



20 June 2019

A copy of the Chair's address at the Z Energy (NZX: ZEL) Annual Shareholder's meeting held at Z Energy's offices, 3 Queen's Wharf, Wellington.

Welcome and introduction

It's 3pm if I could call the meeting to order please.

Welcome everyone to the 2019 Z Energy Annual Shareholder Meeting. My name is Abby Foote and I am Chair of the Board for Z Energy.

This is my sixth Z Energy annual shareholder meeting but my first as Chair and I'd like to acknowledge the work that my predecessor, Peter Griffiths has put into Z. I start this new role at Z confident in the foundation that Peter has built around the governance and strategic direction of the company.

It is my pleasure to welcome you all to the company offices, or as we call it, the Z Shed, here in Wellington. I would also like to welcome everyone who is joining us virtually over the internet or by phone.

As a Board and management team we are very pleased to have so many shareholders and stakeholders join us today.

I am please to say that the meeting has been properly called and there is a quorum present.

For those of you in the building, if there is a need to evacuate for any reason our alarm will ring and we will exit out through these doors go down the stairs and gather over on the far side of the courtyard in front of us, underneath the large white sail you can see through the windows to my right. If there is an earthquake, please drop cover and hold and when asked to do so please follow the wardens' instructions.

Bathrooms are out the door you came in and to the right past the Z Cafe.

I'd also direct shareholders here in the Z Shed to the "Shareholder Enquiry desk" if you have any specific questions.

We will be using some slides during the meeting. For those of you online you will be able to see these and follow along. They will also be posted to the NZX and ASX and available on Z's new investor website.

It is my pleasure to introduce my colleagues on the board; to my left we have Julia Raue, Steve Reindler, Blair O'Keefe, Mark Cross and Al Dunn. We also of course have in

the room Mike Bennetts our CEO and I can see in the front rows and dotted around the room other members of the Z leadership team, our legal advisors and our auditors.

I will shortly hand over to Mike for his address and review of the year. After he has addressed the meeting, we will be happy to take your questions.

I then intend to move us on to the formal part of the meeting. We have five resolutions to consider today.

First, the authority to appoint the auditors, KPMG.

Second, the re-election of two directors and the election of another who joined the Board of Z during the year.

I am pleased to say that all the Directors seeking re-election or election have the unanimous support of the Board. I will ask each of them in turn to address the meeting and you are welcome to address any questions to them directly at that time.

The final resolution to consider today is the approval of the amendments to the Z constitution as outlined in the Notice of ASM sent to shareholders last month.

If you have not already voted and are participating online, your notice of meeting contains instructions on how to cast your vote. If you are in the room you will need to mark up and hand in your voting paper before leaving. Shareholders participating by telephone only will have an opportunity to vote at the conclusion of the meeting.

We have received a large number of postal votes and the results of these will be displayed behind me at the appropriate time. The Chair, and the other Z directors, hold 233.3 million proxies which we will cast during the meeting.

The final results of the voting will be posted on both the NZX and ASX stock exchanges later today. Again, there will be an opportunity for questions from the floor and by the other channels of communications we have set up before I put each resolution.

For those of you on line our operator Laura will be assisting us in taking questions from you during the meeting.

After the meeting I'd like to invite those in the room to join the Board and the management team of Z for a coffee or tea in the Z Café.

Before I hand over to Mike I would like to make a few remarks.

A few twists and turns

First, I want to start by thanking several people across the Z whanau, especially my fellow Directors.

I have been asked recently what changes I will bring to the role of Chair to which my response is to stress first, that you can't fix what isn't broken and second, the strength

that comes from having a highly-skilled, diverse and committed Board and management team as we do here at Z.

I'd like to thank Mike, the executive team and all of Z's employees for their hard work throughout the last financial year; it was one of the most challenging on record for Z. Against a backdrop of significant market volatility the company delivered a result just below the initial expectations set at the beginning of the year, but importantly continued to make great strides towards the goals set for the business.

The market in which Z trades continues to be highly competitive and challenging. The industry has changed considerably since Z was formed less than a decade ago. We compete in a market with 21 different retail brands. Independent retailers have grown to represent about 20% of total industry volume and are present in all markets around NZ.

It is in this context that the Commerce Commission started its work on a market study into the New Zealand retail fuel industry. The study is due to deliver its draft report in August with the final version due at the end of the calendar year. We remain confident that the report will find the market we operate in is competitive. If the findings of the market study do require changes to the industry, we are equally confident that Z will be able to adjust and continue to provide appropriate returns to our shareholders.

Right strategy, right team

Given the highly competitive market and the uncertain long-term future for the fossil fuel industry, the Board and the executive team does not believe it is in the best interests of shareholders to invest in assets. Rather the business should be investing in capabilities such as digitization and customer experience, which we believe will be the competitive advantage for Z in the years to come.

As a company we have the scale we need to execute on our strategy; now we need the capability to sustain our profits from both our retail and commercial channels. We will invest in our ability to derive the maximum efficiency from our promotional marketing spend, to better understand our customer journeys and understand how they wish to experience and interact with Z.

We know disruption to our industry is coming at some point, be it the electrification of the light passenger fleet or other transport alternatives to the private motor vehicle. It is some way off, but we're actively planning for it. The disruption scenario around diesel and the alternatives for heavy industrial and commercial transport, aviation and shipping is less clear.

In the mid-term and to clarify that, I mean throughout the next decade, we expect the liquid fuels market to continue to be the primary energy source for transport and an essential ingredient of New Zealand's economy.

In the short term, the next 2 or 3 years, the best thing Z that can do is to remain focussed on making the business more efficient, focus on a more productive core and invest in our capability led strategy so that when disruption does show up Z is fit for the fight.

During the year we saw some changes to the executive team. These changes are reflective of the skills that Z will need into the future; as we digitise our supply chain, increase the efficiency of our retail market through better data analytics and transform the customer experience in both retail and commercial. The Board believes that our investment in capability will provide greater shareholder return over the long-run.

Future focus, clear investment case

During the year we listened to our shareholders and simplified our dividend policy. It is our intention is to pay a sustainable ordinary dividend each year in line with earnings growth. The formula will be based on a simplified Replacement Cost (RC) cashflow definition which will provide clarity and predictability for shareholders.

Since listing in 2013 Z Energy has paid cash dividends of \$1.77 per share totalling \$709 million of cash dividends. Dividend per share has grown from 22.0 cps in FY14 to 43.0 cps at end of FY19 an almost 100% increase in five years.

We believe that the investment case for Z is clear. As a company we focus on six sustainable competitive advantages. We will optimise our market-leading position; we will pursue a differentiated strategy that will generate long term customer loyalty; we will deliver earnings growth, even against the backdrop of a changing industry and we will allocate capital with discipline to maximise shareholder value. In doing so we will remain a people and values-based company and finally, we will continue to do good in Aotearoa New Zealand by recognising our heritage and being committed to future generations of this country we call home.

Thank you for your attendance here today, thank you for your support of Z Energy over the past year and thanks for you ongoing support, ... it is not taken for granted.

And with that, I'd like to hand over to our CEO Mike for a few words.

CEO Presentation

Thank you very much Mike.

Questions & Answers

We have some time now to answer questions. This year we have received five questions from shareholders in advance of the meeting. I will go through these questions in order and ask Mike to answer a few questions as well.

We will then take questions from the floor, online and over the phone.

First question: Why don't you bring the meeting to Auckland for a change, as the largest number of shareholders are in Auckland?

First of all, thank you for the question. We welcome feedback from our shareholders and we're happy to say we are listening. This year we were going to hold the ASM in Auckland but we (Z Energy and Deloitte) had invited world-renowned energy expert Michael Liebreich to New Zealand and his schedule meant we had to keep the ASM in Wellington this year. I will advocate for the 2020 ASM to be held in Auckland.

Second question: What is the minimum shareholding of Z shares as mentioned in clause 19 of the new constitution?

Clause 19 is an existing clause in Z Energy's constitution, which sets out the procedure whereby Z Energy may sell a "minimum holding" of shares, being a parcel of shares worth less than \$1,000. This is a discretionary power which Z Energy may decide to exercise.

It is very common for issuers to have this constitutional power, we note that all NZX10 companies have this clause in their constitutions. There are no plans at present to adopt a minimum shareholding in Z shares.

I will now ask Mike Bennetts to answer the next three questions.

Third question: What targets have been set to transition away from the sale of CO2 emitting transport fuels, given the planned introduction of legally binding emissions reduction targets?

Emission targets are long term national goals, underpinning this are the legally binding obligations on certain entities (like Z but also other fossil fuel companies, Air NZ and other emitters) under the NZ ETS that have been in place since 2010 to meet carbon emission obligations

Z complies with these obligations and recovers the cost from its customers; meeting the national long-term goals of the zero-carbon bill will increase the cost of obligation for Z over time and ultimately its customers

Z is committed to a long-term goal to reduce carbon in NZL; we have produced our own house view on future fuels; electricity, biofuels and hydrogen.

We have also committed to our own internal organizational carbon target which is to reduce our carbon footprint by 30% by 2020 (2017 emissions used as base year), we also have off-set over 100% of our operational emissions since FY2018

Fourth question: Can you provide tangible evidence of your investment into Mevo in dollar terms?

I can confirm that Z has invested \$2.05m in Mevo over the past 2yrs (26 months).

Fifth question: Considering climate change measures and health benefits, has Z considered fitting all gas stations with pump nozzles that recycle any vapours or gases back into the tank like it was introduced about 20 years ago in Europe?

I'm pleased to say we already use vapor capture technology in the Z network.

We use a system developed in NZL (by Gallagher) whereby there is a vacuum pump in each dispenser that removes the vapour from the vehicle fill point and returns it back to the tank.

We currently do not have this across all Z retail sites but when we undertake site refurbishments, we do adopt vapor capture technology in our pumps

Vapor capture technology is not industry standard and not all fuel retailers are prepared to pay for it, but we think it is the right thing to do for our forecourt staff, our customers and community and the environment.

Thank you to the shareholders for sending in those questions.

Does anybody have any questions they would like to ask of either Mike or me from either online or in the room? There will be an opportunity for questions at the end of proceedings, but we are prepared to also take a few now.

Thank you, operator. With that let us now proceed to the next part of the meeting.

Resolutions

As I mentioned earlier, the vote on all of these resolutions will be by poll.

For those of you in the room, you will need to mark your voting paper for each resolution and these will be collected at the end of the meeting.

For those of you online you will need to follow the instruction on the screens. Your votes will be recorded and the results will be released to both the NZX and ASX markets and posted on our investor website as soon as they are available later today.

Resolution 1 is that the Board be authorised to fix the fees and expenses of KPMG as auditor for the next year.

If anyone has any questions regarding this resolution, please ask these now.

If you could please mark your papers and record your votes on that resolution. Thank you.

The next resolution concerns the election of directors

Resolution 2 is that Ms Julia Raue, who retires by rotation and is eligible for re-election, be elected as a director of Z Energy Limited.

I will now invite Julia to briefly address the meeting.

Thank you, Julia. If anybody has any questions they would like to ask Julia, please feel free to do so now.

If you could please mark your papers and record your votes on that resolution. Thank you.

Resolution 3 is that Mr Stephen Reindler, who retires by rotation and is eligible for re-election, be elected as a director of Z Energy Limited.

I will now invite Stephen to briefly address the meeting.

Thank you, Stephen. If anybody has any questions, they would like to ask Stephen, please feel free to do so now.

If you could please mark your papers and record your votes on that resolution. Thank you.

Resolution 4 is that Mr Blair O'Keeffe, who was appointed during the year, be elected as a Director of Z Energy.

I will now invite Blair to briefly address the meeting.

Thank you, Blair. If anybody has any questions they would like to ask Blair, please feel free to do so now.

If you could please mark your papers and record your votes on that resolution. Thank you.

Resolution 5 is to revoke the existing constitution and apply a new constitution as tabled at the ASM.

If anyone has any questions regarding this resolution, please ask these now.

If you could please mark your papers and record your votes on that resolution.

Again, I remind shareholders participating by telephone will have an opportunity to vote at the conclusion of the meeting. Thank you.

Thank you and meeting end

That brings us to the end of the 2019 annual shareholders meeting. Thank you for your attendance and participation today both here in the room and to those on the phone and on-line.

If you could place your papers in the ballot boxes provided as you exit this room that would be much appreciated. Shareholders participating by telephone only will be able to vote following the close of the meeting using their dial pad. Please follow the operator instructions to complete your vote.

Results will be posted as soon as they are available.

I declare this meeting closed. Please join us for refreshments in the café.

Thank you.