases acquired as part of the Chevron acquisition and Flick customers as part of the Flick acquisition. These contracts are amortised over 3 to 21 years on a straight-line basis.

As at 31 March 2021, Z undertook an impairment test on the current value of both the Flick and Chevron customer contracts as per the requirements of NZ IAS 36. Despite the challenging electricity market conditions, no adjustment was deemed necessary for the Flick customer contracts as these were appropriately supported by the DCF at 31 March 2021.

(13) Intangible assets (continued)

Chevron customer contracts

On 1 June 2016, Z acquired the Caltex NZ business from Chevron. Included in this purchase was an allocation of $345m for the intangible assets relating to the Caltex retail customer contracts. These were valued at the net present value of future cash flows and amortised over 21 years on a straight-line basis.

Under NZ IAS 36, contracts acquired are finite life intangible assets that have a measurable life which can be amortised over a measurable period. Accordingly, accounting standards require this type of asset to be tested for impairment when there is an indicator of impairment due to triggering of a significant event, for example a decline in performance. If this indication is present, an entity is required to make a formal estimate of recoverable amount.

On the basis that the Covid-19 pandemic has had a significant impact on retailers, an impairment test was carried out as at 31 March 2021 using the method and assumptions set out below.

Cash flow projections are based on Z's forecasts for the year ending 31 March 2022 (FY22 Plan). In estimating the cash flow projections beyond FY22, Z has based subsequent years on the fuel volume change implied by management's internal view of industry volumes, derived from consensus industry analyst forecasts. This demand profile is slightly more pessimistic than the BEC2060 Tūī scenario until around 2030, but more optimistic in the long run out to 2040, consistent with the demand profile used in the Chevron acquisition goodwill DCF model.

The assumptions for the 31 March 2021 calculation are as follows:

- 19-year DCF (previously 20 years, reflecting the roll-forward one year since the previous valuation) with no terminal value
- Retail gross margin based on FY22 plan and management's long-term margin assumptions
- Discount rate of 6.5% (real terms), which is the current weighted average cost of capital (WACC) estimated by Z
- Future sales volumes which have been estimated based on management's internal view of industry volumes, informed by the growth rate assumptions within the Tūī and Kea Energy forecast fuel use scenarios developed by the BusinessNZ Energy Council for the period to 2060 ('BEC2060 Scenarios') and compared to consensus industry analyst forecasts. The demand profile is more pessimistic than Tūī until around 2030, but more optimistic in the long run out to 2040.

Using these assumptions, the recoverable amount as at 31 March 2021 was determined to be $273m, which is $85m more than the carrying amount of $187m, therefore no impairment is required.

Refining NZ processing agreement

On 1 June 2016, Z acquired the Caltex business from Chevron. Included in this purchase was an allocation of $46m for the intangible asset relating to the Processing Agreement (The Agreement) Chevron had with Refining NZ. The Agreement was for the processing of crude oil to refined product and distribution of product through the Refinery to Auckland Pipeline (RAP). The Agreement was valued using a discounted cashflow model of the local refining advantage over importing finished product. This was based on Chevron's then refining capacity allocation of total refinery throughput of ~120kbbl/day. A valuation timeframe of June 2016–31 March 2030 was used and the asset value amortised straight line over this term. At 31 March 2021, the amortised value is $30m.

Under NZ IAS 36, intangibles acquired are finite life intangible assets that have a measurable life which can be amortised over a measurable period. Accordingly, accounting standards require this type of asset to be tested for impairment when there is an indicator of impairment due to triggering of a significant event, for example a change to the processing agreement. If this indication is present, an entity is required to make a formal estimate of recoverable amount.

The event of Refining NZ undertaking the strategic review has triggered an impairment test to be carried out at 31 March 2021. Management has assessed possible outcomes of the strategic review and disputes, including the potential for Refining NZ transitioning to an ITS, and carried out discounted cash flow valuations for various scenarios. Key assumptions used in the 'continued refining' model are a discounting period ending 2035 and refining margins averaging ~5.90 USD/bbl, consistent with Refining NZ's view on timeframes and refining margins. Key assumptions used in the ITS model are an initial 10-year discounting period with no terminal value and forecast cost differential of ensuring product is available at the locations required. Based on the various potential outcomes of this assessment there has been no impairment identified at 31 March 2021.

Emissions trading scheme

Units acquired are carried at cost less any accumulated impairment. Refer to note 14 for the number of units held.

Other intangibles

Other intangibles include software, franchise rights, domain name and contacts acquired. Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over three years on a straight-line basis. Contacts acquired are amortised over the useful life of the asset which is up to the lease's first right of renewal date. Intangible assets with indefinite lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Year ended 31 March 2021

	Software in progress $m	Goodwill $m	Brands $m	Contracts acquired $m	Emissions units $m	Other $m	**2021 Total $m**	2020 Total $m
Balance at beginning of year	4	158	14	281	261	68	**786**	668
Additions	14	-	-	-	136	5	**155**	336
Transfers between asset classes	(14)	-	-	-	-	14	**-**	-
Utilised	-	-	-	-	(191)	-	**(191)**	-
Reacquired/(leased)	-	-	-	-	37	-	**37**	(37)
Sale of units	-	-	-	-	(52)	-	**(52)**	-
Impairment	-	-	-	-	-	-	**-**	(96)
Amortisation	-	-	(7)	(32)	-	(41)	**(80)**	(85)
Balance at end of year	**4**	**158**	**7**	**249**	**191**	**46**	**655**	786
Cost	4	193	37	445	191	203	**1,073**	1,124
Accumulated impairment	-	(35)	-	(61)	-	-	**(96)**	(96)
Accumulated amortisation	-	-	(30)	(135)	-	(157)	**(322)**	(242)
Balance at end of year	**4**	**158**	**7**	**249**	**191**	**46**	**655**	786

(14) Emissions trading scheme

The Group is required to deliver emission units to a Government agency to be able to sell products that emit pollutants. A provision is recognised in the Statement of financial position and is measured at the average cost of units acquired to satisfy the emissions obligation.

Stock of units	**2021 Units millions**	2020 Units millions
Balance at beginning of year	**10**	-
Units acquired and receivable	**4**	6
Units sold	**(2)**	-
Units reacquired/(leased)	**1**	4
Units surrendered	**(7)**	-
Balance at end of year	**6**	10

Obligation	**2021 Units millions**	2020 Units millions
Obligation payable at 31 March	**9**	10

The Emissions Trading Scheme obligation of $303m (2020: $246m) is included within accounts payable, accruals and other liabilities and is valued at cost where units have been acquired to settle the Group's obligation. Any shortfall in units needed to settle the obligation is measured at fair value.

(15) Investments

The Group's investment in Refining NZ is recognised at the NZX-listed share price at 31 March 2021 of $0.47 (2020: $0.78) giving rise to a $15m reduction in the fair value for the financial year which is accounted for in other comprehensive income.

	2021 $m	2020 $m
Investment in NZ Refining (fair value hierarchy level 1)	23	38
Investment in associates	19	10
Total investments	42	48

The Group wholly owns or has a partial interest in the below associates and subsidiaries:

Associates and subsidiaries		2021 % Holding	2020 % Holding
Drylandcarbon One Limited Partnership	Associate	37%	37%
Mevo Limited	Associate	32%	32%
Loyalty NZ Limited	Associate	25%	25%
Wiri Oil Services Limited (WOSL)	Associate	44%	44%
Coastal Oil Logistics Limited (COLL)	Associate	50%	50%
Flick Energy Limited	Subsidiary	70%	70%
Z Energy 2015 Limited (formerly Chevron New Zealand)	Subsidiary	100%	100%
Z Energy ESPP Trustee Limited	Subsidiary	100%	100%
Z Energy LTI Trustee Limited	Subsidiary	100%	100%

(16) Investment in joint operations

The Group has participating interests in four unincorporated jointly controlled operations relating to the storage and distribution of petroleum products. The revenues and expenses are allocated in the financial statements of a proportionate share on a performance/usage basis rather than the share of the joint arrangement.

The Group has rights to the assets and obligations for the liabilities relating to the jointly controlled operations. At 31 March 2021, there were no contingent liabilities for the jointly controlled operations (2020: nil). The value of assets in these interests is $13m (2020: $13m).

	Principal activity	2021 % Holding	2020 % Holding
Joint User Hydrant Installation	Fuel storage	33%	33%
Joint Interplane Fuelling Services	Fuel distribution	50%	50%
Jointly Owned Storage Facility	Fuel storage	50%	50%
Joint Ramp Service Operations Agreement	Fuel distribution	0%	50%
Wiri to Auckland Airport Pipeline	Fuel distribution	40%	40%

(17) Provisions

Decommissioning and restoration (D&R) costs are recognised at the estimated future cost. The estimated future cost is calculated using amounts discounted over the estimated useful economic life of the assets. For the majority of assets, the discount rate applied is the Treasury 30-year risk-free rate (currently 2.6%) and the inflation rate is the Treasury 30-year CPI rate (currently 1.97%). Exceptions to this are the Caltex Retailer-owned Retailer-operated (RORO) sites, which use the six-year risk-free rate (currently 0.63%) and the six-year CPI rate (currently 1.87%), and Caltex truck stops which use the 12-year risk-free rate (currently1.38%) and the 12-year CPI rate (currently 1.93%). These rates are revised annually.

D&R costs expected to be settled within one year are classified as current liabilities. D&R costs expected to be settled between 1 and 30 years are classified as non-current liabilities.

Estimated remediation costs of sites are recognised on an accrual basis at the time there is a formal plan or obligation, legal or constructive, in place. The remediation costs are expected to be settled between 1 and 30 years, depending on the location.

Z engages a third party to provide an estimate of the D&R obligations for Z. Estimates are reviewed every three years, with the next review due in February 2022. The current D&R obligations are between $40k–$45k for above-ground tanks and $65k–$75k for below-ground tanks.

Other provisions include people-related costs and general business provisions.

For the year ended 31 March 2021	Decommissioning, restoration and remediation $m	Other $m	Total $m
Balance at beginning of year	92	1	93
Created	2	-	2
Utilised	(2)	(1)	(3)
Released	(1)	-	(1)
Unwind of discount	2	-	2
Balance at end of year	93	-	93
Current	21	-	21
Non-current	72	-	72
Balance at end of year	93	-	93

(18) Borrowings

Financing arrangements

The Group's debt includes bank facilities, bonds and US Private Placement (USPP) notes secured against certain assets of the Group. The facilities require Z to maintain securities and operate within defined performance and gearing ratios. The arrangements also include restrictions over the sale or disposal of certain assets without lender agreement. The Group has complied with all debt covenant requirements imposed by lenders for the year ended 31 March 2021, with the exception of the covenants temporarily waived for the year ended 31 March 2021.

Bank facilities and bonds are recorded initially at fair value, net of transaction costs. After initial recognition, bank facilities and bonds are measured at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowing. USPP notes are recorded initially at fair value, net of transaction costs, and are revalued monthly for spot risk.

Bank facilities', bonds' and USPP notes' issue expenses, fees and other costs incurred in arranging finance are capitalised and amortised over the term of the relevant debt instrument or debt facility, using the effective interest method.

(18) Borrowings (continued)

Banking facilities

Interest rates are determined by reference to prevailing money market rates at the time of draw-down, plus a margin. Interest rates paid during the year ranged from 1.5% to 2.3% (2020: 1.5% to 3.0%).

	2021 $m	2020 $m
Secured bank facilities available	530	530
Balance at end of year (facilities drawn down)	19	250
Current	19	70
Non-current	-	180
Balance at end of year	19	250

The facilities comprise a $180m revolving-term debt facility drawn to $0m plus a $350m working capital facility drawn to $19m, both maturing in December 2021.

Bonds

	2021 $m	2020 $m
Balance at beginning of year	343	477
Bonds repaid	-	(135)
Amortisation	1	1
Balance at end of year carrying value	344	343
Current	150	-
Non-current	194	343
Balance at end of year carrying value	344	343
Fair value of bonds	362	340

USPP notes

	2021 $m	2020 $m
Balance at beginning of year	509	393
Movement in fair value hedge	(35)	60
Movement in foreign-exchange revaluation	(67)	56
Balance at end of year carrying value	407	509
Current		-
Non-current	407	509
Balance at end of year carrying value	407	509
Fair value of USPP notes	456	574

(19) Financial risk management

The Group has a Treasury Management Committee to review and set treasury strategy within policy guidelines and report on market risk positions and exposures. The Group has developed a comprehensive, enterprise-wide risk management framework that guides management and the Board in identifying, assessing and monitoring new and existing risks. Management reports to the Audit and Risk Committee and the Board on the relevant risks and the controls and treatments for those risks.

Summary of the Group's exposure to financial risk and the management of those:

Financial risk	Exposure	Product	Management of risk
Market risk			
Foreign exchange risk	Movement in foreign exchange rates	Bills Libor (Basis swap)	Quarterly resetting notional (based on the actual FX spot rate of the NZD/USD) on the 8-,10- and 12-year basis swaps offset with the 1-year basis swap, reviewed annually for renewal.
		Forward exchange contract	Reduce price fluctuations risk of foreign currency commitments, mainly associated with purchasing hydrocarbons.
		Cross currency interest rate swaps (CCIRS)	Hedge variability risk in cash flows arising from price fluctuations of foreign currency of the USD USPP notes. To mitigate profit or loss volatility, the CCIRS is designated into a fair value hedge and cash flow hedge relationship.
Sensitivity to FX	Foreign-currency: At 31 March 2021, if the New Zealand dollar had strengthened/weakened by 10% against the currencies with which the Group has foreign-currency risk (with all other variables held constant), after-tax profit would change by $3m higher/$7m lower (2020: $16m higher/$20m lower) and the change in other comprehensive income for the year would be $0 higher/$2m lower (2020: $2m higher/$1m lower).		
Interest rate risk	Movement in interest rates	Interest rate swaps (IRS)	Minimise the cost of debt (interest) and manage the volatility to the Groups earnings.
		Cross currency interest rate swaps	The CCIRS is designated into a fair value hedge and cash flow hedge relationship to mitigate profit or loss volatility.
		Bills Libor (Basis swap)	Reduce exposure on the basis cost of the CCIRS.
Sensitivity to interest rate	At 31 March 2021, if bank interest rates at that date had been 100 basis points higher/lower (with all other variables held constant), after-tax profit would change by $6m higher/$2m lower (2020: $4m higher/$3m lower) and the change in other comprehensive income for the year would be $2m higher/$0m lower (2020: $2m higher/$3m lower).		
Commodity price and timing risk	Changes in crude and product prices	Commodity swaps	Match commodity purchase and sales.
Sensitivity to electricity prices	At 31 March 2021, if forward electricity prices at that date had been $25/MWH higher/lower (with all other variables held constant), after-tax profit would change by $0m higher/$0m lower (2020: $0m higher/$0m lower) and the change in other comprehensive income for the year would be $8m higher/$8m lower (2020: $0m higher/$0m lower).		
Liquidity risk			
	Risk that the Group will not be able to meet its financial obligations as they fall due		Active management of cash flow, access to committed funds and lines of credit and the maturity profile of its financial obligations.
Credit risk			
	Risk of loss to the Group due to customer or counterparty default		Limited exposure due to credit checks carried out on new customers, credit terms and standard payment terms. Less than 2% of the Group's receivables are overdue (2020: 7%).
	Risk of derivative counterparties and cash deposits being lost		Bank facilities are maintained with A or above rated financial institutions, with a syndicate of 5 bank counterparties to ensure diversification.

The CCIRS is classified as level 2 in fair value hierarchy and are hedge accounted. All other products are level 2 and accounted for as fair value through the Statement of comprehensive income.

The fair value of the CCIRS and IRSs excludes accrued interest. All other derivatives do not contain interest components.

(19) Financial risk management (continued)

Recognition and measurement of derivatives

Derivative financial instruments are recognised initially at fair value at the date they are entered into (trade date). After initial recognition, derivative financial instruments are stated at fair value at each Statement of financial position date. The resulting gain or loss is recognised in the Statement of comprehensive income immediately, unless the instruments are designated in an effective hedge accounting relationship.

Liquidity risk

The following tables analyse the Group's financial liabilities into relevant maturity groupings based on the earliest possible contractual maturity date at year end. The amounts in the tables are contractual undiscounted cash flows, which include interest through to maturity.

At 31 March 2021	6 months or less $m	6 to 12 months $m	1 to 2 years $m	2 to 5 years $m	5+ years $m	Contractual cash flows $m	Statement of financial position $m
Non-derivative financial liabilities							
Working capital loan	19	-	-	-	-	**19**	**19**
Accounts payable	151	-	-	-	-	**151**	**151**
Lease liabilities	16	16	31	117	291	**471**	**299**
Bonds	7	155	8	205	-	**375**	**344**
USPP notes	8	8	15	175	289	**495**	**407**
Non-derivative financial liabilities	**201**	**179**	**54**	**497**	**580**	**1,511**	**1,220**
Derivative financial instruments							
IRS	(4)	(4)	(6)	(6)	-	**(20)**	**(20)**
Commodity hedges	32	10	6	-	-	**48**	**48**
CCIRS	3	3	5	8	1	**20**	**26**
Basis swap	1	1	9	-	(2)	**9**	**3**
Derivative financial instruments	**32**	**10**	**14**	**2**	**(1)**	**57**	**57**

At 31 March 2020	6 months or less $m	6 to 12 months $m	1 to 2 years $m	2 to 5 years $m	5+ years $m	Contractual cash flows $m	Statement of financial position $m
Non-derivative financial liabilities							
Working capital loan	70	-	-	-	-	70	70
Accounts payable	304	-	-	-	-	304	304
Lease liabilities	15	15	29	86	336	481	299
Long-term loan	1	1	182	-	-	184	180
Bonds	7	7	163	213	-	390	343
USPP notes	9	9	18	54	503	593	509
Non-derivative financial liabilities	406	32	392	353	839	2,022	1,705
Derivative financial instruments							
IRS	(3)	(4)	(7)	(12)	-	(26)	(25)
Commodity hedges	37	-	-	-	-	37	(37)
CCIRS	4	4	7	21	43	79	130
Basis swap	-	(17)	2	6	27	18	-
Derivative financial instruments	38	(17)	2	15	70	108	68

Discussions on refinancing bank-debt facilities will normally begin at least six months before maturity with facility terms agreed at least three months before maturity.

Interest rate risk analysis

At 31 March 2021	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	5+ years $m	Total Notional $m
Interest-rate exposure borrowing	**150**	**-**	**321**	**252**	**723**
Cross-currency swaps	**378**	**-**	**(126)**	**(252)**	**-**
Interest-rate swaps	**(380)**	**200**	**(55)**	**125**	**(110)**
Net interest-rate exposure	**148**	**200**	**140**	**125**	**613**

At 31 March 2020	Less than 1 year $m	1 to 2 years $m	2 to 5 years $m	5+ years $m	Total Notional $m
Interest-rate exposure borrowing	-	330	195	378	903
Cross-currency swaps	378	-	-	(378)	-
Interest-rate swaps	(130)	-	5	125	-
Net interest-rate exposure	248	330	200	125	903

(19) Financial risk management (continued)

Offsetting of financial instruments

Z enters into derivative transactions under International Swaps Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the Statement of financial position for accounting purposes. This is because Z does not have any current legally enforceable right to offset recognised amounts. Under the ISDA agreements, the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. The potential net impact of this offsetting is disclosed in: 'Amount after applying rights of offset under ISDA agreements'. Z does not hold and is not required to post collateral against its derivative positions.

	Derivative position 2021 $m	Amount after applying rights of offset under ISDA agreements $m	Derivative position 2020 $m	Amount after applying rights of offset under ISDA agreements $m
Derivative assets	115	64	185	69
Derivative liabilities	(58)	(7)	(117)	(1)
Derivative financial assets/(liabilities)	**57**	**57**	68	68

Hedge accounting

The nature and the effectiveness of the hedge accounting relationship will derive where the gains and losses on re-measurement are recognised. The CCIRS derivatives are designated as either:

- **Fair value hedges:** the derivative is used to manage the variability in the fair value of recognised liabilities, to hedge the interest-rate risk (the hedged risk) arising from the USD USPP notes (the hedged items).

  The following changes are recognised in profit or loss:
  - The change in fair value of the hedging instruments;
  - The change in fair value of the underlying hedged items attributable to the hedged risk.

  Once hedging is discontinued, the fair value adjustments to the carrying amount of the hedged item arising from the hedged risk is amortised through profit or loss from that date through to maturity of the hedged item.

- **Cash flow hedges:** derivatives are used to manage the variability in cash flows of highly probable forecast transactions, to hedge the variability in cash flows arising from interest rate and foreign currency exchange rate movements of the USD USPP notes (the hedged items).

  The following changes are recognised in profit or loss (interest costs):
  - any gain or loss in relation to the ineffective portion of the hedging instrument
  - fair value changes in the hedging instrument previously accumulated in other comprehensive income, transfer to profit or loss when the underlying transactions are recognised in the Statement of comprehensive income.

  Once hedging is discontinued, any cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss (interest costs) either:
  - at the same time as the forecast transaction, or
  - immediately if the transaction is no longer expected to occur.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting.

Z designates the entire CCIRS to hedge its foreign-currency risk and interest-rate risk and applies a hedge ratio of 1:1, except for the cross-currency basis elements of the CCIRS that are excluded from the designation and are separately accounted for as a cost of hedging. This cost is recognised in other comprehensive income in a cost of hedging reserve. The Group's Treasury Policy is for the critical terms of the CCIRS contracts to align with the hedged item.

Z determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of the respective cash flows, reference interest rates, tenors, repricing dates, maturities and notional amounts. Z assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main source of ineffectiveness is the effect of the counterparty and Z's own credit risk on the fair value of the CCIRS.

Electricity Price Hedges

To mitigate profit and loss volatility, some electricity derivatives are designated into cash flow hedge relationships. Z determines the existence of an economic relationship between the hedging instrument and the hedged item based on the amount and timing of their respective cash flows, reference nodes, maturities and volumes. Z assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting the changes in cash flows of the hedged item.

In these hedge relationships the main source of ineffectiveness is where the volume of electricity sold at fixed price is lower than the volume of the derivative contracts. Other sources of ineffectiveness include location factor differences (location of hedging and consumption nodes) and credit risk.

The effect of Z's hedge accounting policies in managing its foreign-exchange risk, interest-rate risk and electricity price risk related to the underlying hedging instrument is presented in the tables below. The details of the hedging instruments and items at 31 March 2021 are recognised in the Statement of financial position within derivative financial instruments and borrowings as follows:

At 31 March 2021	Nominal amount (hedging instrument)	Carrying amount (hedged item) $m	Accumulated fair value hedge adjustment to carrying amount (hedge item) $m	Carrying value of derivatives (hedging instrument) $m	Life to date change in value used for calculating hedge ineffectiveness $m	Accumulated cost of hedging reserve $m
Cash flow hedge and fair value hedge						
Interest-rate risk and foreign-currency risk						
8 years, rate 3.83%	$90m USD	(136)	(7)	9	10	(1)
10 years, rate 4.04%	$90m USD	(136)	(8)	9	10	(1)
12 years, rate 4.14%	$90m USD	(135)	(8)	8	9	(1)
Commodity hedge						
Commodity price risk and timing risk						
Outstanding notional Volumes	354,866 MWh	-	-	31	31	-
Total		**(407)**	**(23)**	**57**	**60**	**(3)**

The hedged item is recognised in Borrowings and the hedging instrument is recognised in Derivative financial instruments

Hedge ineffectiveness for the year ended 31 March 2021 was $1m (2020: $0m).

At 31 March 2020	Nominal amount (hedging instrument)	Carrying amount (hedged item) $m	Accumulated fair value hedge adjustment to carrying amount (hedge item) $m	Carrying value of derivatives (hedging instrument) $m	Life to date change in value used for calculating hedge ineffectiveness $m	Accumulated cost of hedging reserve $m
Cash flow hedge and fair value hedge						
Interest-rate risk and foreign-currency risk						
8 years, rate 3.83%	$90m USD	(165)	(14)	39	39	-
10 years, rate 4.04%	$90m USD	(170)	(19)	44	44	-
12 years, rate 4.14%	$90m USD	(174)	(24)	47	48	(1)
Commodity hedge						
Commodity price risk and timing risk						
Outstanding notional Volumes	70,842 MWh	-	-	1	1	-
Total		**(509)**	**(57)**	**131**	**132**	**(1)**

(20) Share capital and distributions

Equity raise

On 15 May 2020, Z issued 100 million shares raising $290m and on 5 June 2020 an additional 20 million shares were issued raising $57m.

	Price per share $	Total $m	Total shares
Institutional Placement (15 May 2020)	2.900	290	100,000,000
Share Placement Plan (5 June 2020)	2.806	57	20,476,853
Costs capitalised in equity	-	(10)	-
Total authorised and issued capital at end of year	**-**	**337**	120,476,853

Costs capitalised in equity

$12m of costs were recognised in the equity raise of which $10m have been recognised as a deduction to equity, $1m capitalised to borrowing costs and $1m has been expensed in operating expenses.

Ordinary shares (fully paid)	2021 $m	2020 $m
Total authorised and issued capital at beginning of year	**430**	430
Movements in issued and fully paid ordinary shares	**337**	-
Total authorised and issued capital at end of year	**767**	430

Issued capital	2021 Shares millions	2020 Shares millions
Total issued capital at end of year	**520**	400

The par value of one share is $1.

Z Energy LTI Trustee Limited holds 199,125 shares at a cost of $2m for Z's Restricted Share Long-Term Incentive Plan (RSLTP) (2020: 811,823, $4m). Z holds Treasury stock of 106,935 shares at a cost of $1m (2020: 339,884, $2m) and 1,861,391 shares at a cost of $8m for Z's Performance Rights Long-Term Incentive Plan (PRLTP).

	$m	cents per share
Dividends		
2019 Final dividend (paid May 2019)	**122**	**30.5**
2020 Interim dividend (paid December 2019)	**66**	**16.5**

Directors resolved not to pay a final dividend in respect of the 2020 financial year.

In addition and as a result of the temporary covenant waivers and temporary adjustments to covenant definitions agreed with its debt providers, Z was restricted from distributing funds to shareholders until after 30 September 2021. The temporary covenant waivers were successfully renegotiated in March 2021 allowing Z to recommence distributions to shareholders.

(21) Share-based payments

Z Energy Restricted Share Long-Term Incentive Plan (RSLTIP) & Z Energy Limited — Performance Rights Long-Term Incentive Plan (PRLTIP)

Z provides the RSLTIP for selected senior employees. Under the RSLTIP, ordinary shares in the Parent are purchased on-market by Z Energy LTI Trustee Limited (the Trustee). Participants purchase shares from the Trustee with funds lent to them by the Parent. Z stopped making new offers under the RSLTIP after the year ended 31 March 2019. In the year ended 31 March 2020, the Group moved to a new stock settled share rights scheme for selected senior employees (PRLTIP). Under the scheme performance rights have been granted at no cost to the holder. For each performance share right that vests, one share will be issued.

Under the RSLTIP the number of shares that vest will depend on Z's total shareholder return ranking within a peer group of the NZX 50 over a three-year period, although a reduced period may be used in some cases. If the individual is still employed at the end of the vesting period, the employee is provided a cash bonus which must be used to repay the loan and the shares are then transferred to the employee. Under the PRLTIP the number of shares that vest will depend on Z's total shareholder return ranking within a peer group of the NZX 50 over a three-year period, although a reduced period may be used in some cases. If the individual is still employed at the end of the vesting period, the shares are then transferred to the employee.

				Balance at the start of year	Granted during year	Exercised during year	Forfeited during year	Balance at the end of year	Vested and exercisable at end of year
Plan type	**Grant date**	**Vesting date**	**Exercise price**	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares	Number of shares
	2021								
RSLTIP	**22 May 2018**	**31 March 2021**	**$6.93**	**212,320**	**-**	**-**	**(212,320)**	**-**	**-**
PRLTIP	**11 April 2019**	**31 March 2022**	**$6.25**	**584,603**	**-**	**-**	**(54,306)**	**530,297**	**-**
PRLTIP	**8 June 2020**	**31 March 2023**	**$2.97**	**-**	**1,404,067**	**-**	**(72,973)**	**1,331,094**	**-**
				796,923	**1,404,067**	**-**	**(339,599)**	**1,861,391**	**-**
	Weighted average exercise price					**$0.00**	**$5.97**	**$3.90**	
	2020								
RSLTIP	22 May 2017	31 March 2020	$6.99	181,293	-	-	(181,293)	-	-
RSLTIP	22 May 2018	31 March 2021	$6.93	219,590	-	-	(7,270)	212,320	-
PRLTIP	11 April 2019	31 March 2022	$6.25	-	590,644	-	(6,041)	584,603	-
				400,883	590,644	-	(194,604)	796,923	-
	Weighted average exercise price					$0.00	$6.96	$6.43	

(21) Share-based payments (continued)

Measurement of fair values

The fair value of the RSLTIP has been determined using the framework of the Black-Scholes and Margrabe option pricing models for the schemes vesting 2017–2020. For the RSLTIP and PRLTIP schemes vesting after 2020, a Monte Carlo Simulation has been used.

	Plan type			
	PRLTIP	PRLTIP	RSLTIP	RSLTIP
	Vesting date of scheme			
	31 March 2023	31 March 2022	31 March 2021	31 March 2020
Weighted average share price at grant date	$3.11	$6.18	$7.45	$8.00
Contractual life	2.81 years	2.77 years	2.85 years	2.86 years
Risk-free rate	0.25%	1.0%	2.0%	2.1%
Standard deviation of Z's TSR	28%-40%	19%-22%	25%-27%	18%-25%
Standard deviation of peers' TSR	14%-90%	9%-48%	18%-21%	20%-22%
Correlation between Z's TSR and peers' TSR (average)	0.33-0.42	0.12-0.15	0.15-0.16	0.16-0.19
Estimated fair value per share	$0.89	$2.52	$3.78	$4.22

Assumptions have been made that the participants will remain employed with Z and will achieve the minimum performance levels in each period to the vesting date. Dividends paid on shares are not material to the value of the shares granted under the RSLTIP.

The fair value of the share-based payments is recognised as an expense, with a corresponding increase in equity, over the vesting period of the plan. The expense relating to the RSLTIP in the year ended 31 March 2021 was a credit of $0.7m (2020: $11,000) due to the 31 March 2021 plan not vesting. The expense relating to the PRLTIP in the year ended 31 March 2021 was $0.9m (2020: $0.5m).

Employee benefits payable, excluding share based payments, are $16m (2020: $7.6m).

(22) Related parties

Certain Z Directors have relevant interests in several companies with which Z has transactions in the normal course of business. Some Z Directors are also non-executive directors of other companies. Any transactions undertaken with these entities have been entered into as part of ordinary business.

Key management personnel have been defined as the Directors, the CEO and the Executive team for the Group. Executive members also participate in the Group's Restricted Share Long-Term Incentive Plan (refer to note 21).

Included in operating expenses are directors' fees of $1m (2020: $1m).

Transactions with related parties received/(paid)	2021 $m	2020 $m
Refining NZ — processing fees, Customs and excise duties	**567**	791
Associates — sale of goods and services		
- Coastal Oil Logistics Ltd — distribution	**9**	2
Associates — purchase of goods and services		
- Coastal Oil Logistics Ltd — distribution	**(46)**	(34)
- Wiri Oil Services Ltd	**(7)**	(11)
- Loyalty Ltd	**(6)**	(7)
Key management personnel		
- Short-term employee benefits	**(7)**	(6)
Balances at the end of period		
- Refining NZ — processing fees, Customs and excise duties	**42**	52

(23) Commitments

Commitments relate to property, plant and equipment of $23m (2020: $19m) and DrylandCarbon One Limited Partnership investment commitment of $28m (2020: $39m).

(24) Contingent assets and liabilities

Refining NZ contingent asset

On 17 December 2020, Z issued a notice of dispute under the Processing Agreement with Refining NZ regarding the reduction in processing capacity effective 1 January 2021 and that no financial adjustment had been made to reflect the reduced capacity. Z has expensed the Refining NZ fee floor top up for January, February and March 2021 and these have been paid without prejudice. No receivable has been recognised for these payments. These payments are a possible receivable that could arise due to the notice of dispute with Refining NZ however as at 31 March 2021 the dispute was unresolved, with no action beyond issuing a dispute notice taken. Therefore, an asset was unable to be recognised on the basis of an outcome that is pending and subject to the inherent uncertainty of any future litigation.

Post 31 March 2021 Z paused progressing its dispute notice pending completion of the ITS negotiations.

Refining NZ contingent liability

On 18 December 2020, Z received a notice of dispute from Refining NZ seeking retrospective payment of additional funds and changes to the capacity of the refinery. No liability has been recognised at 31 March 2021 for the dispute that the fee floor payable by all customers in combination should be $70m per annum higher as substantial uncertainty exists with the dispute. The dispute is currently unresolved and the pathway to resolution is unclear. If the dispute advances to litigation, any potential damages could be impacted by multiple factors including gross refining margins over an as yet undefined time period. The likelihood of the outcome is unknown, uncertainty exists if any cost will be incurred by Z and these cannot be reliably measured.

Post 31 March 2021 Refining NZ has paused progressing its dispute notice pending completion of the ITS negotiations.

Flick guarantees contingent liability

Z currently guarantees a total potential exposure relating to Flick Energy Ltd of up to $18m as per the table below.

Counterparty	2021 $m	2020 $m
Westpac	**7**	5
Mercury	**4**	4
Meridian	**4**	-
Genesis	**3**	3
Total exposure	**18**	12

The Group has no other guarantees. (2020: The Group guaranteed an exposure of up to USD1m ($2m) to a financier of one of the Group's associate companies).

(25) Events after balance date

Refining NZ strategic review

As at the date of approval of these financial statements the strategic review was still ongoing with no confirmed conclusion. Negotiations between Z and Refining NZ are ongoing.

Refining NZ dispute

As at the date of approval of these financial statements, the March floor top up has been paid. The dispute with Refining NZ is yet to be resolved. Z has paused its dispute notice pending completion of the ITS negotiations and Refining NZ has paused progressing its dispute notice pending completion of the ITS negotiations.

Dividend

On 5 May 2021, the Directors approved a fully imputed dividend of 14 cents per share, which is equal to $73m, to be paid on 2 June 2021 (2020: nil).

Auditors' report

KPMG

Independent Auditor's Report

To the shareholders of Z Energy Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Z Energy Limited (the 'company') and its subsidiaries (the 'group') on pages 92 to 121:

i. present fairly in all material respects the Group's financial position as at 31 March 2021 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2021;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to the cost of stock adjustment and greenhouse gas assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $15 million determined with reference to a benchmark of group total revenue.

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We chose the benchmark because, in our view, this is a key measure of the group's performance. The group also evaluates its own performance on replacement cost profit and we have benchmarked against this measure and historical cost profit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Assessment of goodwill	
Refer to Note 13 of the consolidated financial statements. The group's testing of goodwill for impairment is a Key Audit Matter due to the complexity of auditing the judgements used by the group to determine the recoverable amount of the relevant cash generating units (CGU's). The relevant CGU is the Z Energy group. The group used complex models to perform their assessment of the recoverable amount. The models used a range of external and internal inputs, including assumptions made by the group. Complex modelling using forward-looking assumptions are prone to greater risk for potential bias, error, and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and consistent application.	Our audit procedures included: — We considered the appropriateness of the valuation method applied by the group to perform the test of goodwill for impairment against the requirements of the accounting standards. — We assessed the accuracy of previous group forecasts to inform our evaluation of forecasts incorporated in the model. — We checked the consistency of forward-looking assumptions to the group's stated plan and strategy, past performance of the group, published information on industry trends, and our experience regarding the feasibility of these in the industry in which they operate. The key forward-looking assumptions we checked are as follows: – Retail fuel market demand – Retail and commercial gross margin per litre – Discount and terminal growth rates — We worked with our valuation specialists to analyse the group's discount and terminal growth rates used in the valuation model by comparing to independently developed discount rates using publicly available market data for comparable entities, adjusted by risk factors specific to the group and the industry in which they operate. — We considered the sensitivity of the model by varying key assumptions, such those listed above. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus additional procedures. — We assessed the disclosures in the consolidated financial statements using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

Auditors' report (continued)

The key audit matter	How the matter was addressed in our audit
	We found the valuation methodology and inputs used in the calculation of the recoverable amount of the CGU to be appropriate. We consider the group has appropriately considered those key assumptions that support the carrying value for goodwill relating to the Chevron New Zealand acquisition.

Assessment of the recoverable amount of retail customer contracts recognised on acquisition of Chevron New Zealand

The key audit matter	How the matter was addressed in our audit
Refer to Note 13 of the consolidated financial statements. The assessment of the recoverable amount of the group's retail customer contracts is a Key Audit Matter due to the complexity of auditing the judgements used by the group to determine the recoverable amount of this asset. Our consideration of the group's assessment of the carrying value of the retail customer contracts has focussed on the significant assumptions and judgements the group applied in determining the recoverable amounts of these assets. These assumptions and judgements relate to short-term forecasted sales volumes, long-term retail demand for fuel in New Zealand, retail gross margin per litre, and a relevant discount rate. Such judgements and assumptions carry a higher risk of bias and error which required additional scrutiny by us.	Our audit procedures included: — We assessed the integrity of the value in use calculation model, including the accuracy of the underlying calculation formulae. — We checked the consistency of short-term forecasted sales to past performance of the group, and our experience regarding the feasibility of these in the industry in which they operate. — We challenged the assumptions around long-term retail demand for fuel in New Zealand by comparing to published information on industry trends and the historical accuracy of relevant forecasts. We used our knowledge of the group, their past performance, business and customers, and our industry experience. — We worked with our valuation specialists to analyse the group's discount rate by comparing to an independently developed discount rate using publicly available market data for comparable entities, adjusted by risk factors specific to the group and the industry it operates in. — We considered the sensitivity of the model by varying key assumptions, such as long-term retail demand for fuel in New Zealand and retail gross margin per litre. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus additional procedures. *We found the valuation methodology and inputs used in the calculation of the recoverable amount of the retail customer contracts to be appropriate. We consider the group has appropriately considered those key assumptions that support the carrying value of the asset.*

Assessment of the recoverable amount of the contract with The New Zealand Refining Company Limited recognised on acquisition of Chevron New Zealand

The key audit matter	How the matter was addressed in our audit
Refer to Note 13 of the consolidated financial statements. The assessment of the recoverable amount of the group's contract with The New Zealand Refining Company Limited ('Refining NZ') is a Key Audit Matter due to the complexity of auditing the judgements used by the group to determine the recoverable amount of this asset. Our consideration of the group's assessment of the carrying value of the contract has focussed on the significant assumptions and judgements the group applied in determining the recoverable amount of the asset. These assumptions and judgements relate to the discounting period, long-term demand for fuel in New Zealand, and a relevant discount rate. Such judgements and assumptions carry a higher risk of bias and error which required additional scrutiny by us.	Our audit procedures included: — We assessed the integrity of the value in use calculation model, including the accuracy of the underlying calculation formulae. — We reviewed the discounting period used in the value in use calculation model against the terms of the contract and expectations of the period of use of the refinery. — We checked long-term volume forecasts for consistency with other valuation models prepared during the period. — We worked with our valuation specialists to analyse the group's discount rate by comparing to an independently developed discount rate using publicly available market data for comparable entities, adjusted by risk factors specific to the group and the industry it operates in. — We considered the sensitivity of the model by varying key assumptions. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus additional procedures. *We found the valuation methodology and inputs used in the calculation of the recoverable amount of the contact with Refining NZ to be appropriate. We consider the group has appropriately considered those key assumptions that support the carrying value of the asset.*

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, Chief Executive's report, disclosures relating to corporate governance and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept

Auditors' report (continued)

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or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards

For and on behalf of

KPMG

KPMG
Wellington

5 May 2021

Te Kuputohu TCFD

Task Force on Climate-related Financial Disclosures (TCFD) Index

These are the 11 recommended disclosures from the Task Force on Climate-related Financial Disclosures, with an overlay to show Z's completed and planned disclosures:

Disclosure	Page no.	Further information
Governance		**Disclose the organisation's governance around climate-related risks and opportunities**
Describe the Board's oversight of climate-related risks and opportunities	3, 46, 50, 63, 78–79	The Z Board has committed to responding to the challenge of climate change in an integrated way. Z's Environmental Sustainability Stand and carbon targets were approved by the Board in 2017, and performance is reviewed annually. The Board agreed Z's approach to TCFD in FY20, with progress against the roadmap specifically reviewed in FY21. A core function of the Board is oversight of Z's Enterprise Risk Management System (ERMS), including monitoring all of Z's enterprise risks including climate change, and systems of internal control. Monitoring of risks, controls and opportunities for climate change is performed through the Board Audit and Risk Committee (ARC). The ARC meets quarterly to review all Z's risks and conducts a substantive review twice a year.
Describe management's role in assessing and managing climate-related risks and opportunities	13, 37, 78–79	The Chief Executive officer (CEO) has overall responsibility for the management of Z. Day-to-day management of Z's operations is delegated to the General Managers who make up the Executive Leadership Team (ELT). The ELT are responsible for providing direction and assurance on Z's ERMS, with each principal risk assigned to an ELT member. Z's General Manager, Strategy and Risk is the responsible business owner for managing climate-related risks and opportunities identified within the ERMS. The ELT as a whole approves climate-related risks and opportunities identified within Z's business strategy, including Z's climate-related metrics and targets which are included in company performance targets.
Strategy		**Disclose the actual and potential impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material**
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	32–37	Z's climate-related risks and opportunities were assessed in a series of workshops in FY21. Transitional and physical risks were considered over the short term (2020–2025), medium term (2025–2040) and long term (2040–2060). The material risks and opportunities are identified in the TCFD section of this report.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	3, 32–37	The impact of climate-related risks and opportunities and Z's business response are outlined in the 'Qualitative Analysis of Z's climate-related risks and opportunities' infographic in the TCFD section of this report. Z is undertaking further work to quantify the impacts identified to integrate these into financial planning.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario	32–37	Z has used the BEC 2060 Tūī and Kea scenarios as key indicators to help model fuel demand and assess organisational strategy. These are being updated to include the draft information presented by the Climate Change Commission.

Key

Complete disclosure   In progress

TCFD (continued)

Disclosure	Page no.	Further information
Risk Management		**Disclose how the organisation identifies, assesses and manages climate-related risks**
Describe the organisation's processes for identifying and assessing climate-related risks	32–37, 78–79	Z has taken a bottom-up and top-down approach to identifying transitional and physical climate-related risks in line with TCFD guidance. Further detail is provided under 'Risk Management' in the TCFD section of this report.
Describe the organisation's processes for managing climate-related risks	37, 78–79	Z has developed a business response in the form of current or future controls for the key climate-related risks identified. This is shown in the 'Qualitative Analysis of Z's climate-related risks and opportunities' infographic in the TCFD section of this report.
Describe how processes for identifying, assessing and managing climate-related risk are integrated into the organisation's overall risk management	32–37, 78–79	The process for identifying, assessing and managing climate-related risks is in line with Z's Enterprise Risk Management System (ERMS). More information on Z's ERMS can be found in the 'Corporate Governance Statement' section of this report, specifically in Principle 6.
Metrics and Targets		**Disclose the metrics and targets used to assess climate-related risks and opportunities where such information is material**
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	37	Metrics highlighted in this report include a combination of quantitative data including greenhouse gas emissions, carbon intensity and carbon emissions for our obligatory and voluntary offsets, and qualitative data including climate risk reviews. Z's review of climate-related metrics and targets associated with the fossil fuel products it sells is being re-modelled with a clear direction to be provided by FY22 half-year.
Disclose Scope 1, Scope 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks	30	Scope 1, Scope 2, and Scope 3 greenhouse gas emissions are disclosed.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	27–28	Z's progress against its FY17–FY21 carbon targets and future FY30 target are described in the Environmental Sustainability section of this report.

Note: Z fully disclosed against seven of the 11 recommended disclosures in this report. Disclosures that are identified as being 'complete' are reviewed on an annual basis to ensure information is up to date, relevant and fit for purpose.

Te Kuputohu GRI

Global Reporting Initiative (GRI) Index

GRI Disclosures: Description	Page	Supporting Details
General Standard Disclosures		
102 - 1 Name of the organisation	Front cover	
102 - 2 Activities, brands, products, and services	2–3, 14–25	
102 - 3 Location of headquarters	Inside back cover	
102 - 4 Location of operations	18–19	Operates in New Zealand only
102 - 5 Ownership and legal form	4	
102 - 6 Markets served	14–25	
102 - 7 Scale of the organisation	5, 18–19, 92	
102 - 8 Information on employees and other workers	5, 38–41	
102 - 9 Supply chain	14–15, 18–19	
102 - 10 Significant changes to the organisation and its supply chain	1–3, 14–15, 93	
102 - 11 Precautionary principle or approach	27, 34–37	
102 - 12 External initiatives	13, 27, 28, 41, 42, 45, 52, 113, 122	
102 - 13 Membership of associations	13, 28	
Strategy		
102 - 14 Statement from senior decision-maker	1–3	
102 - 15 Key impacts, risks, and opportunities	10–13	
Ethics, Values & Integrity		
102 - 16 Values, principles, standards, and norms of behaviour	8	
Governance		
102 - 18 Governance structures	46–84	Also applies to 'Governance & Stewardship' material disclosure
Stakeholder engagement		
102 - 40 List of stakeholder groups	10–13	
102 - 41 Collective bargaining agreements	N/A	None
102 - 42 Identifying and selecting stakeholders	10–13	
102 - 43 Approach to stakeholder engagement	10–13	
102 - 44 Key topics and concerns raised	11	
Reporting practice		
102 - 45 Entities included in the consolidated financial statements	87, 96	
102 - 46 Defining report content and topic boundaries	4, 6–7	
102 - 47 List of material topics	11	
102 - 48 Restatements of information	5, 30, 61	
102 - 49 Changes in reporting	10–13	
102 - 50 Reporting period	Front cover	
102 - 51 Date of most recent report	4	31 March 2020
102 - 52 Reporting cycle	4	Financial year from 1 April to 31 March
102 - 53 Contact point for questions regarding the report	Inside back cover	
102 - 54 Claims of reporting in accordance with the GRI Standards	4	
102 - 55 GRI content index	129–131	
102 - 56 External Assurance	30, 122–126	

Global Reporting Initiative (GRI) Index (continued)

GRI Disclosures: Description	Page	Supporting Details
Material Topic Standard Disclosures		
Economic Sustainability		
103 - Management Approach	6–7, 10–13	Note also relevant for the following material disclosures: Competition & Market Share, RNZ Strategic Review, Capital Strategy, Wholesale Asset Profitability
201 - 1 Direct economic value generated and distributed	5, 14–16	
201 - 2 Financial implications and other risks and opportunities due to climate change	32–37	
Climate Change		
103 - Management Approach	6–7	
305 - 1 Direct (Scope 1) GHG emissions	30	
305 - 2 Energy indirect (Scope 2) GHG emissions	30	
305 - 3 Other indirect (Scope 3) GHG emissions	30	
305 - 4 GHG emissions intensity	30	
305 - 5 Reduction of GHG emissions	28	
Fossil Fuel Substitutes (Future Fuels)		
103 - Management Approach	27	
GRI G4-DG14	22	0 litres biodiesel produced, 2,712,840 litres of B5 sold
Environmental Sustainability		
103 - Management Approach	27	
306 - 2 Waste by type and disposal method	31	
306 - 2 Significant Spills	45	
Responsible consumption & production, Product Quality & Security of Supply		
103 - Management Approach	14	
308 - 1 New suppliers that were screened using environmental criteria	28, 53	
308 - 2 Negative environmental impacts in the supply chain and actions taken	28, 53	No supplier relationships were terminated due to negative environmental impacts
Organisational Resilience		
103 - Management Approach	57	Z corporate employees. This excludes retail site staff
401 - 1 New Employee hires and employee turnover	62	
401 - 2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	72	
401 - 3 Parental leave	59	
Occupational Health, Safety & Wellbeing		
103 - Management Approach	44	
403 - 2: Hazard identification, risk assessment, and incident investigation	44–45	
403 - 6: Promotion of worker health	44–45	
403 - 9: Work-related injuries	45	
Asset Integrity and Process Safety		
103 - Management Approach	44	
G4 - OG13: Process Safety Events	45	

GRI Disclosures: Description	Page	Supporting Details
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Organisational Capability		
103 - Management Approach	6–7	
404 - 2 Programmes for upgrading employee skills and transition assistance programs	60	
404 - 3 Percentage of employees receiving regular performance and career development reviews	71	
Diversity & Inclusion		
103 - Management Approach	61	
405 - 1 Diversity of governance bodies and employees	61	
405 - 2 Ratio of basic salary and remuneration of women to men	58	
Resilient Communities		
103 - Management Approach	42	
413 - 1 Operations with local community engagement, impact assessments, and development programmes	42	100% retail sites allocated funding for and engaged in local community activities
Cyber Security & Data Privacy		
103 - Management Approach	48–50, 63	
418 - 1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	63	No substantiated complaints or data breaches
Market Transparency & Fairness		
103 - Management Approach	46	
419 - 1 Non-compliance with laws and regulations in the social and economic area	3	
Customer Experience and Brand Values		
103 - Management Approach	9	
Own measure – Customer NPS Score	5	Business & Retail net promoter scores

Ngā Pārongo

Company directory

Registered and head office — New Zealand

3 Queens Wharf
Wellington 6011
z.co.nz

Contact us

For general enquiries phone:
0800 474 355 and select '0' or
email: general@z.co.nz
Facebook: Z Energy
LinkedIn: Z Energy

Directors

Abigail Kate Foote (Chair)

Andrew Mark Cross

Blair Albert O'Keeffe

Julia Margaret Raue

Mark Roy Malpass

Stephen Reindler

Executive team

Mike Bennetts
Chief Executive Officer

Lindis Jones
Chief Financial Officer

Jane Anthony
Chief Customer Officer
(Resigned 31 December 2020)

Andy Baird
General Manager, Retail

David Binnie
General Manager, Supply

Debra Blackett
General Counsel and
Chief Governance Officer

Julian Hughes
General Manager, Strategy and Risk
(to 31 March 2021)
General Manager, Transition
(from 1 April 2021)

Helen Sedcole
Chief People Officer

Mandy Simpson
Chief Digital Officer

Figen Ulgen
Chief Customer Officer
(Appointed 1 February 2021)

Nicolas Williams
General Manager, Commercial
(to 31 March 2021)
General Manager, Strategy and Risk
(from 1 April 2021)

Nicola Law
General Manager, Commercial
(Appointed 1 April 2021)

Share Registrar

Link Market Services — New Zealand
PO Box 91976
Auckland 1142
New Zealand
+64 9 375 5998
linkmarketservices.co.nz

Link Market Services — Australia
Locked Bag A14
Sydney South NSW1235
Australia
+61 2 8280 7111

Auditor

KPMG
Maritime Tower
10 Customhouse Quay
PO Box 996
Wellington 6140

Lawyers

Chapman Tripp
10 Customhouse Quay
Wellington 6140

Minter Ellison Rudd Watts
18/125 The Terrace
Wellington 6011

Bankers

ANZ Bank New Zealand Limited
215-229 Lambton Quay
Wellington

Bank of New Zealand
80 Queen Street
Auckland

Hong Kong and Shanghai Banking Corporation
HSBC Tower
195 Lambton Quay
Wellington

MUFG Bank
Level 22, 151 Queen Street
Auckland

Westpac Banking Corporation
188 Quay Street
Auckland

Registered office — Australia

c/- TMF Corporate Services (Aust) Pty Limited
Level 16, 201 Elizabeth Street,
Sydney NSW 2000, Australia
PO Box A2224,
Sydney South NSW 1235, Australia
+61 2 8988 5800

Australia registered business number

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