Reliable. Responsible. Transforming.

2020 Integrated Report

Welcome to our first integrated report. The purpose of this report is to explain how Contact Energy creates value over time, or as we say in our company vision, how we are building a better New Zealand.

Our leadership team has reviewed the report and our CEO Mike Fuge and the Board have confirmed it is a true and accurate picture of how Contact Energy created value for our stakeholders in the 12 months to 30 June 2020. We expect it to be of interest to employees, customers, investors, suppliers, business partners, local communities, iwi, legislators, regulators, policymakers and all other stakeholders.

The report follows the principles-based approach of the Integrated Reporting Framework and reflects our ongoing journey towards integrated thinking, focused on value creation.

This report is dated 10 August 2020 and is signed on behalf of the Board of Directors of Contact Energy:

Robert McDonald
Chair

Dame Therese Walsh
Chair, Audit & Risk Committee

Our Chair Robert McDonald and the Board of Directors will host shareholders at the Contact Energy AGM on 11 November. The notice of meeting and agenda will be provided to shareholders in mid-October 2020.

More than 98 per cent of Contact Energy shareholders receive digital reports from us. We encourage shareholders to move to digital, but we've also ensured the 2,000 printed reports use environmentally responsible paper and inks.

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Jargon buster

ASX	Australian Securities Exchange.
Contact	The company called Contact Energy Limited. Unless otherwise stated, all activities and indicators in this report are for Contact.
CEN	Contact's stock ticker on NZX and ASX.
EBITDAF	Earnings before interest, tax, depreciation, amortisation, fair value adjustments and other significant items.
ERANZ	The Electricity Retailers Association represents companies that sell electricity to NZ customers and businesses. ERANZ's role is to promote and enhance a sustainable and competitive retail electricity market that delivers value to electricity customers.
ESG	The environmental, social and governance factors to evaluate performance.
EV	Electric vehicle.
FY18	The financial year ended 30 June 2018.
FY19	The financial year ended 30 June 2019.
FY20	The financial year ended 30 June 2020.
FY21	The financial year ended 30 June 2021.
FTE	A 'full-time equivalent' is a way to measure the workload of one person.
GRI	The Global Reporting Initiative is an international independent standards organisation that helps businesses, governments and other organisations understand and communicate their impacts on things like climate change, human rights and corruption.
The Group	This is Contact Energy Limited, Contact Energy Trustee Company Limited (a subsidiary), Simply Energy Limited (a joint venture) and Drylandcarbon One Limited Partnership (an associate).
Hydrology	The scientific study of the movement, distribution, and management of water. The 'hydrologic cycle' involves the continuous circulation of water and underpins hydro-electric generation. Understanding the cycling of water into, through, and out of catchments is a key element of hydrology.
<IR>	The Integrated Reporting Framework is a principles-based framework for corporate reporting.
MBIE	The Ministry of Business, Innovation and Employment.
NPAT	Net profit after tax.
NZAS	New Zealand's Aluminium Smelter is the country's only aluminium smelter and is located on Tiwai Peninsula, across the harbour from Bluff in Southland.
NZX	New Zealand Stock Exchange.
PPD	Prompt payment discounts.
SDGs	Sustainable Development Goals are a collection of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set in 2015 by the United Nations General Assembly and intended to be achieved by the year 2030.
SME	Small and medium-sized enterprises are often defined as those with fewer than 20 employees.
TCFD	The Task Force for Climate-related Financial Disclosures provides a framework for climate-related financial risk disclosures.
TRIFR	Total Recordable Injury Frequency Rate is a globally recognised measure of injury rates that can be benchmarked.

Key activity this financial year

July
2 houses in Taupō temporarily evacuated after geothermal subsidence.

August
FY19 results announced with EBITDAF from continuing operations of $505m, up 12% from FY18, and net profit of $345m.

September
Paid 23c per share FY19 final dividend to investors, following on from interim dividend of 16c paid in April 2019.

Confirmed new emissions reductions targets after approval from Science Based Targets initiative.

23c
per share

October
Held our first EnergyMate community hui with ERANZ.

Won 'Best Established Brand' at the Charge Energy Awards in Iceland.

November
New Chief People Officer Jan Bibby started.

December
Announced investment of up to $5m to fast-track Transpower's Clutha-Upper Waitaki Lines Project build.

18 summer interns joined us across the country.

January
Entered into a $50m, 4-year sustainability-linked loan facility with Westpac NZ.

Launched the 'Your Skills, Our Energy' advertising campaign celebrating small businesses.

February
New CEO Mike Fuge started.

FY20 interim results revealed EBITDAF from continuing operations of $221m, down 21% from FY19, and net profit of $59m.

17,000 new broadband customers joined us in the past 12 months.

March
COVID-19 pandemic response under way with electricity confirmed as an essential service and 93% of our people working from home.

NZ's largest electrode boiler to be installed at Open Country Dairy's Awarua site using Contact-supplied electricity.

Fined $245,000 for misleading customers in a 2017 AA Smartfuel promotion.

April
Paid a 16c per share FY20 interim dividend to investors.

Donated $400,000 of free power to St John, Women's Refuge and the Salvation Army, and $40,000 to iwi and hapū COVID-19 response initiatives in Taupō.

16c
per share

May
Drylandcarbon partnership makes first plantings at Matiawa, near Kaikōura.

June
Launched 'Transforming Ways of Working' programme to our people.

11,600 customers transferred to Contact after energyclubnz exits the market.

Electricity Authority preliminary ruling found our actions in flood conditions of late 2019 did not create an undesirable trading situation.

New record of 3,333GWh set for geothermal generation in a financial year.

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Chair's report

Welcome to Contact's FY20 integrated report. I'm pleased to be sharing my perspectives and reflections on the year and looking ahead to the new challenges and opportunities of FY21 and beyond.

After the resignation of Dennis Barnes as CEO in June 2019, Mike Fuge arrived in February 2020 to begin a new chapter of leadership for Contact. Over his nine years Dennis worked passionately to make Contact a high-performing organisation, with strong shareholder returns and significant investment in renewable generation, flexible thermal generation, enterprise-wide systems and an outstanding safety culture. We thank Dennis for his commitment to Contact.

We were excited to have Mike join us from Refining NZ. He has a strong history in the energy sector in New Zealand and overseas, including as CEO of Pacific Hydro in Australia and as COO at Genesis Energy. He has a passion for renewable energy and is relishing the challenge to deliver on Contact's vision to build a better New Zealand and play a leading role in the decarbonisation of the energy sector and wider economy.

The Board has been working with Mike and his leadership team to agree on Contact's strategic priorities. This will also provide us with a chance to reflect on the future shape of the company, the sector and the country in a world that has COVID-19 and potentially does not have the Tiwai smelter.

It is fair to say Mike's first 100 days at Contact were full of surprises, as just weeks after his commencement, the COVID-19 pandemic response began and his focus and energy turned to crisis management and doing right by Contact's customers, staff and broader New Zealand.

It has been an extraordinary time. Contact fully supported the actions of the NZ Government in restricting the spread of COVID-19. A lot of work was done to ensure we were actively reducing the risk of the virus spreading and making sure our people across New Zealand were as safe as possible.

The response from the 943 people across Contact in the wake of the COVID-19 pandemic response was really pleasing, as the team adapted and continued to deliver for customers and New Zealand at a very challenging time. The directors met regularly with the leadership team through this period and we saw the company was in good hands and overall Contact coped extremely well in challenging, uncharted circumstances.

More change and challenges were to come soon after the pandemic lockdown too, with the closure of the Tiwai smelter announced following the conclusion of Rio Tinto's strategic review. Citing high energy costs and a challenging outlook for the aluminium industry, NZAS gave notice to terminate the power supply contract in August 2021.

FY20 has seen Contact continue to deliver solid financial results. Despite initial concerns regarding the impact of COVID-19, the second half of the year has been in line with expectations, after a more challenging first six months.

We have made no secret of our view that the best interests of NZ Inc is served by NZAS remaining operational in the medium-term: ideally for at least the next five years. The inability for this to happen will be bad news not only for Southland, but also for global emissions and New Zealand's renewable energy aspirations. In our view a disorderly exit will impact multiple stakeholders and all generation-retailers.

Contact has been and continues to work on mitigation options for a post-Tiwai environment and we are well-positioned to emerge in a stronger competitive position over the longer term. We have already announced the pausing of the world-class, shovel-ready geothermal project at Tauhara: putting this on hold is the best and only sensible option at the moment but we believe its time will come as supply and demand stabilises in the future.

More broadly we are a resilient organisation and in good shape. Our portfolio of long-life renewable generation assets, flexible generation portfolio, strong balance sheet and operational discipline provide confidence we are well-placed even in a lower demand environment.

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One observation I'd like to make is in relation to predictions by some of high wholesale prices over the longer term. We do not see this as a likely scenario or a sustainable trend as long-term pricing is linked to the long-run marginal cost of new renewable projects to meet demand, plus the costs associated with firming renewable intermittency.

Underpinning these results is Contact's operational efficiencies, the quality of our generation assets and strength of the balance sheet. We have a flexible portfolio of gas-fired and renewable generation assets that contribute to the security of electricity supply for Kiwis and a lower carbon future for the country.

It is particularly pleasing to deliver investors the same 39cps annual dividend this year as last year. However as we look forward to a likely period of disruption in the industry, we will need to reconsider the level of future dividends as the status of Tiwai is cemented and mitigations emerge. We will provide investors with more clarity on this as soon as is appropriate.

This year we have produced a different style of report, delivering an integrated report for the first time. This is for a much broader group of stakeholders than investors alone and is not merely a look back over the year, but also forward-looking. We are transparent and we want to help people have a better understanding of how we do business and how we deliver value beyond financial returns. This is the right thing to do and we understand the increasing expectations on all companies from investors, customers and communities to provide this information.

We will continue to build on our ESG credentials and Contact has a leading role to play in tackling climate change via tangible actions that drive good business outcomes.

We will keep our focus on our role in building a better New Zealand, and delivering value to our stakeholders alongside sustainable, long-term growth.

This includes supporting and growing New Zealand's low-carbon advantage. To do this we need policy settings to support accelerated electrification of process heat and transport and agriculture sectors away from carbon-intensive fossil fuels like coal and petroleum – but without unduly burdening the economy and consumers.

We are already one of the first power companies in the world to have carbon emissions targets verified by the Science Based Targets initiative, we have an innovative green borrowing programme, and this year we inked one of the country's first sustainability-linked loans. With the recent appointment of James Kilty as deputy CEO we have also reiterated our commitment to accelerating the decarbonisation of the New Zealand economy, and our intention to play a leading role in this ongoing transition.

We've also walked the talk by making reductions in our own carbon emissions. We can do more here and the Tiwai smelter's exit will over time expedite the retirement of thermal generation assets in the industry which will see emissions decline even further.

With the recent appointment of James Kilty as deputy CEO we have also reiterated our commitment to accelerating the decarbonisation of the New Zealand economy, and our intention to play a leading role in this ongoing transition.

Geothermal generation has a huge part to play here too, as it provides true baseload power to the grid. We're very proud of the Contact team that leads the world in the development of this very low emission generation option.

Contact is proud to be an important, successful contributor to New Zealand and a strong participant in this country's efficient, competitive energy market. We operate in an environment that many countries around the world are envious of, and regard as an exemplar of best practice. It is imperfect, but compared to the distortions and value destruction present in other countries we believe it works very well most of the time.

Finally thank you to Mike, Dennis and the Contact team for their hard work and dedication over FY20. As always there is much to be done, but it is an exciting new chapter for the company.

We will keep our focus on our role in building a better New Zealand, and delivering value to our stakeholders alongside sustainable, long-term growth.

Yours sincerely

Robert McDonald
Chair

CEO's report

It is a privilege to share my thoughts in this integrated annual report for the first time as CEO of Contact Energy.

This is a great company and I am very pleased to be here. We have a fantastic, talented, resilient team and a very supportive Board. I'd like to thank everyone for making me feel so welcome and for their assistance over my first few months in the role, including the outgoing CEO Dennis Barnes. The time has flown by since my first day in February 2020.

Elsewhere Contact's leadership team continues to evolve too. Late in 2019 we appointed Jan Bibby as our new Chief People Officer, and in July 2020 Jacqui Nelson was appointed as our Chief Generation Officer. James Kilty moved into a new role as Deputy CEO and has the reins on our decarbonisation and demand growth efforts.

Financial results

This year there have been some unique challenges to navigate. This includes the impact of COVID-19 early in my tenure, and more recently the announcement around the Tiwai smelter's exit. We also had an unusual hydrology sequence where the Clutha River experienced periods of extremely low inflows and a one in 20 year flood.

In the first half of FY20 we felt the impact of recent under-investment in New Zealand's ageing gas fields as an unreliable supply of natural gas led to a sharp increase in thermal input costs. However across the full year gas costs landed marginally lower than FY19.

Despite these challenges and unusual circumstances our high-quality, long-life, renewable generation assets and lean, low-cost retail operations combined to deliver another solid financial result for shareholders.

In FY20 Contact generated revenue of $2,073 million, EBITDAF[1] of $451 million, profit of $125 million and operating free cash flow of $290 million. Investors will receive a total annual dividend of 39 cents per share. This is in line with the FY19 dividend.

COVID-19 response

There is no denying that New Zealand changed after 11:59pm on 25 March when we moved into lockdown for COVID-19. Throughout the lockdown we stood up a crisis management team and continued to operate as an essential service and lifeline utility, with an unwavering focus on looking after our customers, looking after our people, and doing right by New Zealand. Through necessity we mobilised all but a small number of our people to work from home, including home-based call centres – this was extraordinary and something we never thought we could do.

We acknowledge all of the people who kept New Zealand going as we were all confined to our bubbles – a massive thank you from us all here at Contact. It was humbling to see the dedication of everyone working hard for New Zealand during a very challenging period.

We looked after our people across our sites and offices in Te Rapa, Stratford, Levin, Taupo, Whirinaki, Dunedin, Clyde, Roxburgh, Auckland and Wellington. We continued to serve our customers but minimised any risk of spreading COVID-19 through meticulous continuity and crisis planning, and ramped up hygiene and physical distancing.

As the COVID-19 response got under way, we also reassured our 943 Contact people across New Zealand that if they needed to be home for anything pandemic-related – including looking after elderly relatives or to be with their kids – we would pay 100 per cent of their salaries and not require them to take leave. It was the right thing to do.

Strategic priorities

And now as New Zealand's post-lockdown economic recovery begins we have a significant role to play. We want to play a role in leading New Zealand to a low-carbon future by developing low carbon solutions for customers, and advocating for regulatory settings that will facilitate the transition of New Zealand's energy system away from fossil fuels.

We are helping our commercial and industrial customers to transition from higher carbon fuels to low carbon fuels, with new products and renewable substitutes. We aim to displace 1PJ of industrial heat with electricity by 2022 – roughly equivalent to the electricity used by all the houses in Taupō in a year.

Recent successes include partnering with Open Country Dairy to support the installation of New Zealand's largest electrode boiler (13MW) at their Awarua site, and the expansion of our geothermal direct heat to connect the Nature's Flame wood pellet manufacturing plant and displace coal usage outside of New Zealand. We have also continued to grow our demand flexibility platform – with more than 20 customers signed up to automatically reduce power consumption from equipment such as pumps, fans and compressors during high usage periods.

1. EBITDAF, underlying profit, free cash flow and operating free cash flow are non-GAAP (generally accepted accounting practice) measures. Information regarding the usefulness, calculation and reconciliation of these measures is provided within note A2 to the financial statements.

As well as our focus on decarbonisation and demand growth, we are also under way with several other areas of strategic activity as we pursue our vision of building a better New Zealand.

This includes:

- maintaining flexibility around our investment options across multiple, renewable energy sources (with a focus on geothermal);
- simplifying how Contact is set up to be more effective and efficient, reviewing our core processes and organisational structure, and building on the experiences of the COVID-19 lockdown by transforming our ways of working;
- being a leading energy retailer in New Zealand as we accelerate digitisation, consider adjacent products and services, and optimise our spending; and
- embedding our commitment to best practice environmental, social and governance practices across Contact.

Tiwai and Tauhara

We will also continue planning for a post-Tiwai environment. We expressed our disappointment when Rio Tinto's July announcement emerged setting out the planned closure of the smelter in August 2021. If the smelter is to leave, we are very supportive of the runway to closure being extended beyond the current 14-month period. You may hear this described as a 'just transition' or 'orderly exit' to enable Southland, New Zealand and the electricity industry to prepare for a post-Tiwai world. We remain optimistic a deal can be done and will leave no stone unturned on this front.

In the meantime it is prudent for us to accelerate our mitigation plans to minimise the potential impact. We have already paused the development of a new power station on the Tauhara geothermal field near Taupō. The team involved in the preparation of the site and $40m appraisal campaign have done an outstanding job and confirmed that Tauhara is a world-class renewable geothermal project, with very low associated carbon emissions.

It is on hold for now but we believe it is a matter of when – not if – Tauhara will play an important role in New Zealand's transition to a low-carbon future.

However we must get a clearer picture of demand before we make any final decision to proceed with this $600 million investment. We believe Tauhara remains New Zealand's cheapest and most attractive option for new, renewable, baseload electricity generation and when its time comes, it will deliver substantial economic benefits and jobs in the central North Island when it proceeds.

Customer focus

On the retail front we now have more than 500,000 connections across electricity, gas and broadband. In June more than 10,000 energyclubnz customers joined Contact as that retailer exited the market. We have continued our transformation to becoming a digital-first retailer, with more than 100,000 customers now using our apps and website for self-service each month.

Our focus on improving customer experience has seen our Contact app ratings improve significantly, and this success has eased demand on our traditional service channels, with call volumes reducing from 850,000 in FY19 to 760,000 in FY20.

The release of the Electricity Pricing Review's final report and Government response in October 2019 commanded a lot of attention across the sector. We believe the goal should be to seek enduring solutions to some of the challenges identified in the report.

We continue to work closely with the Electricity Authority, ERANZ, MBIE and the Government as recommendations from the Review are consulted on and implemented. These recommendations relate to both the wholesale and retail markets in New Zealand. In particular, we agreed to extend voluntary market making to support market liquidity, ensure we are supporting vulnerable and medically dependent customers, continuing to phase out prompt payment discounts, and we supported the cessation of win-backs.

We help our most vulnerable customers keep the power on with initiatives such as PrePay, flexible billing options and contributing to hardship funds and education campaigns. And more broadly we continue to work hard to help customers maintain access to energy and avoid burdensome debt by giving them choice, certainty and control over their energy needs.

We were surprised to be the subject of allegations of creating an undesirable trading situation in December 2019 when the Clyde River was in a major flood, but pleased that the Electricity Authority did not uphold the complaint against us in their preliminary decision in June 2020. We are engaging with the Authority in the consultation that followed the preliminary decision's release.

When the Clutha River is in significant flood our focus is always to operate the Clutha hydro system to ensure the safety of communities downstream, the safety of our people and assets, and to manage our resource consent obligations.

The Authority is expected to release its findings into a 'higher standards of trading conduct' complaint in relation to the same flood event in the next few months. We disagree with these allegations too and we do not expect the complaint to be upheld against us.

Conclusion

We're excited about the future for Contact. We are a strong company with plenty of options and opportunities in front of us. We have a robust balance sheet, an excellent portfolio of assets and a very capable team.

And as you will see over the ensuing pages of this report, we are focused on delivering value and reporting on the things that matter most to our stakeholders. We appreciate your ongoing support and interest.

Kind regards

Mike Fuge
CEO

Who we are

Our board

Whaimutu Dewes

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Feb 2010

Member, Health, Safety and Environment Committee

Member, Audit and Risk Committee

Victoria Crone

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Nov 2015

Member, Audit and Risk Committee

David Smol

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Oct 2018

Member, Health, Safety and Environment Committee

Member, Tauhara Committee

Dame Therese Walsh

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Sep 2018

Chair, Audit and Risk Committee

Member, People Committee

Robert McDonald

INDEPENDENT NON-EXECUTIVE CHAIR

Appointed Nov 2015

Member, People Committee

Jon Macdonald

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Nov 2018

Chair, People Committee

Member, Tauhara Committee

Elena Trout

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed Oct 2016

Chair, Health, Safety and Environment Committee

Chair, Tauhara Committee

Our directors bring broad knowledge, deep understanding and strong experience to the boardroom table. Their governance sets our strategic course and enables Contact to thrive, succeed, and navigate risk-taking. They ask the hard questions until they are satisfied with decisions, help us seize the right opportunities, and ensure we balance the interests of all of our stakeholders.

In the Governance section of this report we include a matrix setting out the Board's expertise across a range of strategic skills. You can also find full profiles of the directors on our website.

Our leadership team

Jan Bibby
CHIEF PEOPLE OFFICER
Joined 2019

Dorian Devers
CHIEF FINANCIAL OFFICER
Joined 2018

James Kilty
DEPUTY CHIEF EXECUTIVE OFFICER
Joined 2002

Mike Fuge
CHIEF EXECUTIVE OFFICER
Joined 2020

Catherine Thompson
CHIEF CORPORATE AFFAIRS OFFICER AND GENERAL COUNSEL
Joined 2010

Jacqui Nelson
CHIEF GENERATION OFFICER
Joined 2004
Joined leadership team 15 July 2020

Vena Crawley
CHIEF CUSTOMER OFFICER
Joined 2014

Our leadership team implement the strategy approved by the Board. They also ensure the Board receives accurate and timely information about Contact's operations, performance, legal obligations, reputation, financial conditions and prospects.

They manage the day-to-day operations of the company, our people and our resources to ensure these function effectively and efficiently. They demonstrate strong and clear leadership inside Contact and to our external stakeholders.

You can also find full profiles of our leadership team on our website.

Putting our energy where it matters
Our moral compass – Ngā Tikanga

Our Tikanga guides our actions, both as individuals and as Contact, and is our set of principles, commitments and behaviours.

Principles

We act professionally at all times.

We care about the health and safety of our people and minimise health, safety and environmental impacts on customers and communities.

We put our energy into things that matter by:

- adding value to resources under our control
- being inclusive, encouraging diversity and expression of ideas and opinions
- creating value for our stakeholders
- ensuring the sustainability of our business
- looking after natural and shared resources
- being a good neighbour in communities.

We're authentic and make sound decisions knowing they'll be subject to scrutiny.

Commitments

Creating value for our customers and communities by developing smart solutions that make life easier.

Creating a rewarding workplace for our people by valuing everyone's contribution, encouraging personal development, recognising good performance and fostering equal opportunity.

Respecting the rights and interests of communities by listening, and understanding and managing the environmental, economic and social impacts of our activities.

Respecting the rights and interests of our business partners so we work collaboratively to create valued, rewarding partnerships.

Delivering market-leading performance for shareholders by identifying, developing, operating and growing value-creating businesses.

Staying a step ahead, anticipating the things that are going to matter to our business and New Zealand.

Behaviours

Pointed focus sharpens us

Human kindness connects us

Curiosity propels us

Progressive defines us

Our operations

934
employees

63.3k
shareholders

850k
spent in communities

0
Tier 1 process safety incidents

8TWh
contracted electricity sales

$2.6b
net assets

39c
per share dividend

83%
renewable generation

$70m
tax paid

+36
Net Promoter Score

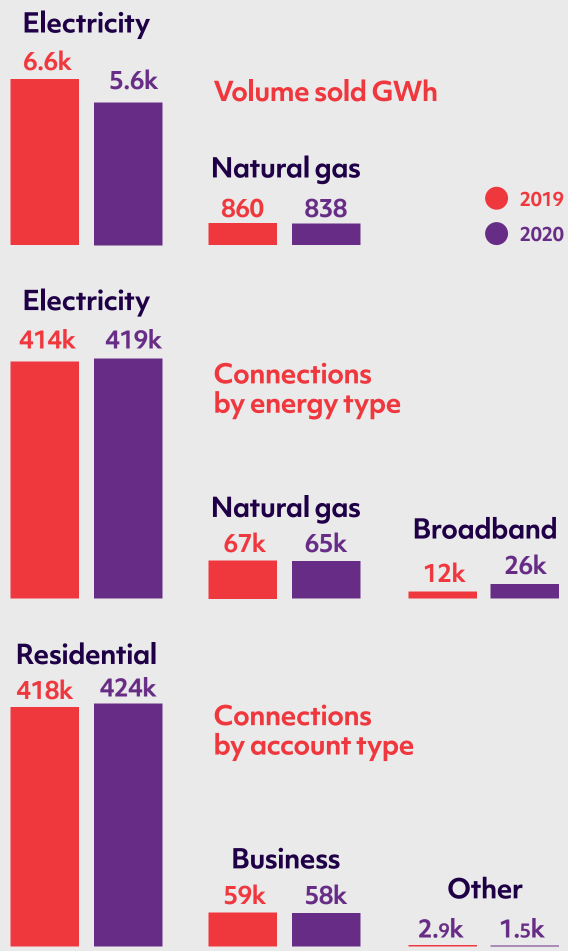
96%
gender pay ratio

921k
tCO_2e Scope 1 emissions

All figures at 30 June 2020 or for FY20

Connections

510k
total customer connections at 30 June 2020



2020 generation by station and type

8.5TWh
generated

Geothermal

3,333 (GWh)

Te Huka (28 MW)	198
Poihipi (55 MW)	335
Ohaaki (44 MW)	340
Wairākei (132 MW)	1,045
Te Mihi (166 MW)	1,415

Hydro

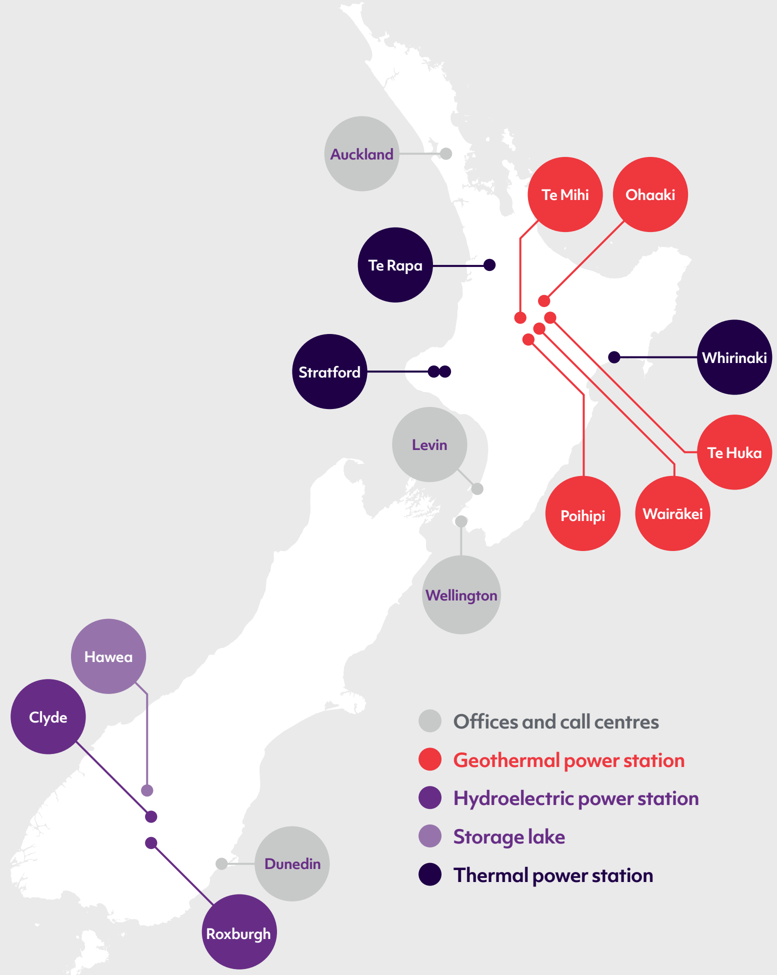
3,752 (GWh)

Roxburgh (320 MW)	1,657
Clyde (432 MW)	2,095

Thermal

1,439 (GWh)

Te Rapa and Whirinaki (199MW)	277
Stratford – Peakers (210 MW)	291
Stratford – CCGTs (377 MW)	871



Creating value

This section sets out our business model. We are creating and contributing to a better New Zealand, by putting our energy where it matters.

It includes an overview of the resources and relationships (or 'capitals') that are deployed in or impact on our business, the influence of the external environment, and a summary of our key business activities.

The outputs – and ultimately the outcomes – that emerge from these interactions are how we create value for Contact, New Zealand, communities, our staff and all of our other stakeholders over the short, medium and long term.

External environment

The external environment we operate in impacts our value creation. This includes economic conditions such as the post-COVID-19 recession and recovery, technological change and the rise of digital for customers, political activity, regulatory policymaking such as the Electricity Price Review, societal change as the population ages and diversifies, and environmental factors such as climate change.

For more detailed observations about the external environment for Contact in FY20 and beyond, please read the overviews from our Chair Robert McDonald, our CEO Mike Fuge and the 'Our strategy' section.

"Healthy energy systems are secure, equitable and environmentally sustainable, showing a carefully managed balanced Trilemma between the three dimensions."

World Energy Council

"The energy trilemma sums up our difficulty in finding secure energy supplies and catering to rising demand without prices becoming unaffordable, all while reducing greenhouse gas emissions."

The Guardian

The trilemma

The World Energy Council's energy trilemma is a three-dimensional problem that involves balancing the security of energy supply with environmental sustainability and affordability.

It neatly provides a framework for articulating the areas where Contact puts its energy to create sustainable value for New Zealanders: we're working hard to improve accessibility, demonstrate reliability and look after the environment.

The trilemma also demonstrates the competing demands and trade-offs at play. Pushing harder on one dimension of the trilemma may require concessions from the others. For example, a requirement for all energy production in New Zealand to be 100 per cent renewable is likely to prove very expensive, but a more balanced target of 95 per cent will still deliver excellent environmental outcomes but avoid the prohibitive costs.

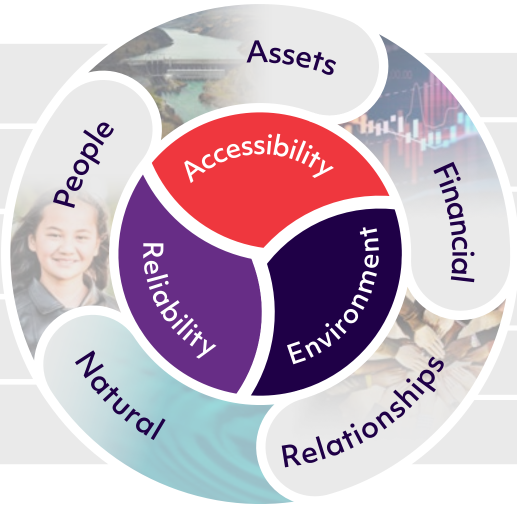
In the Contact context:

- **accessibility** is focused on customer wellbeing, energy hardship and tailoring our products and services to customer needs.
- **reliability** is focused on the resilience of our supply chain, the impact of regulation, financial sustainability, the reliable supply of energy, and the safety and wellbeing of our people.
- **environmental sustainability** is focused on community wellbeing, climate change, renewable energy, water and biodiversity.

We create value by:

- deploying financial, natural, relationship, asset and people capital;
- factoring in external environment influences;
- undertaking business activities in alignment with our Tikanga, vision & strategy, overseen by good governance;
- delivering outcomes that impact on accessibility, reliability and environmental sustainability.

Vision and strategy ›
Tikanga ›
Governance and leadership ›
Supply chain ›
Risk and opportunity ›



Build a better New Zealand by:

- › Reliable generation of electricity
- › Sustainable environmental impacts
- › Smart solutions for customers
- › Economic returns
- › Engaged staff
- › Safe working environment

Capitals – We depend on various forms of capital for our success and the stocks of these increase, decrease or change in the course of our business activity.

Natural
Using, looking after and managing natural resources and environmental assets are fundamental parts of Contact's business. This includes water, geothermal steam/fluid, gas, air quality, land, carbon, biodiversity, pest control and ecosystem impacts.

People
The experience, expertise, competence and passion of our people from our Board and management team through to everyone in our offices and sites. It captures our ways of working, our safety culture and our Tikanga. It includes internal engagement, development, risk management, continuous improvement and innovation, managing external relationships and aligning to deliver strategy.

Relationship
Our social licence to operate relies on a myriad of relationships within and between our communities, stakeholders and networks. It includes the reservoir of goodwill and trust we earn (or burn) with stakeholders including tangata whenua, customers, communities, shareholders, local bodies, Government, regulators, media, suppliers, partners and our own people.

Financial
We have a pool of funds that we deploy to produce and deliver energy, serve our customers and undertake all of our other activities. This has been generated via our business activities, investors and debt arrangements with banks.

Asset
Various physical and intellectual assets are used in delivering reliable, affordable and environmentally sustainable electricity to New Zealanders. This includes 11 power plants, three offices, vehicles and transmission/distribution connectivity. It also includes our reputation, website and application software, IT systems, customer databases, brands, licences and internal 'know-how' around activities like safety, transformation and geothermal engineering.

Our strategy

Encouraged by the Board, our new CEO Mike Fuge has driven refreshed strategic priorities as we continue our commitment to delivering stakeholder value.

We are pursuing our long-term vision to create and contribute to a better New Zealand, and also navigating the challenges and opportunities emerging over the short term and medium term, including:

- the implications of the exit of the Tiwai smelter and the many ways this significant change to electricity demand could evolve;
- COVID-19's impacts on major industrial users who consume the electricity we generate;
- the effects of the COVID-19 aftermath on households and SMEs;
- the impact of new climate change legislation, carbon budgets sets by the Climate Change Commission and the 'sinking lid' on NZ's net greenhouse gas emissions from 2021; and
- the ongoing focus on the electricity sector from politicians and regulators.

The twin impacts of the smelter's exit in August 2021 and the potential post-COVID-19 recession will inevitably affect our business directly and also indirectly via our customers and stakeholders.

In the wake of the pandemic, we know there will be hugely challenging times ahead for New Zealanders, community organisations and businesses of all sizes, and New Zealand as a country. But there will be many opportunities too.

And similarly, with the smelter news we have a renewed focus on development and building demand growth. We intend to play an important role in accelerating the decarbonisation of the New Zealand economy.

As the environment we are operating in evolves, we know we need to keep adapting. We can't keep doing what we've always done and expect to succeed. To ensure we become stronger and more successful, we have commenced work on four strategic areas:

- ongoing focus on decarbonisation as we lead by example and help our customers decarbonise too;
- growing demand and maintaining flexibility around investment options across multiple, renewable energy sources (with a focus on geothermal);
- simplifying how Contact is set up to be more effective and efficient, reviewing our core processes and organisational structure, and building on the experiences of the COVID-19 lockdown by transforming our ways of working; and
- being a leading energy retailer in New Zealand as we accelerate digitisation, consider adjacent products and services, and optimise our spending.

We are also focused on embedding our commitment to best practice environmental, social and governance practices across Contact.

We are uniquely placed as a crucial renewable energy generator and retailer, in a critical industry for the future of New Zealand.

We are preparing to navigate challenges and seize opportunities. It's exciting to think about what this could look like, and the role Contact can play in helping New Zealand recover and succeed.

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Our supply chain

We generate energy

We own and operate 11 power stations and produce 83% of our electricity from our renewable hydro and geothermal stations. Our natural gas and diesel-fired power stations operate to ensure the lights stay on for New Zealanders when intermittent renewable plants cannot operate

We trade

We sell the electricity we generate on the wholesale market. We purchase goods and services from more than 2,000 suppliers. We also trade a range of financial products to manage our risk and create value

We innovate

We create smart solutions that are good for people (tiaki tangata) and the environment (tiaki taiao) to help customers, partners, suppliers and communities have a better quality of life. We are an innovative, safe and efficient generator, actively working with our customers, partners and suppliers to improve energy efficiency, reduce emissions and fight climate change

We sell and serve

As a retailer we sell products and services to thousands of individuals and businesses to meet their energy and broadband needs

83% RENEWABLE GENERATION

934 EMPLOYEES

2,000 SUPPLIERS

63.3k SHAREHOLDERS

510k CUSTOMER CONNECTIONS

We provide more detail about our business activities and outputs in the **Accessibility**, **Reliability** and **Sustainability** sections of this report.

*All figures at 30 June 2020 or for FY20

What matters most

We use the **Global Reporting Initiative** (GRI) standards (core) and the **International Integrated Reporting Council** (IIRC) Framework to report on material environmental, social and governance activities, and aim to provide a balanced view of our performance.

We also report our climate change risks using the best practice guidance of the **Task Force for Climate-related Financial Disclosures** (TCFD) framework.

What we did

We undertook an annual review to help determine the things our stakeholders care about that we impact on. This assists our understanding of the most important environmental, social and governance issues for our business, and the opportunities for us to create value. This review involves an environmental scan, a review of internal documents, and what our stakeholders have told us.

What we heard

The topics identified by each stakeholder group are set out below.

Customers
Affordability, customer service, helping communities, environmental protection, post-COVID-19 kindness, supporting NZ economy, climate change, inequality, reducing costs, mitigating emissions trading costs, business resilience, decarbonisation and electrification, energy efficiency, cash flow and financial security, internet access.

Tangata whenua
Whānau/hapū/iwi wellbeing, connection to and care of natural resources, respect for cultural sites and cultural identity, jobs, inequality, te reo and tikanga, access to resources, youth development.

Communities
Being a good neighbour, impact on the natural environment, climate change, community connection, jobs, cost of living, cost of energy, mental health, post-COVID-19 recovery, inequality, supporting local economy.

Investors
Sustainable dividends, financial performance, managing risk (including climate change risk), taking care of our customers, human rights, supply and demand, COVID-19 impact, environmental stewardship, regulatory change, social licence, ESG credentials.

Our people
Safety, wellbeing, professional development, inclusion and diversity, attraction and retention, flexible working and work/life balance, leadership, Tikanga and company culture, connecting with communities, job security.

Suppliers/partners
Continuity and certainty of work, maintaining supply chains, health and safety, natural environment, cash flow, potential Tauhara investment.

Government
Supporting vulnerable consumers, post-COVID-19 economic recovery, accelerating renewables and electrification, management of natural resources, fresh water, relationships with tangata whenua, inequality, regional development, social licence, reliability of supply.

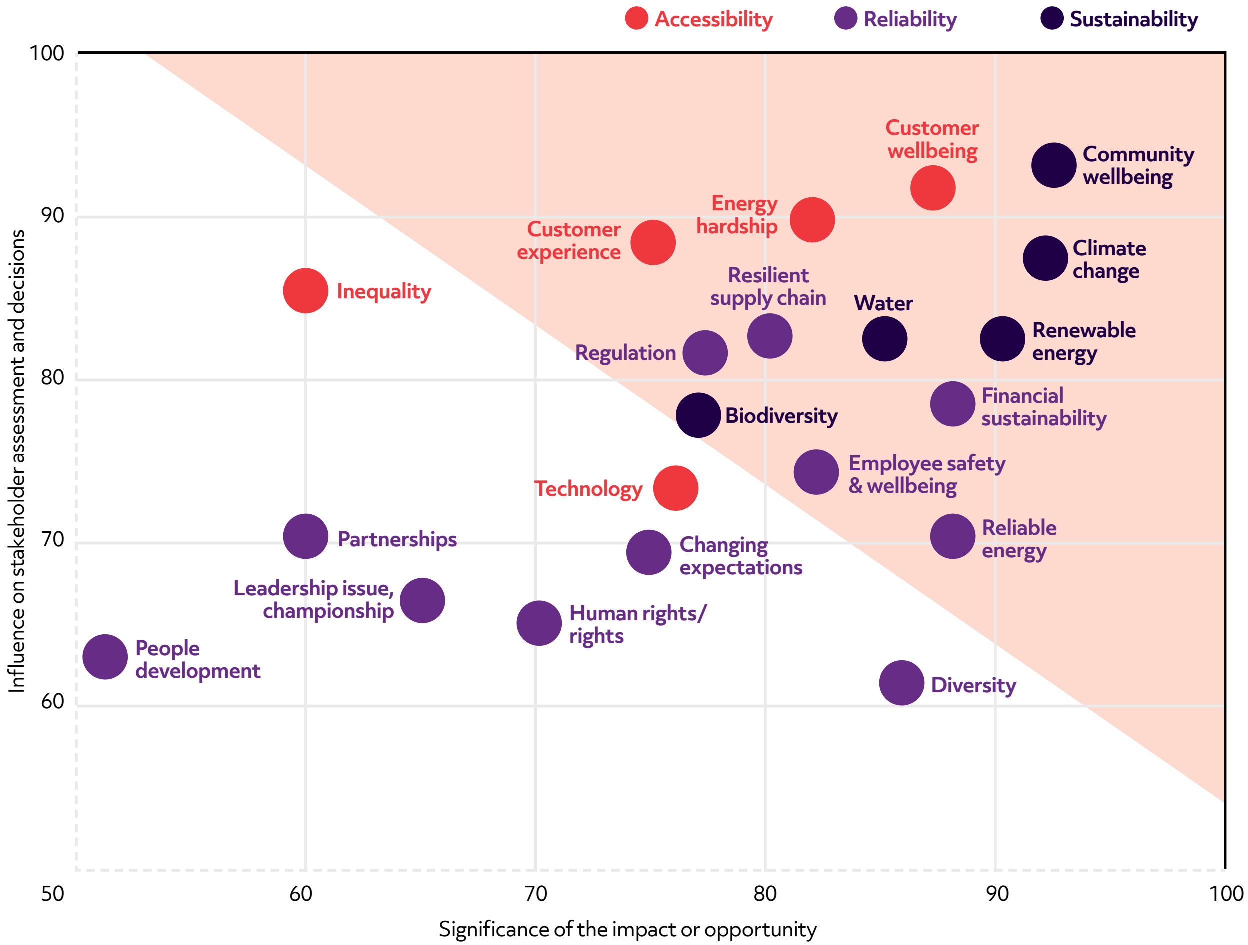
Materiality matrix

Our materiality matrix maps 'stakeholder concern' on the vertical axis, and 'business impact' on the horizontal axis. All the topics are important, but we report on those that rank highest across both axes and appear in the top-right corner.

Our key observations are:

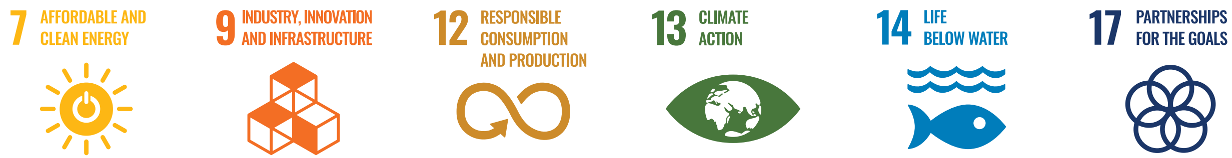
- An increased focus on wellbeing by all stakeholders, largely underpinned by the impact of the COVID-19 pandemic and the subsequent response;
- 'Community wellbeing' (encompassing the creation of local jobs, the importance of connection and relationships, and opportunities to support local communities) and 'customer wellbeing' emerge as the most important material topics;
- 'Resilient supply chain' is a new material topic, reflecting an increased concern around our ability to access the goods and services we need to run our business, and do so locally where possible;
- 'Regulation' has increased in importance as we look to opportunities to support the post-COVID-19 recovery.

This year we report on 13 topics grouped under the three outcomes in our version of the energy trilemma: accessibility, reliability and environmental sustainability.



United Nations Sustainable Development Goals

We also mapped the 13 material topics against the United Nations' 17 Sustainable Development Goals, and identified six goals where we believe Contact can have the greatest positive impact.



Accessibility

Accessibility

We play a vital role in the lives of hundreds of thousands of individuals and businesses in New Zealand who rely on the electricity, gas, and broadband that we supply. We help them warm their homes, power their businesses, and connect with their communities and the world.

We listen to what our customers want and align our services and our people capability and culture with this. We use our human energy to make access fair, easy and customer-centric.

The activities and ambitions in this section contribute to affordable and clean energy (SDG 7) and will be achieved through partnerships (SDG 17).

7 AFFORDABLE AND CLEAN ENERGY

17 PARTNERSHIPS FOR THE GOALS

Customer wellbeing and energy hardship

We're committed to being accessible to all New Zealanders and businesses, with a focus on how we can best support our customers, and we make every effort to ensure no customers will be left without power.

We have a role in helping those most in need to keep their lights on and their homes warm, and we agree with the Electricity Retailers Association's (ERANZ) position set out in its Election Briefing in June 2020 that the fundamental solution for energy hardship is addressing poverty by improving housing, increasing incomes, and fixing regulation:

"New Zealand has the 10th cheapest electricity in the developed world, but low-quality housing means we use a lot of it – which can lead to high bills. Because of that, some families struggle to keep their home warm in winter. We want all families to live in warm, dry homes with affordable energy costs. No family should have to choose between putting food on the table or turning their heater on."

We're acutely aware of the importance of supporting vulnerable customers. If anyone needs help paying their bill, we encourage them to get in touch so we can discuss their options, including our range of plans and ways to pay that may help manage energy use.

We know 'one-size-fits-all' isn't the best way to serve our customers or New Zealand. We help customers having a tough time maintain their credit rating and we deploy a wide range of tools to help people stay connected. This includes early and proactive intervention, different payment options, prepay services, health and welfare checks for customers, EnergyMate energy assessment referrals, and working with support agencies including the FinCap budgeting service and Work and Income.

We're also involved in ERANZ's Vulnerable and Medically Dependent Consumer Working Group, which brings together people from across the electricity sector, government departments, regulators, and community organisations.

Our range of payment options make it easy for customers to smooth out the cost of their bills, align bills and due dates with pay days, or opt for PrePay for more control. We also check whether customers are on the right plan to meet their needs and whether switching to a different plan or payment option might help.

More than 10,000 customers are now on weekly or fortnightly payment plans, up from 1,200 a year ago. This includes many of the energyclubnz customers who transferred to Contact in June 2020. We've also had more than 5,400 customers sign up for PrePay since it was launched in September 2018. About 2,000 of these customers would previously have been unable to access energy from us because of their credit history.

PrePay operates like a prepaid mobile phone, so customers control how much they pay and when. They can choose to build up credit to use over winter when people tend to use more energy. They can also access all the same products, prices, discounts and rewards as other customers on 'post-usage' payment plans. The PrePay option helps to retain access to energy by enabling customers to repay debt at a rate and timeline that suits their budget, with no charges or fees.

We understand there are complex issues at play when it comes to customer debt, and we take a responsible approach. We enable customers to manage their existing debt to be repaid over a period that works for them and without any debt-related fees or charges. This has helped customers reduce their average debt and seen overall debt decline by 45 per cent compared to FY19.

We only move to disconnection as an absolute last resort, and for this small proportion of residential customers their average balance in the final quarter of FY20 was $500. We saw some customers accumulate increased debt when we halted disconnections during the COVID-19 lockdown.

We work hard to help customers who are disconnected get reconnected. In the final quarter of FY20, 54 per cent of customers were reconnected within 24 hours, up from 46 per cent on last year.

EnergyMate helping vulnerable families

We are proud of our work with ERANZ on the pilot programme for EnergyMate, a free in-home energy coaching service for consumers at risk of energy hardship, struggling to pay their power bills or to keep their homes warm. The programme is funded by electricity retailers like us, as well as lines companies and Energy Efficiency and Conservation Authority (EECA) – and delivered by community organisations.

In 2019 ERANZ piloted EnergyMate in 150 homes in Auckland, Wellington and Rotorua. The energy efficiency advice given in-home to families was also trialled successfully at community hui in Manukau and Petone. We're looking forward to the programme being extended to 1,000 more families across New Zealand, alongside more hui and more training for community organisations.

Dr Susanna Kelly's evaluation (December 2019) found that whānau involved with the EnergyMate pilot "identified appropriate actions to improve their energy usage and costs and were able to follow actions through. The in-home nature of visits is likely to be a key factor in this success."

Feedback on what the participants took away from the programme included:

"I recommend EnergyMate visits every home."

"Now I know the things I do well and what I can improve on to help reduce my spending."

"Learning about pricing plans."

"Knowing how to manage our power usage, stick to our plan and budget."

Responding to the Electricity Price Review

The Government's response to the final report of the Electricity Price Review panel chaired by Miriam Dean QC was released in October 2019. We have been working with MBIE, the Electricity Authority and other market participants as the proposed changes to the electricity sector are implemented.

We supported the ban on win-back activity that was announced in February and came into effect on 31 March 2020, and we have long advocated for removal of the low fixed user charge that will be phased out over the next few years.

We also stopped prompt payment discounts for new residential customers in May 2019, aligned with the recommendations in the Electricity Price Review. There are now more than 120,000 Contact residential customers on plans without prompt payment discounts. Existing customers may still have these discounts as part of legacy plans, but this will continue to decline over time.

Helping out during COVID-19

While almost all New Zealanders have physical access to energy, there are still economic barriers to access for some. COVID-19 provided a stark reminder of that in 2020, as everyone across New Zealand was forced into lockdown bubbles.

We already have very competitive pricing and well-established processes and plan options, which enabled us to support customers having a tough financial time in the maelstrom of the pandemic response.

Our support included adapting payment terms and options, working with social service agencies, suspending disconnections and debt collection referrals, and automatically applying prompt payment discounts or forgoing late payment fees.

We were also heavily involved in the ERANZ-led initiative to fund 10,000 power credits worth $120 each, allocated by community groups to households affected by COVID-19.

We acknowledged the efforts of organisations on the front line looking after New Zealanders, by providing Women's Refuge, Salvation Army and St John with more than $400,000 of free electricity across their sites throughout New Zealand.

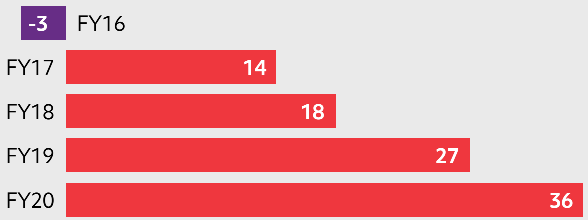
The COVID-19 response is going to be an ongoing commitment of time, resources and kindness.

Customer experience

We work hard to create positive customer experiences so our customers will stay with us and advocate for us, and we're seeing good signs across many customer metrics.

Our customer 'switch rate' (which measures customers leaving Contact) was 16.4 per cent, down 2.1 per cent on FY19 and 2.7 per cent below the market average. And our Net Promoter Score (a measure of how many customers would recommend Contact) has been increasing steadily to +36 at 1 July 2020.

Net Promoter Score[1]



1. We use the relational Net Promoter Score.

We use brand tracking and customer panels to listen to our customers and these help us decide where to put our human energy and resources. For example, customers have told us they want personalised, seamless, digital experiences. They want bundled products and services to remove hassle and reduce their energy costs. They want to pay competitive, fair prices and if something goes awry they expect to be able to get it fixed swiftly.

We have continued our shift to becoming a digital-first retailer. Thirty per cent of our customers now use our apps and website for self-service, with more than 100,000 active monthly users. During the past year our focus on improving customer experience has seen our Contact app ratings improve from 1.9 to 4.5 (on a scale where 5 is the best) for the Apple App Store and from 1.8 to 4.3 on Google Play, the highest ratings of any energy retailer in New Zealand. This success eases demand on our traditional service channels, with call volumes down from 950,000 in FY18 to 850,000 in FY19 and 760,000 in FY20.

Different needs, different plans

We offer a broad range of products and services to meet different customers' needs. We also proactively help customers move to plans that are a better option for their current circumstances to help them save money or gain other benefits.

Some of our popular new plans and services include:

- **Bundle with broadband**: customers can keep things simple and get discounts by getting one bill for broadband and their electricity and/or gas. In May 2020 we relaunched this offer with an even better customer experience and compelling pricing for ADSL, VDSL and fibre. More than 14,000 customers have added broadband this year and we now have more than 25,000 customers on our broadband plans, meaning Contact is New Zealand's fastest-growing broadband provider.
- **Basic**: a simple, hassle-free plan, with no fixed term, break fees or rewards. We now have over 40 per cent of our residential customers on PPD-free plans.
- **Simplicity bundle**: launched in June 2020, this plan for electricity and gas customers means they pay only one set of line charges – there is no separate daily gas charge.
- **Rewards**: we joined the AA SmartFuel (AASF) scheme in 2017 so our customers can sign up to plans that give them fuel discounts. We have 40,614 customers receiving regular rewards and have given away $15,632,532 in rewards since launching with AASF.
- **Bach**: gives customers the flexibility to only pay for what they use at the bach with no daily charges, no fixed term and no break fees.

Reliability

Reliability

Contact works hard to be a safe, efficient and reliable energy provider that delivers value to our customers and makes their lives better, while also delivering good financial returns.

We've weathered volatile wholesale markets, increased uncertainty resulting from a global pandemic, and a competitive retail sector.

We're committed to continuing both Contact's and New Zealand's transition to renewable energy, to finding innovative ways to meet our customers' needs, and to ensuring we have the right people, with the right skills and experience to achieve this.

Our work to be reliable contributes to growing sustainable industry, innovation and infrastructure (SDG 9), responsible consumption and production (SDG 12) and will require partnerships to deliver it (SDG 17).

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

17 PARTNERSHIPS FOR THE GOALS

Reliable renewable energy

We are a reliable, responsible, safe and efficient generator. We are also innovative and pushing for accelerated decarbonisation of New Zealand's energy sector – through our own efforts and investments, and also by working with customers, partners and suppliers.

In FY20, 83 per cent of the energy we generated came from renewable geothermal and hydro sources, and the remainder from thermal generation. Our thermal capacity supports increased use of renewables by providing necessary back-up when there's not enough wind, rain or sun.

Predicting future energy demand is complex. With the announcement of the closure of the Tiwai smelter in August 2021, which uses approximately 13 per cent of New Zealand's electricity supply, there will be a drop in electricity demand in the near term. There will also be an over-supply of energy in the South Island, and a need to upgrade transmission in order to move energy northwards to where demand is located.

This over-supply of energy could also be used by large commercial and industrial customers in the South Island who are currently using fossil fuels (e.g. coal-fired boilers for process heat). At a national level, demand is expected to increase long-term as a result of widespread electrification.

A low carbon future for New Zealand

We want to play a role in leading New Zealand to a low-carbon future. Our strategy is made up of three parts – leading by example, leading our market and leading business.

We lead by example by making our operations more efficient, minimising any adverse impacts on communities and the environment, and walking the talk – if we expect our customers to decarbonise, we must take the journey ourselves.

We are leading our market by closing higher-carbon generation assets and developing new, low-carbon ones. Since 2008 we've closed thermal power stations in Ōtāhuhu and New Plymouth and we've developed New Zealand's only underground gas storage facility at Ahuroa (sold in 2018), geothermal generation at Te Mihi and Te Huka, and a gas-fired peaking plant at Stratford. We also acquired a thermal peaking plant at Whirinaki.

We're preparing for the market of the future and maximising low-carbon energy by building a demand flexibility platform (piloted in FY19 and launched in FY20), developing low-carbon solutions for customers, and advocating for regulatory settings that will facilitate the transition of New Zealand's energy system away from fossil fuels.

We're also well-progressed with our understanding of the geothermal resources at Tauhara (see Investigating options to develop geothermal resources), and we are monitoring other renewable generation options for the future.

We help our commercial and industrial customers to transition from higher-carbon fuels to low-carbon fuels, with new products and renewable substitutes. We aim to displace 1PJ of industrial heat with electricity by 2022 – roughly equivalent to the electricity used by all the houses in Taupō in a year.

We're helping customers to reduce emissions by electrifying industrial heat, electrifying transport, offering long-term electricity supply agreements, connecting customers to renewable geothermal 'direct heat' and rewarding customers for being flexible with their energy use through our 'demand flex' service.

Driving electrification opportunities

We have partnered with Open Country Dairy to support the installation of New Zealand's largest electrode boiler (13MW) at their Awarua site, and have collaborated with industrial customers to explore industrial heat-pumping solutions for hot water provision.

We have an ongoing partnership with Optifleet, with funding support from EECA, to help our commercial customers review and transition their fleets to electric vehicles (EVs). Optifleet also has an online tool that will make sourcing EVs easier for customers, as it makes the total cost of ownership transparent and helps them choose the right option.

On the infrastructure side, we've recently entered into a partnership with Thundergrid. It provides a full EV infrastructure service that includes everything from design advice to ongoing user support. Through Thundergrid we can offer our commercial customers a simple way to provide vehicle charging to their customers, staff, and visitors.

These partnerships make life easier for customers by taking the guesswork and effort out of making the switch to EVs – so they can focus on their core business.

Alongside this, we've been working with Optifleet to audit our own fleet, develop vehicle replacement plans, and review how we're using our vehicles. Contact's passenger and light vehicle fleet is now 53 per cent electric vehicles or plug-in hybrids. We have set a target of having a 100 per cent electric passenger fleet before 2023. 100 per cent of our vehicle fleet (including all commercial vehicles) will be zero emissions before 2030.

Our geothermal connection

We supply geothermal direct heat to Taupō businesses around our geothermal power stations, including the Prawn Park, Tenon, Wairakei Terraces, Ohaaki Heat and Wairakei Resort.

This year we connected Nature's Flame to our geothermal operations providing heat for drying the wood fibres used to make biomass pellets. This has enabled them to increase their production and export their biomass pellets to Japan and Korea to displace coal usage outside of New Zealand. This increase in production has also resulted in a partnership with Fonterra to convert the boiler at the Te Awamutu dairy plant from coal to biomass and reduce annual carbon emissions by 84,000 tCO_2e.

The Nature's Flame wood pellet manufacturing plant in Taupō makes a mountain of sustainable wood pellets every year from sawmill waste. When they needed a new energy source to dry the wood fibres for their pellets, we signed an agreement to build a geothermal energy supply system to provide them with low-emission, high-efficiency process heat.

"We are thrilled by the outcome of this deal with Contact. With our new energy supply system getting to operational status, we are able to increase to 100 per cent of capacity, creating new jobs in the Taupō region."

John Goodwin, Operations Manager, Nature's Flame

Growing our demand flexibility platform

We have continued to grow our demand flexibility platform – and we now have over 20 customers signed up providing a total portfolio of 7MW.

Our demand flexibility platform enables our commercial and industrial customers to automatically reduce power consumption from equipment such as pumps, fans and compressors during high-usage periods and reduce fossil fuel generation as a result.

When supply is tight, the platform can provide a more sustainable option than ramping up thermal electricity generation to balance the grid. Our customers are paid to reduce grid emissions by being flexible with the electricity they consume so it is a win-win.

Since launching our demand flexibility service last year, we've been getting some great feedback from our commercial and industrial customers. They're telling us how much they value opportunities that make it easy for them to contribute to reducing New Zealand's emissions by being flexible with their operations.

We're now seeking further partnerships with industrial consumers across the lower North Island, so if you're interested in finding out more and joining us on our journey to reduce emissions, please do get in touch.

Farmland Foods is one customer who said that signing up to the service was a 'no-brainer'. Like all businesses, they're looking for commercially viable ways to do the right thing.

Managing Director, Eddie Davis told us that participating in demand flexibility ticks all the boxes and is a way for them to stay at the forefront of their industry. Like many companies, they're on the lookout for innovative technology that helps them to reduce costs and reduce their impact on the environment. For Eddie, another bonus is being paid for participating, making it a win-win.

Investigating options to develop geothermal resources

Geothermal energy is important in the transition to a low-carbon economy because it provides low-emission baseload generation, unlike weather-dependent renewable sources like wind, solar or hydro. We have had options to further develop a power station at Tauhara, near Taupō, since 2010, when we obtained resource consents for development on the field.

Investigating the potential to further develop Tauhara aligns with our decarbonisation strategy and with New Zealand's climate goals. To put things in perspective, producing the same amount of electricity from coal-fired generation emits 18 times more carbon than is expected from the Tauhara project, and gas-fired generation from a thermal peaker emits eight times more.

In June 2020 we announced positive results from the four wells drilled in a $40 million appraisal campaign, confirming that Tauhara is a world-class renewable geothermal project. We also selected Sumitomo Corporation as the preferred construction partner for a new power station development at Tauhara and an early works contract has been signed. Sumitomo is an engineering, procurement and construction contractor, headquartered in Japan, and has successfully delivered geothermal projects in New Zealand and several other countries.

In July, Rio Tinto announced it intended to close the Tiwai smelter in August 2021 and this has forced us to press pause on the Tauhara project for now. It is 'shovel ready' and remains New Zealand's cheapest and most attractive option for new, renewable, baseload electricity generation, but pausing this $600 million investment is the prudent option as we factor in the impact of COVID-19 and the potential exit of the smelter to get a clearer picture of demand.

As we work through the geothermal options from here, we will continue to work closely with the local community in Taupō, who will share the benefits of any new (and existing) developments. We are sensitive to impacts on land, waterways and biodiversity; modern adaptive management techniques help ensure these are identified early so negative impacts can be reduced and mitigated.

Financial sustainability

Our investors rely on us to continue delivering sustainable financial returns. We continue to have strong cash flow generation and operational performance, and solid and improving ESG credentials.

We have an open share register with high liquidity and no cornerstone shareholders.

Importantly, we see a clear pathway to long-term value creation for shareholders as we pursue decarbonisation opportunities, leverage our high-quality generation portfolio, and retain flexibility around investing in renewable generation opportunities (including the world-class resource at Tauhara) when the time is right.

Green leader

Access to affordable, long-term capital is one of the essential enablers for the globe to deliver on commitments under the Paris Agreement. Ultimately carbon doesn't care about borders and a domestic focus on domestic targets ahead of global targets will result in carbon leakage.

We were the first company to establish a Green Borrowing Programme in New Zealand in 2019. It demonstrates our responsible and committed approach to decarbonisation and promoting sustainable energy sources. There are more details on our Green Borrowing Programme in the Sustainablity disclosures section.

By obtaining green certification for our funding portfolio, we are showing the way for companies to take tangible steps to support a sustainable economy in an efficient, innovative and transparent way.

In August 2019 the pioneering programme won the 'Innovation in Energy' award at the Deloitte Energy Excellence Awards, and was a finalist for the 'Low Carbon Future' award.

We expanded the Green Borrowing Programme in January 2020 with the establishment of a $50 million sustainability-linked loan facility, the first such loan issued by Westpac NZ and one of the first of its kind in New Zealand.

The arrangement means we receive a discounted interest rate on the loan if we meet ambitious targets linked to our environmental, social and governance (ESG) rating determined by the independent ratings agency RobecoSAM. (Conversely, we will pay higher interest costs if we don't meet the rating targets.) This includes assessment of our climate strategy, electricity generation mix, corporate governance and stakeholder engagement.

Financial performance in FY20

We delivered a solid financial result in FY20, underpinned by our operational efficiency, high quality and flexible portfolio of gas-fired and renewable generation assets, and the continued strength of our balance sheet. The second half of the year was in line with expectations despite the impact of COVID-19, following on from a more challenging first six months.

Profit from continuing operations was down 26 per cent to $125 million. This was $220 million lower than FY19, but last year included a $170 million gain on the sale of the Rockgas business and Ahuroa gas storage facility.

EBITDAF[1] from continuing operations was down $54 million (11 per cent) on last year to $451 million in FY20. This was due to a combination of lower renewable generation, lower wholesale prices and the impact of rising costs of thermal generation and restricted gas supply. Income from electricity market making was also down $10 million on the prior year following volatile swings in the wholesale market during the large inter-island transmission outage early in 2020. These market headwinds were offset by lower fixed costs (+$13 million).

The increasing cost of gas and carbon is accelerating the case for the substitution of our Taranaki Combined Cycle thermal plant at Stratford with new renewables. As a result the useful life of the plant has been reduced, increasing our depreciation by $15 million year-on-year.

Contact's operating free cash flow[1] for FY20 was $290 million, down 15 per cent on FY19. This was due to a combination of lower operating earnings, partially offset by lower stay-in-business capital expenditure and interest costs.

Cash tax of $70 million was paid, up $23 million on FY19 and reflecting the increased tax payable on the strong profit realised in the last financial year.

In August 2020 the Board approved a final ordinary dividend of 23 cents per share (imputed by up to 15 cents per share for qualifying shareholders) and this will be paid to investors on 15 September 2020.

An interim ordinary dividend of 16 cents per share was paid in April 2020, meaning the annual dividend declared for FY20 is 39 cents per share.

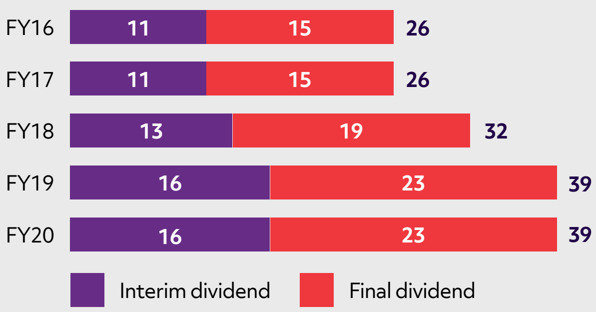
Despite strong operational performance and underlying efficiency improvements, EBITDAF in the Customer business was down $17 million year-on-year to $50 million, as rising costs for electricity, gas and carbon were not recovered as average electricity tariffs were flat year-on-year.

EBITDAF in the Wholesale business reduced by $38 million to $425 million year-on-year, as production from hydro generation was restricted by transmission constraints and dipped by 11 per cent (479GWh) despite strong hydro inflows. Thermal generation costs increased by 1 per cent after a $6 million increase in gas storage facility costs.

New Zealand's shift from reliance on fossil fuels to renewable electricity has impacted Contact's near-term profitability as thermal costs rise, but over the longer term we are well-positioned to connect renewable energy to our customers.

We are focused on improving operational efficiency and leveraging our lean operating model. We are a strong company with plenty of options and opportunities in front of us. We have a robust balance sheet, an excellent portfolio of assets and a very capable team. We are excited about the future.

Dividends (cps) – Declared



The last five years in review

For the year ended 30 June	Unit	2016	2017[1]	2018[2]	2019[2]	2020
Revenue	$m	2,163	2,079	2,275	2,519	2,073
Expenses	$m	1,640	1,578	1,794	2,001	1,622
EBITDAF	$m	523	501	481	518	451
Profit/(loss)	$m	(66)	151	132	345	125
Underlying profit	$m	157	142	130	176	129
Underlying profit per share	cps	21.7	19.9	18.1	24.6	18.0
Operating free cash flow	$m	352	305	301	341	290
Operating free cash flow per share	cps	48.5	42.6	42.0	47.5	40.4
Dividends declared	cps	26	26	32	39	39
Total assets	$m	5,652	5,455	5,311	4,954	4,896
Total liabilities	$m	2,829	2,677	2,584	2,172	2,275
Total equity	$m	2,823	2,778	2,727	2,782	2,621
Gearing ratio	%	38	36	35	28	31

1. Restated figures reflecting the adoption of NZ IFRS 15 *Revenue from Contracts with Customers* and NZ IFRS 16 *Leases*.
2. Figures reflect the combined result and position for continuing and discontinued operations and certain amounts have been reclassified to conform to the current year's presentation.

1. EBITDAF, underlying profit and operating free cash flow are non-GAAP (generally accepted accounting practice) measures. Information regarding the usefulness, calculation and reconciliation of these measures is provided within note A2 and note A3 of the financial statements.

Regulation

New Zealand's regulatory environment provides the framework within which our business operates, and requires high standards of health, safety, labour and environmental compliance.

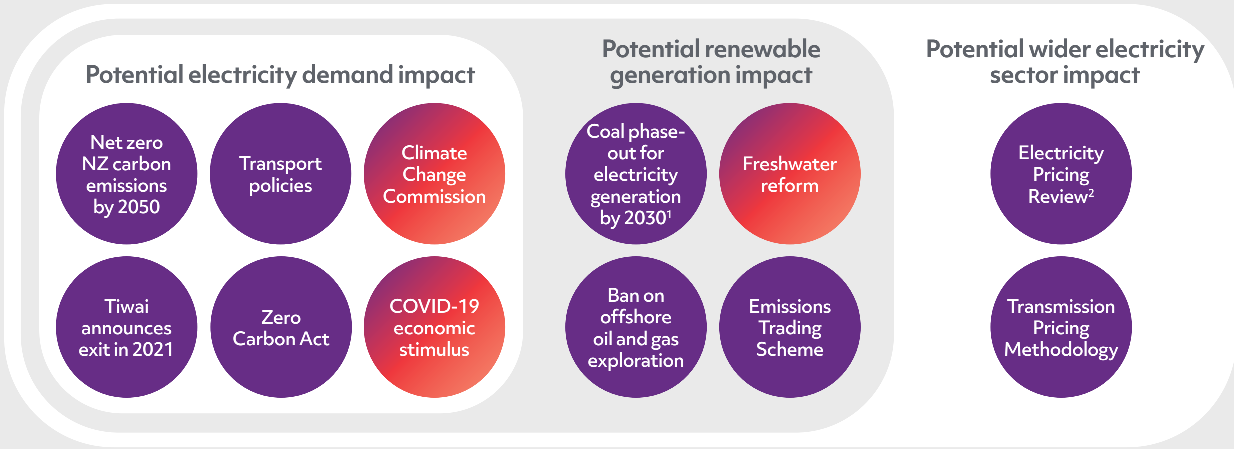
We proactively monitor legislative and policy changes to ensure we meet our obligations and manage risks and opportunities. We also work hard to maintain broad relationships across the political divide, pull our weight with industry and business organisations, and ensure our voice is heard by regulators on behalf of our customers and investors.

Our approach is straightforward, open-minded and evidence-based, in line with our Tikanga. We aim to build sustained and trusted relationships with external stakeholders who shape and influence the environment in which we operate.

There are several themes, all aligned with the energy trilemma, that we see potentially affecting our business and the environment in which we operate, including:

- Focus on energy hardship e.g. the Electricity Price Review and introduction of associated recommendations, energy efficiency initiatives such as ERANZ's EnergyMate programme and Hardship Fund, engaging consumers who are unengaged with the energy sector;
- Renewable energy e.g. the Emissions Trading Scheme, increased momentum around electric vehicles, incentivising investment in renewable developments and electrification of industry away from fossil fuels;
- Sectors in transition e.g. future and longevity of demand from major industrial users, electrification of agriculture and other industrial processes, and the long process of reworking transmission pricing;
- Improving environmental outcomes e.g. new climate change legislation, ongoing reviews of the Resource Management Act, National Policy Statement for Freshwater Management and the National Policy Statement for Indigenous Biodiversity.

Society is demanding action on climate change, with clear progress expected. The New Zealand regulatory framework is being adapted to deliver on this societal imperative.



1. A commitment made by the Government when New Zealand joined the Powering Past Coal Alliance.
2. Review complete, findings announced and into implementation.

The other major area of focus is the impact and aftermath of the COVID-19 pandemic and response. We have been in the fortunate and critical position of being an essential service and lifeline utility, and had a strong focus on operating reliably through the lockdown period and reducing the financial impact for vulnerable customers.

We are also committed to supporting the economic recovery of New Zealand, ensuring stakeholders are aware of our desire to reduce carbon, create jobs and look to invest in renewable generation where economic conditions allow. This has also extended to exploring green hydrogen opportunities, as well as our Tauhara geothermal project.

'Undesirable trading situation' claim

In December 2019, the Electricity Authority advised us of a claim against both Contact and Meridian Energy alleging we had created an undesirable trading situation (UTS) and breached the 'good conduct' provisions of the industry code. The allegations related to the cost of electricity in the wholesale market at a time when flood conditions saw considerable volumes of water being spilt by generators in the lower South Island.

In June 2020 the Electricity Authority released its preliminary decision that an undesirable trading situation may have existed in the wholesale electricity market from 3–18 December 2019, but stated that market offer behaviour at Contact's South Island stations "did not cause outcomes that were significant enough to constitute a UTS."

At the time there was more water than we could use for generation, given the Clutha River was in significant flood. Our focus in extreme flood events is always to operate the Clutha system to ensure the safety of communities downstream, our people and assets, and to manage our resource consent obligations. We have always disagreed with the allegations and we were surprised at the claim when it emerged in December. We will continue to engage with the Electricity Authority as consultation continues following the preliminary decision.

Employee wellbeing

We have a team of 934 dedicated, passionate and innovative people at Contact. We support our people to do their best work, and we pay competitive salaries and provide a wide range of additional benefits.

We see most learning happens through experience, so we look for on-the-job opportunities, secondments and projects for our people. This includes opportunities outside Contact, such as working with our partners. Growing our people also includes formal training, coaching and mentoring, and leadership training. We invest in growing leadership for women through Global Women programmes.

We invest in a healthy workforce to ensure our people are highly engaged and able to perform at their best. Insights gathered in our Wellbeing360 Survey undertaken in FY19 helped us understand our people's needs. The survey measured mental, physical, work and social wellbeing, and provided each person with personalised results and ideas for improving their wellbeing.

This survey also gave us insights about how our people feel about our Employee Assistance Programme (EAP); RedMed, our discounted medical insurance benefit with Southern Cross; and ContactFlex, which allows our people to work flexibly. Acting on these insights we encouraged and allowed more of our people to access this benefit. We also continue to proactively increase flexible ways of working for our people, even more so since the COVID-19 lockdown.

We've implemented our 'GoodYarn' programme to build a community in Contact with the knowledge and skills to identify mental health issues and support colleagues in a caring and respectful way. We've now rolled out GoodYarn workshops across all our locations. During lockdown we worked with GoodYarn to develop and deliver workshops remotely through Microsoft Teams to keep up momentum. We are also delivering a series of workshops supporting people to build personal resilience as we redesign how we work.

Our regular Ask Your Team (AYT) engagement surveys measure how our leaders are doing, and include questions on leadership, culture, performance development and internal communication – these were particularly useful in the COVID-19 response. AYT also provides us with our manager effectiveness score and the average score this year was 81 per cent, putting us in the upper quartile.

Our 'Building Better Workdays' programme was a finalist at the Deloitte Energy Excellence awards in August.

Supporting employee activities

We support and encourage a huge number of community and team activities across our sites and offices. Examples this year included Steptember (a fundraiser and awareness campaign for cerebral palsy), Pink Ribbon Breast Cancer Foundation events, Movember, Māori Language Week, the Emissions Reduction Challenge, Waka Ama racing, Bring Your Kids to Work Day and Mental Health Awareness Week.

We also took part in the important Shakeout earthquake preparedness drill in October and encouraged staff to attend the global climate change marches in September.

Progress on inclusion and diversity

Our efforts here are underpinned by our Inclusion and Diversity Policy. This leads to broader ideas, better decision-making and ultimately more value for our stakeholders.

We're proud to be certified with the Rainbow Tick, a continual quality improvement programme designed to help organisations provide a safe and welcoming workplace for all employees. We believe in an inclusive and diverse workplace where differences in gender identity and sexual orientation are valued. We were assessed based on international best practice across areas including employee engagement, external engagement and organisational development. We achieved our Rainbow Tick status in December 2018 and were re-accredited in July 2020.

We're also a member of Champions for Change, a group of New Zealand CEOs and directors on a mission to accelerate inclusive and diverse leadership. Members of this initiative share best practice activity, and benchmark inclusion and diversity statistics and policies. Overall, as at 30 June 2020, the Contact team is 47 per cent female (the same as 2019). We have seen improvements in gender diversity across some levels in Contact and we continue to focus on executive positions, management roles, and plant operational roles where we're not yet meeting the gender balance measure of 40–60 per cent female. Progress is slow but steady.

We have actively removed bias from our talent acquisition process by removing names from candidate CVs where agreed with hiring managers, and making sure we have a Talent Acquisition or People team presence during the process. Our new talent acquisition model is now fully embedded and has resulted in operational efficiency, a better candidate journey, and reduced costs.

We foster inclusion and diversity by supporting Connexis ITO's Girls with Hi-Vis programme by hosting events at our Stratford and Wairākei power stations. Girls with Hi-Vis aims to attract more women into the trades by giving them the opportunity to see options in the energy sector first-hand. In FY21 we are expanding the programme to include both Clyde and Te Rapa.

We are a global partner for WING (Women in Geothermal), a not-for-profit international organisation promoting education, professional development and advancement of women in the geothermal industry. We support scholarship programmes, networking opportunities and development opportunities for WING participants. We also supported the WINGman Special Taskforce – a key initiative of WING to enable men in geothermal to support and empower their female colleagues – by holding a series of sessions facilitated by Upflow to engage men in the conversation around gender equality.

We also recently partnered with Diversity Works to help guide our thinking on how we keep building a more inclusive and diverse culture. This included a diagnostic of our current state, assessing what is working well and where we need to improve. We have plenty of scope to develop a more formal, strategic and well-informed approach to diversity and inclusion management.

We were proud to have our efforts recognised in Equileap's 2019 Global Gender Equality Ranking, ranking the top 100 global organisations for diversity and inclusion alongside three other New Zealand companies: Air New Zealand, Fonterra and Z Energy. We were 73rd.

This year for International Women in Engineering Day we showcased the journeys of 10 of our amazing women engineers. The international theme was "Shape the World", so we asked Kelsey, Lelish, Ellie, Katie, Paula, Katherine, Nataly, Christine, Lynley and Rachelle some questions about what got them into their field in the first place. We used both internal channels and social media to tell their story.

www.contact.co.nz/thewire

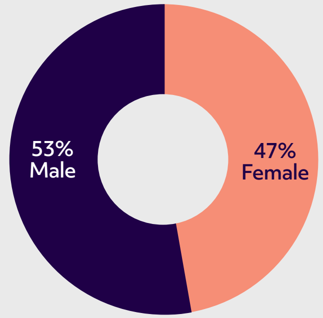
Bumper intake of interns

In late 2019 we welcomed our biggest intern intake ever with 18 paid interns joining us to get involved with projects, provide a fresh perspective and get hands-on, practical experience. Our interns join us from Summer of Tech, Tupu Tek and Summer of Biz.

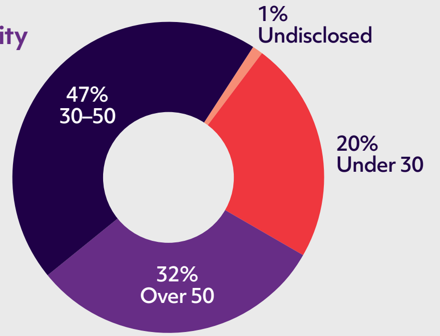
We also run a dedicated Māori internship programme, established in 2015. This has helped foster trust between ourselves and our iwi partners, grow our cultural capability, and advance our goal to be inclusive and diverse.

We provide interns with projects aligned to their studies and interests. For example, our Māori interns help us with te reo lessons, marae protocol, and Te Tiriti o Waitangi understanding. We love seeing them report back to the hapū and iwi of Tuwharetoa and Ngāti Tahu on what they've achieved during their internships.

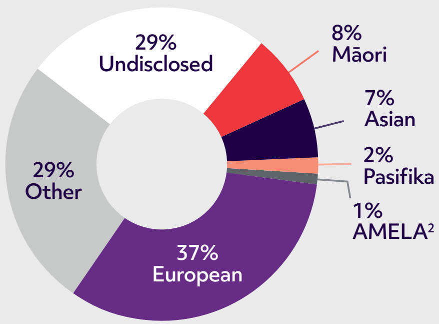
Gender



Age diversity



Ethnicity[1]



1. Total % adds up to more than 100%. This is because individuals can choose to identify multiple ethnicities.
2. African, Middle Eastern & Latin American.

More data available in the Sustainability disclosures section.

Responding during COVID-19

As essential workers during the COVID-19 lockdown, our team continued to operate in what we called "the new business as usual". For 93 per cent of our people it meant a rapid shift to working from home, and all the pressures and juggling that comes with such a move. A big thank you to the team for their resilience and commitment.

During lockdown we checked in with our people through two *Hearing from You* surveys to understand how they were coping with working differently, with more than 9,000 verbatim comments emerging across the two surveys. People said they felt connected and supported by their leaders and teammates, and that leaders had their people's wellbeing in mind, and genuinely cared about them and their families.

For most of our people, working from home went well and we intend to keep this flexibility in place. We started thinking about future ways of working early in 2020 and COVID-19 accelerated this. The feedback from our *Hearing from You* surveys was clear: let's not go back to our pre-COVID-19 ways of working. So, we've used the insights from the last couple of months to help us understand how we might work going forward and our Transforming Ways of Working programme will focus on this early in FY21.

As part of our COVID-19 response we continued to look after all our people across our sites and offices in Hamilton, Stratford, Levin, Taupō, Whirinaki, Dunedin, Clyde, Roxburgh, Auckland and Wellington. This meant we could continue to serve our customers and minimise the risk of spreading COVID-19 through meticulous continuity and crisis planning, hygiene practices and physical distancing. Protecting our people and the wider community is a top priority.

As the COVID-19 response got underway, we also reassured our team of just over 900 people working across New Zealand that if they needed to be home for anything pandemic-related – including looking after elderly relatives or to be with their kids – we would pay 100 per cent of their salaries and not require them to take annual or sick leave. We also contributed a $120 (net) payment to all our people to help with increased power and internet use and to show our appreciation for their commitment and resilience.

Employee safety

Our people, plant, communities and the environment are our most important assets, so we have a robust, world-class, Health Safety and Environmental Management System (HSEMS) to ensure we have the plans and processes in place to keep them safe.

Measuring our HSE performance

We track our safety performance with three key measures. Our HSE index, our Total Recordable Injury Frequency Rate (TRIFR) and Total Incidence Severity Rate (TISR). Our HSE Index is derived from questions in our engagement survey. Our people score us on things like how well we're empowering and involving them in process improvement and performance reliability, how safe they feel to speak up and be honest, how well and consistently we support them when things are challenging or go wrong, and how effective our supplier and contractor relationships are.

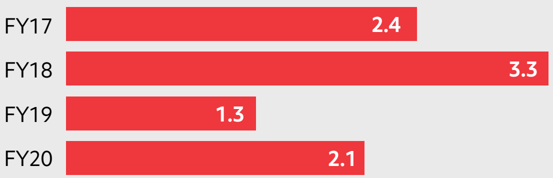
Total Recordable Injury Frequency Rate (TRIFR) is a global measure that can be benchmarked and monitors injury rates. However, it is a lagging indicator that looks back rather than taking the potential for risk into account. As our TRIFR reduces, it becomes less relevant in understanding how our systems and culture are working effectively, so while we continue to monitor and report TRIFR we no longer set targets based on this measure. We also measure Total Incident Severity Rate (TISR), a leading indicator measure that gives us a much better idea of exposure to risk by assessing the potential severity of both HSE and process safety incidents.

Our year-to-date TRIFR for controlled activity (work done under our HSE management system, e.g. at our sites or by our people) was 2.1. This included five minor injuries (minor knocks and strains). Our TRIFR measure is calculated based on hours worked (2.40m in FY20) and number of injuries.

Our TRIFR for monitored activity (work done by our service delivery partners under their own HSE systems) was 5.4 representing one minor injury. This is Contact's lowest-ever TRIFR result.

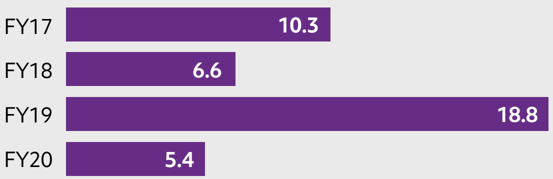
TISR assesses all HSE and process safety events and considers both actual and potential consequences so that we get a view of how well our defences are working for our critical risks. TISR was 2,279 within controlled activity in FY20 (a significant improvement on 3,900 in FY19).

Controlled TRIFR[1]



1. We have removed Rockgas from our data for comparative purposes.

Monitored TRIFR



More data available in the Sustainability disclosures section.

Process safety

	FY20	FY19	FY18	FY17	FY16
Tier 1	0	0	0	0	0
Tier 2	0	2	0	0	1
Tier 3	24	58	56	49	58

Tier 1 – a significant loss of containment of hazardous material or energy.

Tier 2 – a lesser loss of primary containment or a significant degradation of barriers.

Tier 3 – learning events where issues have been identified in our process safety barriers or controls.

Note: This table represents the number of process safety incidents across our operations. The figures exclude any incidents occurring in the Ahuroa Gas Storage facility or Rockgas LPG facilities.

Resilient supply chain

Maintaining and developing a sustainable and resilient supply chain is increasingly important, especially as COVID-19 has placed greater restrictions on access to international markets and resources, and increased pressure on the sustainability of local businesses and suppliers. We must maintain access to the resources we need to run our business, while also driving more sustainable outcomes with our supply chain partners.

Contact purchases a wide variety of goods and services. Our biggest purchases are electricity to sell on to our customers and transmission charges relating to transporting that electricity to our customers. We also use a range of national and international suppliers to help us maintain our power stations and electricity supply, support our connection to customers, and support the running of our offices and overall business. We have around 2,000 suppliers and approximately 5 per cent are offshore.

In the last 12 months we have developed our approach to sustainable procurement. Prior to the COVID-19 lockdown we had worked to ensure resilient, sustainable supply chains for broadband modems. This allowed Contact to pivot between international and domestic suppliers and ensure we could continue to provide modems and support our customers during the impacts of COVID-19.

We will be looking to embed our sustainable procurement approach into the business in the coming year. We have developed resources to help our people make more sustainable and balanced decisions in purchasing, assist with identifying key suppliers to partner with to improve environmental and social reporting and impacts, and increase understanding of our supply chain and its dependencies.

Data on supply chain impacts in Sustainability disclosures section.

Environmental sustainability

Environmental sustainability

Our business, our people, our customers and our communities rely on New Zealand's natural resources, and it's crucial we look after them. Environmental sustainability ensures our natural and shared resources are available to future generations, and is essential to the continued operation of our power stations and to meeting the expectations of our stakeholders.

We are constantly evaluating our relationship with, and impact on, the environment, and we report on our environmental performance to the Board Health, Safety and Environment Committee. This reporting includes our material issues: climate change, water, biodiversity, resource consent compliance and tangata whenua relationships.

Our environmental sustainability work contributes to affordable and clean energy (SDG 7), climate action (SDG 13), life below water (SDG 14) and will be achieved through partnerships (SDG 17).

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

14 LIFE BELOW WATER

17 PARTNERSHIPS FOR THE GOALS

Community wellbeing

We live, work and operate in communities across the country, and we know our actions impact on the people and environment around us. Our philosophy is to 'be the neighbour you'd want to have'.

To us, this means respecting the rights of others, ensuring the safe and best practice operation of our sites, and making a positive contribution to the communities we call home. It is all part of being a responsible New Zealand company.

We foster open, respectful, reciprocal relationships using our Tikanga to guide us. We work hard to understand the needs and aspirations of our local communities, and to ensure they understand how our business works – and how we tick as people too. We have community engagement plans across 100 per cent of our generation sites.

We engage with stakeholders in our local communities year-round and we have an annual stakeholder council hui with representatives from across the five sustainability pillars, to help identify and prioritise our material themes. We use these findings, along with national and global trends and research, to inform our local community plans.

Each of our key regional sponsorships is supported by a business case, identifying key deliverables for our stakeholders. We meet regularly throughout the year with our partners, who report back to us on how they are tracking. During the COVID-19 lockdown, when some of our partnerships had to push "pause" because of restrictions, we assured them that we would continue to support them so that they were in a positive place post lockdown.

Here at Contact we do want to hear from our neighbours, both when times are good and not so good. To this end we have an 0800 number for communities around our geothermal and hydro operations, where people can call 24/7 if they need us. We also have a formal complaint process for Environmental and Community Events embedded in our risk reporting system.

Stakeholder Registers have been developed for our Taupō, Clyde and Stratford operations. These registers include key contact information across a wide range of stakeholders. Community, whānau, hapū and iwi engagement is embedded in our systems and processes for major operational activities that impact directly on our neighbours (such as noise and visual impacts).

We also have some mitigation and relationship agreements as part of our consents, which guide our approach to working with important community stakeholder groups, including tangata whenua.

Preparing for Tauhara

We have had a significant presence in the Taupō community since geothermal energy operations began at Wairākei more than 60 years ago. At our Wairākei sites, we employ around 165 people, most of whom live in the Taupō community.

We know local iwi, hapū and the wider community have a special interest in any developments at Wairākei and nearby Tauhara. If the construction and commissioning of a new geothermal power station was to proceed, it would bring significant investment and economic impact for the region.

Over the last year our team has worked on engaging the community around the Tauhara project, which has now been paused. We have also started preparing for the important resource consent process for our broader geothermal operations on the Wairākei geothermal field, which are up for renewal in 2026.

Supporting community-led initiatives

Alongside our special community relationships in Taupō, we value our place in communities that we operate in across New Zealand. In FY20 we contributed more than $850,000 to community initiatives, including $400,000 of free power for St John, Women's Refuge and the Salvation Army during the response to COVID-19. We also donated $40,000 towards iwi and hapū COVID-19 response initiatives in Taupō.

Our community support activities include:

Learning through nature

Kids Greening Taupō empowers students to be actively involved with projects to increase biodiversity and solve environmental problems. It instils a sense of connection between children and the natural environment to help to build the next generation of sustainability champions. We provide support to the Take Action Fund, which enables students to get out there planting.

"Without Contact Energy's financial support, Kids Greening Taupō would not have been able to have the same level of involvement in the community. We could not have held the same number of events, completed as many restoration projects, supported as many schools, assisted as many teachers, or worked with so many students. We are incredibly grateful – it has made a huge difference to the educational and environmental outcomes that we have been able to achieve."

Rachel Thompson, KGT Education coordinator

Blossoming in Alexandra

Since 2004, Contact has been a major sponsor of the colourful Alexandra Blossom Festival, which takes place close to our Clyde Dam. This year more than 8,000 people turned out to join the festivities and enjoyed fairground rides at the Contact Party in the Park. It's a real family affair and to keep it this way Contact gives free entry to all primary school kids as well as a free carnival ride and helium balloon.

Swimming lessons

Our long-standing sponsorship of SwimWell Taupō gives every school-aged child in the district access to free swimming and water safety lessons, helping children to develop the skills and confidence they need to stay safe while having fun in the water. Each year our support enables more than 25,000 swimming and water safety lessons to be delivered to 3,500 local children, aged 5–12 years. We also sponsored the Central Taranaki Safe Community Trust's swimming lessons for families in the Stratford region who might not normally be able to participate. Around 80 young children attended the programme this summer – now in its third year.

"We would be lost without the SwimWell programme. Our parents love it. Without these lessons during school time many wouldn't have the opportunity to take part. A significant number of our parents do not have the spare dollars and means to pay for lessons – we often find that older family members ask about lessons and guidance when their children are learning too."

Liz France, Teacher, Taupō Primary

Kiwi in Stratford

Through the Stratford Site Sponsorship Fund, we have a partnership with the Taranaki Kiwi Trust (TKT) to support one of the birds in Te Papakura O Taranaki. Their kiwi programme measures the birds' survival, dispersal, breeding attempts and impact of predators. TKT has released 107 kiwi onto Mount Taranaki, and they continue to monitor some of them to measure survival and productivity using radio transmitters.

Eureka! Scholarship

Congratulations to Renzo Ubaldo from St Patrick's College in Wellington for winning the Contact Energy Gold Scholarship at this year's Sir Paul Callaghan Eureka! Awards. This programme challenges secondary school students and tertiary undergraduates to deliver a 12-minute presentation about how science or technology will benefit New Zealand's economic, environmental and social wealth and wellbeing. This scholarship rewards the student who presented the most innovative and creative solutions to help reduce carbon emissions in New Zealand's energy sector.

Golf in Taupō

Over the past 19 years, the Contact Wairākei Charity Golf Tournament has raised more than $397,000 for community projects in the Taupō area. In 2019 more than 100 golfers participated, supporting the Taupō Community Patrol (TCP). Based at the local police station and manned by volunteers, TCP helps police by being the extra eyes and ears to keep the local community safe, patrolling residential, business and commercial areas. The proceeds were used to purchase an EV community patrol car, the first of its kind in this country.

Action in education

At the Taranaki Regional Council Environmental Awards, three schools took out the Contact-sponsored 'Environmental Action in Education Award'. The awards recognised outstanding examples of environmental stewardship and sustainable development of our natural resources in the Taranaki region. Congratulations to Moturoa School for empowering students to take action to build a sustainable community; Omata School for inspiring students to be guardians of their local environment; and Ngamatapouri School for using innovative technology to understand the local environment and inform their community.

Mrs Heron's Cottage

On the banks of Lake Roxburgh, we helped with the restoration of a humble cottage dating from the 1860s. Mrs Heron's Cottage is virtually the only remaining evidence of a once thriving gold-mining community in the Roxburgh Gorge. Contact funded the work through an agreement we have with Heritage New Zealand to work together to manage archaeological sites along the banks of the Clutha River.

Engaging with tangata whenua

Tangata whenua have a special relationship with the natural resources that we rely on to generate electricity. We interact with various iwi and hapū around our operational sites, and have a number of mitigation and relationship agreements to guide our engagement.

In Taupō, we have continued to work constructively and transparently with Tauhara hapū, to understand hapū interests in relation to our development plans for Tauhara. Our commercial partnership with local Māori Lands Trust Tauhara Moana has been constructive in relation to geothermal access rights. We are also about to begin engagement with Wairākei hapū and local iwi on the reconsenting of our operations on the Wāirakei geothermal field which are up for renewal in 2026.

In response to the Karapiti slip event in February 2019, we have commissioned a Cultural Impact Assessment for Ngāti Tūwharetoa iwi and hapū about the impacts of the event on the Waipuwerawera and Waikato Rivers.

We also have formal agreements and relationships with Ngāti Tahu around our Ohaaki power station, and Ngāi Tahu around our hydro operations on the Clutha River. There are a number of formal and informal committees and groups through which we discuss mitigation-related matters, and have three mitigation Charitable Trusts established with each of Tauhara hapū, Wairākei hapū and Ngāi Tahu to distribute funding towards programmes that offset the cultural impacts of our operations.

Climate change

Momentum to limit the extent and impacts of global warming continues to grow in New Zealand. This includes the projected physical impacts of climate change and the transitional risks such as regulatory change and shifting consumer behaviour.

As an energy company, climate change is a material issue for our business. While more than 80 per cent of our electricity comes from low-carbon renewable resources, we contribute to climate change through the burning of fossil fuels in our thermal power stations, our vehicles and through other indirect sources (such as energy use and travel). We are a mandatory participant in the New Zealand Emissions Trading Scheme, which means we purchase and surrender units to cover the emissions created through our generation operations.

In 2019 Contact commissioned the National Institute for Weather and Atmospheric Research (NIWA) to model the potential climate-change impacts around our power stations and operational sites based on two scenarios developed by the Intergovernmental Panel on Climate Change (IPCC). This information was used by our teams to help identify the physical and transitional risks and opportunities that climate change presents to our business. We found that climate change exacerbates existing risks in some areas, while also posing new risks.

The key risks and opportunities identified over the short, medium, and long term are outlined in the Climate-related risks section of this report.

We believe that as a business, we can help fight climate change through both reducing our own emissions, and supporting decarbonisation of energy in New Zealand (see Reliable renewable energy section). This benefits our communities, and also creates opportunity to grow demand for renewable energy, which as a generator and retailer we are well positioned to meet.

Reducing our carbon emissions

Contact is a member of the Climate Leaders Coalition, and is committed to playing a role in the decarbonisation in New Zealand. In 2019 we set verified science-based emissions reduction targets in line with a goal of limiting global warming to well below 2˚C.

Our targets are:

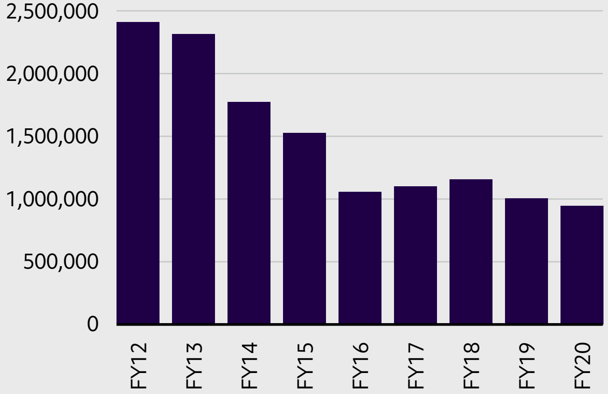
- to reduce our Scope 1[1] and 2[2] emissions by 34 per cent by 2026 on a 2018 base-year
- to reduce our Scope 3[3] emissions by 30 per cent by 2026 on a 2018 base-year.

Achieving these targets will require us to displace thermal generation with low-carbon renewable generation. This will take time and investment. Our Tauhara project, paused after the Tiwai smelter news in July 2020, will play an important role in helping us to meet these long-term targets.

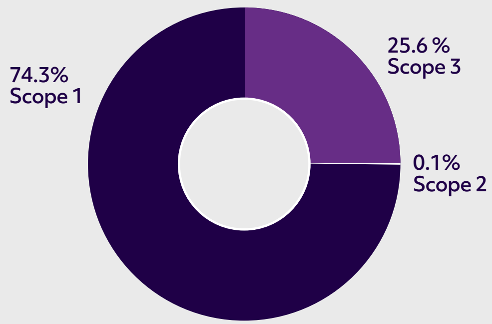
In FY20 our Scope 1 and 2 emissions were 7 per cent lower than the previous year, and 22 per cent down on our 2018 base-year. This was largely driven by lower thermal generation as a result of increased hydro inflows. Our Scope 3 emissions reduced year on year by 39 per cent as a result of the sale of Rockgas, reduced travel as a result of the COVID-19 lockdown, and concerted efforts to drive emissions reductions from energy use at our sites, and other programmes.

There is a slight reduction in emissions per MWh for the period as a result of using less thermal generation. Further detail on our emissions is in the Sustainability disclosures section.

Emissions from electricity generation (tCO_2e)



Total greenhouse gas emissions by Scope (tCO_2e)



1. Scope 1 – produced directly through our operations.
2. Scope 2 – emissions from purchased electricity.
3. Scope 3 – emissions in our wider supply chain.

Leading by example

Contact was the first New Zealand company to sign up as a supporter of the Taskforce for Climate-related Financial Disclosures. We have used their guidelines to guide our climate-related reporting and have included a TCFD Index in this report to identify where material is reported.

Contact was also the first company to establish a Green Borrowing Programme in New Zealand. This year we have expanded this with the establishment of a $50 million sustainability-linked loan facility, one of the first of its kind in New Zealand. We're listed on the Nasdaq sustainable bond index – the first New Zealand company to do this. We were also pleased to be recognised as one of the companies working hard to be a sustainability leader in the 2020 edition of Colmar Brunton's Better Futures report.

We are also developing an initiative to support commercial and industrial customers in identifying opportunities and implementing measures to reduce emissions. Our launch of this initiative was interrupted by COVID-19, and we now plan to launch the programme later in 2020.

Financial implications of climate change

In 2020, we undertook scenario analysis to further understand the financial implications of climate-related risk on our business. We formulated 12 potential scenarios using a business as usual, 2˚C future, and 4˚C future to help us understand the impacts of climate change on revenue, assets, expenditure, capital financing and lending. We mapped this over the short, medium, and long-term looking at inputs such as the impact of the closure of Tiwai smelter, changes to solar uptake, increasing carbon costs, changes to demand, generation asset mix and more.

This analysis tells us that under all market scenarios the average, relative EBITDAF will not be materially different as a result of climate change in the short-term. Operating earnings are assumed to increase in line with assumptions on increasing demand as a result of electrification post 2023.

We've made some decisions that have helped to reduce risk and maximise the opportunity presented to us by climate change in the short term. We have invested into Drylandcarbon to help manage our carbon costs, we have developed our sustainable opportunities team to help drive decarbonisation of energy in New Zealand, and we have made progress on preparing new renewable geothermal generation options to help meet demand for renewable energy (see Reliable renewable energy section) in line with New Zealand's climate change and renewable energy targets. In the short term, we see that these steps position us well.

In the medium and long term, there is greater uncertainty about the future risks to the business. However, our scenario analysis suggests that mobilising to help decarbonise New Zealand, and limiting global warming to well below 2˚C, yields better financial outcomes for Contact than a situation where temperatures increase above 2˚C. While there are many unknowns, we believe that our current strategy positions us well to drive change, while maximising opportunity for our stakeholders now and in the long term. We have more detail on our climate-related risks in our Sustainability disclosures section.

Drylandcarbon planting underway

In March 2019 we invested in the Drylandcarbon partnership to create a geographically diversified forest portfolio to sequester carbon on marginal land, along with Air New Zealand, Genesis Energy and Z Energy. It aims to produce a stable supply of forestry-generated New Zealand Unit (NZU) carbon credits to support fulfilling our annual requirements under the New Zealand Emissions Trading Scheme over the long term. Through the partnership, we are committed to positive sustainable outcomes for the environment, the farming economy and rural communities where Drylandcarbon will operate. Its afforestation plans are closely aligned to a number of key Government objectives and will deliver a range of environmental and sustainable development benefits to our regions. In June 2020 Drylandcarbon planted its first seedlings at Matiawa Station on the Kaikōura coast to officially get its carbon offset programme underway.

Better water quality

We know water is a precious tāonga – a resource for everyone to enjoy and look after. It is also a high priority for our focus on sustainability.

The value we generate for our stakeholders relies on an ongoing supply of good quality water, and we understand our responsibility to minimise the impact of our activities on the health and wellbeing of freshwater ecosystems. We are part of the solution to better water quality in New Zealand.

Back in 2015 we worked through a collaborative process with our stakeholders, and listened to what people value about water. We developed *Our Commitment to Water*, which frames up our long-term plan to help maintain this precious resource for future generations.

Our commitment

- We believe water is for all New Zealanders to share and that no one owns water.
- Certainty and longevity of access to water for sustainable economic development is a cornerstone of our country's success.
- Contact will work to enhance and improve the quality and mauri of water.
- Contact's continued access to water is a privilege and comes with responsibilities that define our use, management and stewardship. This approach should enable the continued sustainable uses and values of water from a cultural, recreational and economic perspective.
- Contact will maximise the efficiency of our water use, and we must constantly review those needs to find further efficiencies to return water to the system for other users.
- We share these responsibilities with others and we must have open, collaborative relationships that work to ensure every one of us plays our part in improving our waterways.
- We recognise the principles of the Treaty of Waitangi and the relationship that tangata whenua have with water as kaitiaki.

Our water use

At Contact, we use and impact on water in a number of ways:

- Our hydro stations use water directly for electricity generation. This water is not consumed as it runs through the dams, but this process impacts the ability of sediment and freshwater species to move upstream or downstream.
- We use water and geothermal fluid, which we either run through turbines or deliver to other companies that need heat (such as Nature's Flame, Tenon and Ohaaki Kiln). Most of the geothermal fluid we use is reinjected into the reservoir, but some of it is cooled and discharged into streams and rivers.
- Cooling water is used at all of our electricity and gas operations to keep things running safely and efficiently. This is reused or returned to the stream or river it was taken from (and some evaporates).
- Our offices use water just like any other business – dishes, bathrooms, teas and coffees. Most of these water systems are connected to local council supply and treatment.

We prepare overviews of our potential waterway impacts for each of our operational sites. From there we identify where we can make improvements in our stewardship by reducing or improving our impact. We measure our water usage dynamically and also produce a holistic water dashboard each year which measures our performance on a range of water-related impacts from ecological integrity to water security, water quality and more.

This financial year we used 17,163,076 megalitres (ML) of water. After passing through our hydro and geothermal power stations, 99 per cent of this water was returned to rivers or to geothermal reservoirs (non-consumptive), with the remainder discharged in line with our resource consents. Overall, water usage for processing, cooling and consumption in our thermal power stations was 1,289 megalitres.

We have had no significant water-related incidents this year. However, we are working through the restorative justice process relating to the Karapiti slip that occurred in February 2019, which involves addressing the harm the incident caused for stakeholders including hapū and iwi. We have reviewed the incident to ensure that we learnt from our mistakes, and have implemented remedial actions. We are deeply sorry that the incident occurred, and would like to thank everyone who has been working with us on the review and remediation process.

Non-consumptive water usage (ML)[1] for year ended 30 June 2020

Source/water use	(ML)[1]
Clutha Mata-Au River water[2]	16,624,902
Geothermal reservoir	75,992
Geothermal cooling water[2]	330,047
Total	**17,030,941**

Total water usage for year ended 30 June 2020[3]

Source/water use	Withdrawal (ML)[1]	Discharge (ML)[1]
Geothermal reservoir	114,805	
River and surface water[2]	1,536	
Water from third parties[2]	283	
Council[2]	34	
Discharge from all sources		15,476
Total	**116,658**	**15,476**

1. ML = megalitres.
2. Fresh water.
3. Management of the use and impact on water is largely done through our resource consent compliance activities.

Contents

Impact of freshwater reforms

In September 2019, the Government released an action plan for healthy waterways, including a range of proposed changes to improve freshwater quality, such as developing a new National Policy Statement for Freshwater Management, setting higher standards for swimming, stormwater and wastewater management, and reducing the impact of land management practices on waterways.

The changes are far-reaching, particularly in relation to required reductions in contamination from farming and urban catchments, but the impact on our operations is relatively low as we have good processes and policies in place, underpinned by our water commitment.

Biodiversity

Biodiversity encapsulates the variety of living things on earth; plants, animals, fungi and micro-organisms, and the ecosystems they are a part of. Our operations impact on the habitats of certain species, and as such, we have a responsibility to mitigate these impacts, and contribute to outcomes that improve the ecosystems around our operations.

As a responsible company we also understand that proactively contributing to biodiversity supports our social licence to operate, helps us earn trusted relationships within local communities, and builds credibility when we have a view or opinion to contribute.

The diversity of our generation operations means a range of different impacts in different regions. At our geothermal operations in the Taupō region, we impact on species that rely on warm ground, such as thermotolerant vegetation. In addition, our discharges to freshwater can negatively affect water quality. At our hydro operations on the Clutha River, our greatest impacts are on fish passage. At our thermal stations, our impacts on biodiversity are minimal, however, we actively contribute to the needs and aspirations of our community. For example, in Taranaki, where the region has set a goal to be the first predator-free region in New Zealand, we are contributing to achieving that goal by running trapping programmes around our site, and supporting local environmental initiatives.

We have established plans to mitigate our biodiversity impacts for all our operational sites and we report on progress on those plans to the Board Health, Safety and Environment Committee. Initiatives we undertake include species management programmes, community engagement, and partnership projects.

This year, in collaboration with Waikato Regional Council, we have continued to remove wilding pines from geothermally significant land across Taupō, taking the total area to approximately 38 hectares. We have also planted 4.9 hectares of non-productive farmland into indigenous species to boost indigenous flora and fauna across the pastoral areas we operate.

Across our sites in 2020 we caught 2,009 pests, planted 30,806 trees, transferred 489 eels downstream in the Clutha catchment (including 54 migrant eels), and transferred 7.5kg of elvers upstream of the Roxburgh Dam. Contact has also planted more than 125,000 native trees over the last three years. To ensure their survival, this year we hand-released (weeded and cleared by hand) around some of the existing native plants.

Governance matters

Governance matters

Good corporate governance protects the interests of all stakeholders and enhances short-term and long-term value. We regularly review our corporate governance systems and always look for opportunities to improve.

At 30 June, we comply with the recommendations of the NZX Corporate Governance Code in all material respects. You can see our full reporting in our Corporate Governance Statement on our website.

Our board

The Board's role and responsibilities

The Board is responsible for Contact's governance, direction, management and performance.

Specific responsibilities include:

- Setting and approving Contact's strategic direction
- Monitoring financial performance
- Appointing the CEO and monitoring CEO and senior management performance
- Ensuing appropriate systems to manage risk
- Reviewing and approving compliance systems
- Overseeing our commitment to our Tikanga, sustainable development, the community and environment, and the health and safety of our people.

Board composition

The Board consists of seven directors, all of whom are independent (i.e. none of the factors described in the NZX Corporate Governance Code that may impact a director's independence apply to any Contact director).

Following an independent review of the Board by the Propero consultancy in late 2019, the Board refreshed Contact's director skills matrix, which sets out the skills necessary for Contact's success and assesses each director against this. It's not expected that every director will be an expert in every area, but all skills should be represented in the Board as a whole.

The matrix shows a good spread of expertise and secondary skills among current directors. In addition to the skills in the matrix, all seven Contact directors have strong governance expertise.

Board performance

We recognise the value of professional development and the need for directors to remain current in industry and corporate governance matters. Contact assists directors with their professional development in a number of ways, including an induction programme for new directors, briefings to upskill the Board on new developments, deep-dive workshops on key issues and Board study tours.

During this year Board activities included:

- Appointing Mike Fuge as the new CEO of Contact Energy
- Meeting weekly online during the COVID-19 lockdown period to enable quick decisions to be made and keep across the fast-developing risks
- Forming a new Board committee to reflect the strategic importance of the possible Tauhara project
- Board site tour of Tauhara as part of October board meeting to get an understanding of the site and project and to help provide context for decision-making.

A fund is available for director development opportunities, and the Chair may approve allocations from the fund for opportunities that benefit both Contact and an individual director.

We regularly review the performance of the Board to ensure the Board as a whole and individual directors are performing to a high standard. An independent review was carried out by Propero late in 2019. The results were reported in confidence to the Board in early 2020. The Board is now working through the actions and improvements identified.

Primary Secondary

Strategic Focus	Director Expertise	Governance Capabilities
Next generation customer experience		Deep customer insight and advocacy. Understands generation changes and the impact on customer drivers. Retail transformation expertise including customer-centric experience design, data analytics, digital marketing, sales, and agile retail. Skills to support and challenge progress towards improving the customer experience and reducing cost to serve.
Energy sector including generation and renewable energy (geothermal, hydro and thermal)		Broad leadership experience across the energy sector including a generation portfolio and regulation/ government engagement. Core understanding of generation and key drivers in moving towards a high-quality renewable energy business model. Operational risk management including health and safety. Skills to support and challenge in strategic risk management, growth strategy and sustainability, including anticipation of market needs.
Physical infrastructure		Experience successfully leading sector adjacent companies (e.g. physical infrastructure, engineering and construction), large-scale projects, investment and management. Skills to support and challenge in project investment, build and industrial maintenance.
Capital markets – investment community knowledge and connections		Significant investment community experience. This spans finance, communications, marketing and securities law to enable the most effective two-way understanding of, and communication between, the company and the financial community – ultimately contributing to fair valuation and ability to gain buy-in for future strategic shifts (e.g. divestment, expansion, international mergers and acquisitions).
Portfolio efficiency		Expertise in cost base reduction and increasing flexibility of an asset portfolio in a sustainable manner. Proven track record in cost out, improving reliability and resource utilisation while maintaining safety in an adjacent sector. Ideally experience in optimising and automating processes and lowering cost in resource environments.
Government and regulation		Ability to engage effectively with key government stakeholders. Brings an understanding of legal, policy, and regulatory environments that Contact operates in.
Iwi connection/ relationships		Iwi connection in order to predict sentiments and utilise relationships to influence outcomes for the organisation.
Executive experience		Former executive with excellent track record of strategic growth and prioritisation including investing in people and talent (expanding resources, effective management capability and team), evolving culture, measuring progress, identifying priorities and determining actions and accountability for implementation.
Financial expertise		Accounting and finance, experience in a scale regulated entity including transformation and cost optimisation. Meets criteria to chair audit committee. Brings expertise in wholesale commodity markets.
IT/technology		Contemporary digital ecosystem experience-platforms and systems development to support lean operations, automation, security management and innovation. Skills to support and challenge in digital capital investment plan, systems-enabled operational efficiencies and customer service improvements.

Board committees

The Board has four committees to perform work and provide specialist advice in areas of focus.

The Audit and Risk Committee (ARC) helps the Board fulfil its responsibilities relating to Contact's external financial reporting, internal control environment, business assurance and external audit function, and risk management.

The Health, Safety and Environment (HSE) Committee supports the Board and works with management to set the vision and commitment to HSE. The committee agrees how HSE objectives will be met, determines the framework for monitoring performance and oversees the means for ensuring legal obligations are met. This committee oversees climate-related matters.

The People Committee supports and advises the Board in fulfilling its responsibilities across all aspects of Contact's people and capability strategies, policies, practices and risks. This committee also has responsibility for Board composition, performance and remuneration, and CEO appointment, performance and remuneration.

The new Tauhara Committee was established in December 2019 reflecting the strategic importance of the potential Tauhara power station project to Contact and the industry.

The current members of the committees are:

Committee	Members
Audit and Risk Committee	Dame Therese Walsh (Chair) Victoria Crone Whaimutu Dewes
Health, Safety and Environment Committee	Elena Trout (Chair) David Smol Whaimutu Dewes
People Committee	Jon Macdonald (Chair) Robert McDonald Dame Therese Walsh
Tauhara Committee	Elena Trout (Chair) David Smol Jon Macdonald

The committee charters are on our website and more detailed information about the roles and responsibilities of each committee is available in our Corporate Governance Statement, also on our website.

Attendance at Board and committee meetings

The membership of Board committees changed during the year. On 1 April 2020 Elena Trout became Chair of the HSE Committee and Jon Macdonald became Chair of the People Committee. The Tauhara Committee was established on 1 December 2019.

The table records director attendance at Board meetings and Board committee meetings of which the relevant director was a member. In addition, a number of directors attended meetings of committees that they were not a member of as an observer.

Directors	Board	Audit and Risk Committee	HSE Committee	People Committee	Tauhara Committee[1]
Robert McDonald[2]	15			4	
Victoria Crone	15	4			
Whaimutu Dewes	15	4	3		
Jon Macdonald	15			4	6
David Smol	15		3		6
Elena Trout	15		3		6
Dame Therese Walsh	15	4		4	

1. The Tauhara Committee was established in December 2019.
2. The Chair of the Board attended every board committee meeting held during the year.

Our Code of Conduct

We expect all of our people to act honestly, with integrity, in Contact's best interests and in accordance with the law, all the time. This expectation is enshrined in our Code of Conduct, which underpins our corporate policy framework. We set new corporate policies to address key risks and set expected standards of behaviour for our people.

We have new policies for: anti-bribery and corruption; discrimination, bullying and harassment prevention; human rights; and updated our confidentiality and privacy policy. Information about how our key policies operate is in our Corporate Governance Statement and the policies are on our website.

We have a whistleblower hotline, operated by an external independent reporting service, to help ensure we're aware of any breaches of the Code of Conduct, our policies or any other illegal or unethical activity.

Anyone at Contact who is concerned about any incident or behaviour can use the hotline to report that matter, anonymously if they choose. Any disclosures made through the whistleblower hotline are reported to the CEO and, where appropriate, the Chair. We have a Protected Disclosure (Whistleblowing) Policy, which offers protections for employees who disclose serious wrongdoing in accordance with the process in the policy.

Risk management and assurance

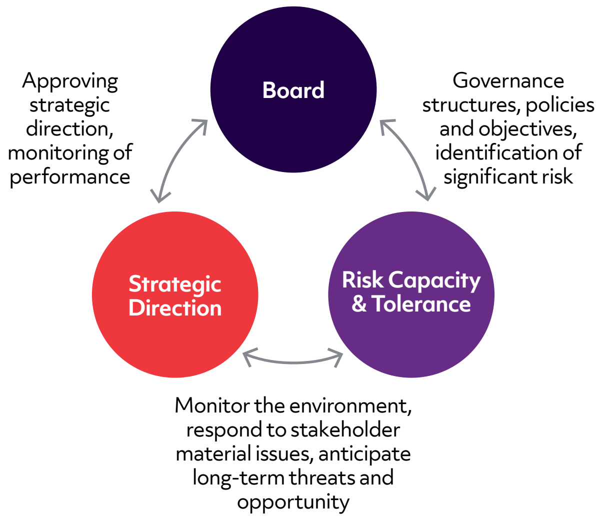
Risk management

Our Board has established a robust risk management framework, which is aligned to the International Standard ISO 31000, Risk Management – Principles and Guidelines. Our framework ensures we have appropriate systems in place to identify material risks. We make sure we understand the potential impact of identified risks and that, where applicable, the Board sets appropriate tolerance limits.

Our framework ensures we assign responsibilities to individuals to manage identified risks and we monitor any material changes to Contact's risk profile.

Oversight of Strategy and Risk

The risk management framework enables the Board to set an appropriate risk strategy and ensure that risk is managed through the organisation.



Assurance

Our business assurance team fulfils our internal audit function and provides objective assurance of the effectiveness of our internal control framework. The in-house team is supported by external expertise where required.

The team brings a disciplined approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes. We use a risk-based assurance approach driven from our risk management system. The business assurance team also assists external audits by making findings from the internal assurance process available for the external auditor to consider when providing their opinion on the financial statements. The team has unrestricted access to all other departments, records and systems of Contact, and to the external auditor and other third parties as it deems necessary.

Auditors

We recognise that the role of our external auditor is critical for the integrity of our financial reporting. Our external auditor is KPMG. The Audit and Risk Committee ensures that the audit partner is changed at least every five years.

Our External Audit Independence Policy sets out the framework we use to ensure the independence of our external auditors is maintained and that their ability to carry out their statutory audit role is not impaired. Under this policy, the external auditor may not do any work for Contact that compromises, or is seen to compromise, the independence and objectivity of the external audit process. In addition, KPMG confirms their continuing independent status to the Board every six months.

The ARC Chair approved KPMG to perform additional engagements this year including assuring our green borrowings programme, greenhouse gas emissions and Global Reporting Index (GRI) indicators. They provided scrutineering services at the AGM in November 2019 and supervisor reporting.

Representatives from KPMG attend Contact's annual shareholder meeting, where they are available to answer shareholders' questions relating to the audit.

Remuneration report

Dear fellow shareholders,

I am pleased to present Contact's Remuneration report for FY20 on behalf of the Board's People Committee.

FY20 Financial results and remuneration

Contact has delivered a solid financial result for shareholders this year. Operating costs and capital expenditure have been managed prudently, and there have been some challenging operating conditions to contend with, including COVID-19 and the rising costs of thermal generation.

Given this performance, we consider executive remuneration to be appropriate. Our discretionary short-term incentive pool reflects the above company performance in FY20 and any payments under these arrangements will be made in September 2020.

A detailed overview of current employee remuneration is set out in the Employee remuneration section.

CEO transition

In February 2020, we farewelled Dennis Barnes and welcomed Mike Fuge. We have been thoughtful and diligent in our remuneration approach for both our outgoing and incoming CEOs. The details of our arrangements for each of them is provided in the following pages.

COVID-19

As a response to the current economic uncertainty, there was no company-wide salary review, and the majority of Contact people will not receive any increased remuneration for the upcoming year. A more targeted approach was adopted, in conjunction with people leaders, to identify any necessary changes on a case-by-case basis.

The Board also made a 20 per cent reduction in their directors' fees for six months from 1 April 2020 and agreed to no increase in our fees for the 12 months to 30 June 2021.

As part of the pandemic response, Contact enabled working from home for the vast majority of people, and provided a financial contribution to recognise any potential additional working from home costs. There was frequent and transparent communication and regular check-ins to see how staff were feeling as they adjusted to their new way of working.

The organisation is now taking the learnings from the 'work from home' experience and has begun a transforming ways of working programme to allow people to have a personalised work/life blend.

Diversity & inclusion

The Diversity Works Diagnostic completed in January 2020 provided insights for the development of the inaugural 'Inclusion and diversity' strategy for Contact. Underpinned by the Inclusion and Diversity Policy, this strategy defines the areas of focus. The Board sets diversity objectives each year and reviews progress.

We were proud to have our efforts recognised in Equileap's 2019 Global Gender Equality Ranking identifying the top 100 global organisations for diversity and inclusion. Contact has also been certified with the Rainbow Tick since December 2018, a continual quality improvement programme designed to help organisations provide a safe and welcoming workplace for all employees. We have been reaccredited in July 2020.

We have seen improvements in gender diversity across some levels in Contact and we continue to focus on executive positions (where we now have 3 of 7 positions held by women), management roles, and plant operational roles. At 30 June 2020, the Contact team is 47 per cent female, the same as in June 2019.

The pay equity analysis looks at whether females and males within the same role grade are paid equitably. We ended FY20 with pay equity of 96 per cent, and we expect to attain a pay equity of 97 per cent in FY21. We recognise there is a need to address this, and aim to reduce this gap over time.

Review of remuneration framework

This framework is designed to ensure the remuneration paid by Contact is transparent, fair and reasonable. We're committed to paying appropriate market rates for all our roles, and making sure our people are being rewarded for their performance and experience.

The framework is currently being reviewed to ensure it continues to meet these objectives and enables Contact to attract, reward and retain high-performing people. We expect to report fully on the outcomes of that review, and any resultant changes to our remuneration approach, in our next integrated report.

Jon Macdonald
Chair, People Committee

Directors' remuneration

The total directors' fee pool is $1,500,000 per annum. It has not been increased since it was approved by shareholders in 2008. Actual fees paid to directors are determined by the Board on the recommendation of the People Committee.

Between FY19 and FY20, fees for the Chair of the Board increased 3.6 per cent and base director fees increased by 2.2 per cent. Committee fees increased by between 2 and 4 per cent.

On 19 April 2020, the Board approved a 20 per cent reduction in all directors' fees for the period 1 April to 30 September 2020.

Directors' fees exclude GST, where appropriate. In addition, Board members are reimbursed for costs directly associated with carrying out their duties, such as travel costs.

Details of the total remuneration received by each Contact director for FY20 are as follows:

FY20	Chair per annum	Member per annum
Board of Directors	$285,000*	$138,000
Audit and Risk Committee	$46,000	$23,000
Health, Safety and Environment Committee	$26,000	$13,000
People Committee	$26,000	$13,000
Tauhara Committee	$20,000	$10,000

* No additional fees are paid to the Board Chair for committee roles.

Directors*	Board fees	Audit and Risk Committee	Health, Safety and Environment Committee	People Committee	Tauhara Committee	Total remuneration
Robert McDonald	$270,750					$270,750
Victoria Crone	$131,100	$21,850				$152,950
Whaimutu Dewes	$131,100	$21,850	$22,100			$175,050
Jon Macdonald	$131,100			$14,950	$5,333	$151,383
David Smol	$131,100		$12,350		$5,333	$148,783
Elena Trout	$131,100		$14,950		$10,667	$156,717
Dame Therese Walsh	$131,100	$43,700		$12,350		$187,150
Total	**$1,057,350**	**$87,400**	**$49,400**	**$27,300**	**$21,333**	**$1,242,78**

* Notes:
Amounts paid during the period 1 April to 30 June 2020 reflect a 20% reduction.
Elena Trout replaced Whaimutu Dewes as Chair of the Health, Safety and Environment Committee on 1 April 2020.
Jon Macdonald replaced Robert McDonald as Chair of the People Committee on 1 April 2020.
The Tauhara Committee was established on 1 December 2019.

Chief Executive Officer and Executive Team remuneration

The CEO and Executive Team remuneration is reviewed by our Board each year. The Board works closely with and is advised by Contact's People Committee.

The remuneration reflects the complexity of the roles and the wide-ranging skills needed to do them well. We also consider market remuneration data benchmarks, look at the achievement of performance goals and factor in creating long-term sustainable shareholder value.

The total remuneration is made up of a fixed remuneration component, which includes cash salary and other employment benefits, and pay-for-performance remuneration containing short-term incentives (cash and equity awarded through deferred share rights) and long-term incentives (equity awarded through performance share rights).

The following table details the nature and amount of remuneration paid to both Dennis Barnes and Mike Fuge for their time as CEO during the year.

CEO remuneration for the periods ended 30 June 2019 and 30 June 2020

Position	Fixed remuneration			Pay-for-performance remuneration				Total remuneration
	Salary paid $	Benefits $	Subtotal $	Cash STI $	Equity STI $	Equity LTI $	Subtotal $	$
Dennis Barnes (1 July 2019 – 28 February 2020)								
FY20	737,247	52,712[1]	789,959	205,607[2]	–	–	205,607	995,566
FY19	976,539	46,485	1,023,024	764,792[3]	–	–	764,792	1,787,816
Mike Fuge (24 February 2020 – 30 June 2020)								
FY20	375,962	11,279	387,241	81,150[4]	60,375[5]	140,875[6]	282,400	669,641

1. Benefits include 3% KiwiSaver contribution, calculated on remuneration amounts including cash STI, and health insurance.
2. Partial STI for FY20 period – as recorded on page 51 this was 32% of the maximum available prorated for the period employed in FY20.
3. STI for FY19 period, paid in FY20.
4. STI for FY20 period, paid in FY21.
5. Equity, based on fair value allocation, performance hurdles tested 2022.
6. Equity, based on fair value allocation, performance hurdles tested 2023.

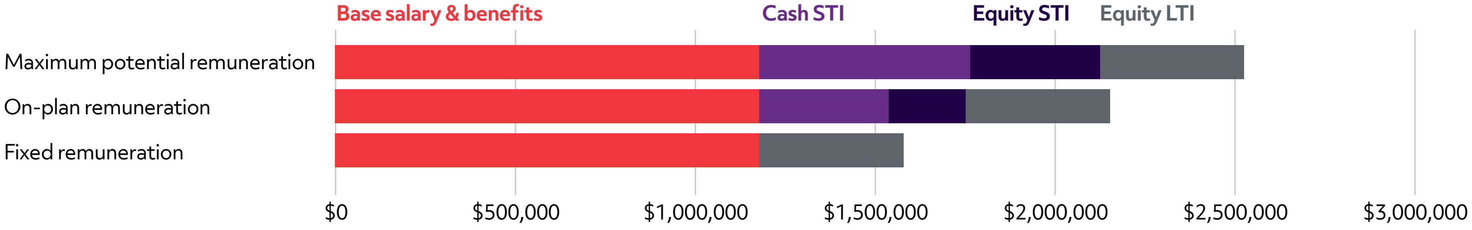
Pay-for-performance remuneration breakdown for the year ended 30 June 2020

All discretionary payments were calculated and paid based on period employed in FY20.

Scheme	Description	Performance measure	Percentage of maximum potential awarded
Dennis Barnes (1 July 2019 – 28 February 2020)			
Cash STI	Cash STI is a discretionary scheme based on achievement of KPIs. *Maximum potential set at 100% of base salary.*	60% based on Corporate shared KPIs: • *60% operating free cash flow* • *30% earnings per share* • *10% HSE Index* 40% based on individual KPIs being conduct & culture, costs, delivery of strategy and executive transition.	32% (paid March 2020)
Mike Fuge (24 February 2020 – 30 June 2020)			
Cash STI	Cash STI is a discretionary scheme based on achievement of KPIs. *Maximum potential set at 50% of base salary.*	60% based on Corporate shared KPIs: • *60% operating free cash flow* • *30% earnings per share* • *10% HSE Index* 40% based on individual KPIs being achievement of agreed 100-day plan.	40% (paid September 2020)
Equity STI (awarded as deferred share rights)	Equity STI allows the participant to acquire shares at a $0 exercise price subject to the time-bound exercise hurdle being achieved. *Maximum potential set at 30% of base salary for CEO.*	The participant's performance rating influences the Equity STI awarded by the Board. The exercise hurdle to receive these is to remain employed by Contact 2 years from the grant date.	50% $60,375 based of fair value allocation (To be granted 1 October 2020 and tested October 2022)
Equity LTI (awarded as performance share rights)	Equity LTI allows the participant to acquire shares at a $0 exercise price subject to the exercise hurdle being achieved. *Set at 35% of base salary for CEO.*	The exercise hurdle to receive these is Contact's relative total shareholder return (TSR) ranking within an energy industry peer group of other New Zealand NZX50 listed utilities companies. Tested once, at year 3.	n/a $140,875 based of fair value allocation (To be granted 1 October 2020 and tested October 2023)

CEO remuneration

The scenario chart below demonstrates the elements of Mike Fuge's CEO remuneration design.

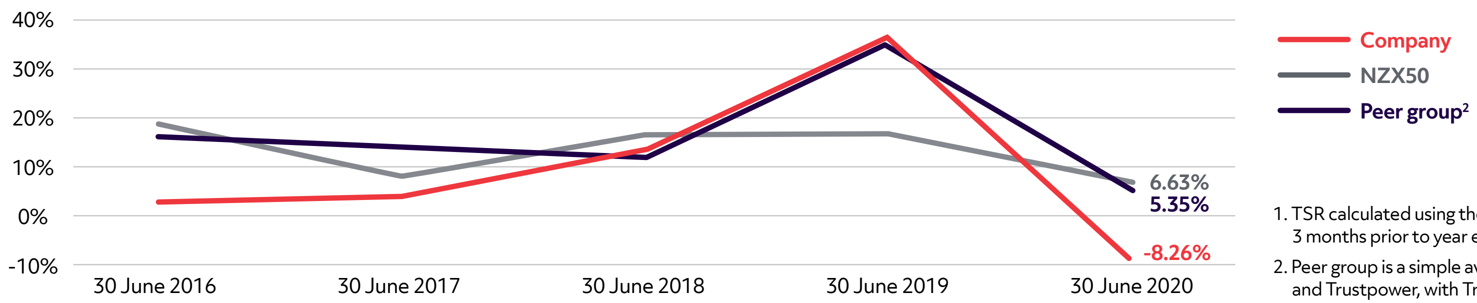


Five year CEO remuneration summary

Financial year	Total remuneration paid[1]	Percentage Cash STI awarded against maximum	Percentage vested Equity STI against maximum	Span of Equity STI performance period	Percentage vested Equity LTI against maximum	Span of Equity LTI performance period
Dennis Barnes (1 July 2019 – 28 February 2020)						
FY20	$995,566	32%	100%	2017–2019 2018–2019	2015 Options/ PSR 89.54% 2016 Options/PSR 50%	2015–2020 2016–2020
FY19	$1,787,816	78%	100%	2016–2018	2013 Options 100%[2] 2014 Options 100%	2013–2018 2014–2019
FY18	$3,031,608	55%	100%	2015–2017	0%	n/a
FY17	$2,081,641	50%	0%	n/a	0%	n/a
FY16	$1,875,951[3]	45%	100%[2]	2014–2016	100%[2]	2010–2013 2011–2014 2012–2015 2013–2016 2014–2017
Mike Fuge (24 February 2020 – 30 June 2020)						
FY20	$669,641	40%	0%	n/a	0%	n/a

1. Total remuneration paid includes salary, benefits, Cash STI, and value of STI and LTI Equity (paid in shares).
2. 100% of STI and LTI Equity vested as a result of Origin selling its shareholding in Contact triggering vesting of equity due to the change of control.
3. Dennis Barnes was seconded to the role of CEO by his employer Origin Energy Limited from April 2011 until August 2015. During the term of the secondment, remuneration paid to him by Contact was processed by Contact reimbursing Origin Energy for his costs. The figures provided confirm his base salary level and cash STI for the periods.

Five-year summary TSR[1] performance graph



1. TSR calculated using the volume-weighted average price for the 3 months prior to year end.
2. Peer group is a simple average of Meridian, Genesis, Mercury, Vector and Trustpower, with Trustpower only in the group from FY18.

Employee remuneration

We're committed to paying appropriate market rates for all our roles, and ensuring our people are rewarded for their performance and experience.

There are three parts to employee remuneration – fixed remuneration, pay-for-performance remuneration, and other benefits. These combine to attract, reward and retain high-performing employees.

Fixed remuneration

Fixed remuneration is based on the role responsibilities, individual performance and experience, and current market remuneration data. Contact targets fixed remuneration at the median of the market range.

Pay-for-performance remuneration

Pay-for-performance remuneration recognises and rewards high-performing employees and comprises short-term incentives (cash and deferred share rights) and long-term incentives (performance share rights).

Short-term incentives (STI)

STIs are designed to recognise and reward high performance with cash incentives for our eligible people, and deferred share rights through Contact's equity scheme for some higher-level roles and key talent. STIs have a maximum potential level set reflecting the person's position grade, and are based on performance measured against key performance indicators (KPIs), which generally consist of company, business unit and individual objectives. The Board reserves the right to adjust STI awards if company targets are not met.

Long-term incentives (LTI)

Contact provides awards of performance share rights through Contact's equity scheme to our senior people and key talent. This aims to encourage and reward longer-term decision-making and align participants' interests with Contact's shareholders. These are subject to performance hurdles.

Equity scheme

At 30 June 2020 there were 87 participants in Contact's equity scheme. For further details on the equity scheme and the number of performance share rights and deferred share rights granted, exercised, lapsed and on issue at the end of the reporting period, see note E10 of the financial statement section.

Other Benefits

We know that rewards mean more than just money, so we offer our people a range of other benefits too. Some of these have eligibility criteria and include: discounts for home energy and broadband; employer-subsidised health insurance; an employee share ownership plan called 'Contact Share' (see note E10 of the financial statement section for more detail); and additional benefits and offers from retailers and services providers.

Employees who earn over $100k

The table shows the number of our people (including any who have left Contact) who received remuneration and other benefits during FY20 of at least $100,000 for the year ended 30 June 2020.

The value of remuneration benefits analysed includes:

- fixed remuneration including allowance/overtime payments
- employer superannuation contributions
- short-term cash incentives relating to FY19 performance but paid in FY20
- the value of equity-based incentives at fair value allocation received during FY20
- the value of Contact Share received during FY20
- redundancy and other payments made on termination of employment.

The figures do not include amounts paid after 30 June 2020 that relate to the year ended 30 June 2020. The remuneration (and any other benefits) of the two CEOs, Dennis Barnes and Mike Fuge, are disclosed in the CEO remuneration section.

Table of employees who earn over $100k

Remuneration band	Number of employees
$100,001–$110,000	42
$110,001–$120,000	41
$120,001–$130,000	52
$130,001–$140,000	40
$140,001–$150,000	46
$150,001–$160,000	36
$160,001–$170,000	36
$170,001–$180,000	13
$180,001–$190,000	16
$190,001–$200,000	11
$200,001–$210,000	13
$210,001–$220,000	14
$220,001–$230,000	9
$230,001–$240,000	8
$240,001–$250,000	6
$250,001–$260,000	6
$270,001–$280,000	2
$280,001–$290,000	4
$290,001–$300,000	2
$300,001–$310,000	1
$310,001–$320,000	1
$320,001–$330,000	1
$330,001–$340,000	1
$340,001–$350,000	2
$350,001–$360,000	5
$360,001–$370,000	2
$390,001–$400,000	1
$410,001–$420,000	1
$420,001–$430,000	1
$450,001–$460,000	1
$490,001–$500,000	1
$500,001–$510,000	1
$520,001–$530,000	1
$630,001–$640,000	1
$640,001–$650,000	1
$700,001–$710,000	1
$870,001–$880,000	1
$880,001–$890,000	1
	422*

*Includes 17 former employees.

Additional remuneration disclosures

- Pay equity is monitored and reported on, comparing pay by gender in roles at the same grade levels (i.e. roles requiring a similar level of skills, knowledge, and accountabilities). At 30 June 2020 our pay equity was at 96 per cent. We make adjustments to individual salaries where appropriate to address pay equity while applying our grade structure.
- Contact does not implement any clawback practices on employee remuneration other than in situations permitted by New Zealand legislation (e.g. for correction of overpayments).
- Contact has remediated underpayments to our current and ex-employees following a review of how we applied the regulations in the Holidays Act 2003.
- Contact does not have a share ownership requirement for the CEO or Executive Team.
- The notice period for Mike Fuge in his role as CEO is six months.

Additional disclosures

Additional disclosures

Statutory disclosures

Disclosures of Interests by Directors

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2020, pursuant to section 140(2) of the Companies Act 1993. Each such director will be regarded as interested in all transactions between Contact and the disclosed entity.

Robert McDonald

Fletcher Building Limited	Director
AIA Limited	Director
Chartered Accountants Australia & New Zealand	Director
University of Auckland Business School Advisory Board	Chair
McDonald Family Trust	Trustee

Victoria Crone

Callaghan Innovation	Chief Executive Officer
Statistics New Zealand Governance Advisory Board	Chair
Figure.NZ	Co-Chair

Whaimutu Dewes

Law Society Review Steering Committee	Chair
Sealord Group Limited	Chair
Kura Limited	Chair
Pupuri Taonga Limited	Director
Aotearoa Fisheries Limited	Chair
Ngati Porou Forests Limited	Chair
Ngati Porou Whanui Forests Limited	Chair
Ngati Porou Fisheries Limited	Chair
Ngati Porou Seafoods Limited	Director
Real Fresh Limited	Director
Whainiho Developments Limited	Managing Director/Shareholder

Jon Macdonald

Sharesies Limited	Director
Titan Parent New Zealand Limited (parent company of Trade Me Limited)	Director
Mitre 10 (New Zealand) Limited	Director
NZX Limited	Director
NZ Technology Training Trust	Trustee

David Smol

Department of Internal Affairs' External Advisory Committee	Chair
Ministry of Social Development's Risk and Audit Committee	Member
Capital & Coast District Health Board	Chair
Hutt Valley District Health Board	Chair
New Zealand Transport Agency	Board member
Victoria Link Limited	Chair
GeoNet Advisory Panel	Chair
Rimu Road Consulting Limited	Director

Elena Trout

Callaghan Innovation	Director
Ngapuhi Asset Holding Company Limited	Director
Ngapuhi Books and Stationery Limited	Director
Ngapuhi Food & Beverage Limited	Director
Ngapuhi Service Station Limited	Director
Joint NZ Defence Force and Ministry of Defence Capability Governance Board (CGB)	External Member
Energy Efficiency and Conservation Authority (EECA)	Chair
Harrison Grierson Holdings Limited	Director
Marsden Maritime Holdings Limited	Director
Motiti Investments Limited	Director
Low Emission Vehicles Fund (a fund from EECA budget)	Chair
Interim Establishment Board for the Construction and Infrastructure Workforce Development Council	Chair
Ara Ake Limited[1]	Director

1. Effective 3 July 2020

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Dame Therese Walsh

Air New Zealand	Chair
ASB Bank	Director
Antarctica NZ	Director
Victoria University of Wellington	Pro-Chancellor
On Being Bold	Director
Wellington Homeless Women's Trust	Ambassador
Climate Change Commission Nominations Panel	Member
Therese Walsh Consulting Limited	Director

Information used by directors

No director issued a notice requesting to use information received in his or her capacity as a director that would not otherwise be available to the director.

Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, Contact has continued to indemnify and insure its directors and officers, including directors of subsidiaries, against potential liability or costs incurred in any proceeding, except to the extent prohibited by law.

Directors' security participation

Directors are required to hold a minimum of 20,000 shares within three years of appointment.

Securities of the company in which each director has a relevant interest at 30 June 2020

Director	Ordinary shares	Bonds
Robert McDonald	30,000	35,000
Victoria Crone	20,050	
Whaimutu Dewes	20,011	
Jon Macdonald	20,000	
David Smol	15,100	
Elena Trout	20,000	
Dame Therese Walsh	15,000	

Securities dealings of directors

During the year, the directors disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of a relevant interest in securities as follows:

Director	Date of acquisition	Nature of transaction	Consideration per share	Number of shares acquired
Victoria Crone	03/10/19	On-market purchase	$8.48	2,500
David Smol	15/06/20	On-market purchase	$6.28	10,000
Dame Therese Walsh	20/09/19	On-market purchase	$8.33	5,000

Shareholder statistics

Twenty largest shareholders at 30 June 2020

	Number of ordinary shares	% of ordinary shares
HSBC Nominees (New Zealand) Limited	74,790,081	10.41
HSBC Nominees (New Zealand) Limited	62,417,768	8.69
Citibank Nominees (NZ) Limited	53,810,743	7.49
Accident Compensation Corporation	39,762,163	5.54
JP Morgan Chase Bank	39,285,568	5.47
National Nominees New Zealand Limited	30,312,056	4.22
FNZ Custodians Limited	20,136,814	2.80
Cogent Nominees Limited	18,872,954	2.63
New Zealand Superannuation Fund Nominees Limited	16,499,152	2.30
BNP Paribas Nominees NZ Limited	16,322,257	2.27
Tea Custodians Limited	16,280,742	2.27
Forsyth Barr Custodians Limited	15,717,241	2.19
JB Were (NZ) Nominees Limited	12,753,124	1.78
Custodial Services Limited	11,599,612	1.62
Custodial Services Limited	10,644,606	1.48
Premier Nominees Limited	8,864,888	1.23
New Zealand Depository Nominee	8,729,811	1.22
New Zealand Permanent Trustees Limited	8,705,458	1.21
JP Morgan Nominees Australia Pty Limited	8,416,958	1.17
Private Nominees Limited	7,281,805	1.01
Total for top 20	**481,203,801**	**67.00**

Distribution of ordinary shares and shareholders at 30 June 2020

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1–1,000	28,820	45.55	18,668,890	2.60
1,000–5,000	28,776	45.48	52,709,467	7.34
5,001–10,000	3,328	5.26	23,586,451	3.28
10,001–50,000	2,105	3.33	40,472,573	5.64
50,001–100,000	148	0.23	10,408,941	1.45
100,001 and over	98	0.15	572,285,562	79.69
Total	**63,275**	**100.00**	**718,131,884**	**100.00**

Substantial product holders

According to notices given under the Financial Markets Conduct Act 2013, the following persons were substantial product holders of the company as at 30 June 2020:

Substantial product holder	Number of ordinary shares in which relevant interest is held	Date of notice
The Vanguard Group, Inc.	35,953,294	12 March 2020
Accident Compensation Corporation (ACC)	36,285,224	1 April 2020
BlackRock Inc. and related bodies corporate	38,710,357	21 April 2020

The total number of voting securities of Contact at 30 June 2020 was 718,131,884 fully paid ordinary shares.

Bondholder statistics

Twenty largest CEN030 bondholders at 30 June 2020

	Number of CEN030 bonds	% of CEN030 bonds
FNZ Custodians Limited	16,352,000	10.90
Forsyth Barr Custodians Limited	15,184,000	10.12
Cogent Nominees Limited	12,436,000	8.29
Citibank Nominees (NZ) Limited	11,849,000	7.90
Investment Custodial Services Limited	11,814,000	7.88
NZ Permanent Trustees Ltd Group Investment Fund No 20	7,439,000	4.96
Custodial Services Limited	5,051,000	3.37
Custodial Services Limited	3,495,500	2.33
Southern Cross Medical Care Society	3,400,000	2.27
Custodial Services Limited	3,261,500	2.17
Forsyth Barr Custodians Limited	2,783,000	1.86
Custodial Services Limited	2,748,000	1.83
FNZ Custodians Limited	2,716,000	1.81
Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	2,500,000	1.67
Tea Custodians Limited	2,164,000	1.44
University Of Otago Foundation Trust	1,985,000	1.32
JB Were (NZ) Nominees Limited	1,948,000	1.30
Custodial Services Limited	1,914,000	1.28
Private Nominees Limited	1,802,000	1.20
HSBC Nominees (New Zealand) Limited	1,000,000	0.67
Total for top 20	**111,842,000**	**74.57**

Distribution of CEN030 bonds and bondholders at 30 June 2020

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	56	7.63	280,000	0.19
5,001–10,000	132	17.98	1,244,500	0.83
10,001–50,000	397	54.09	11,436,500	7.62
50,001–100,000	71	9.67	5,769,000	3.85
100,001 and over	78	10.63	131,270,000	87.51
Total	**734**	**100.00**	**150,000,000**	**100.00**

Twenty largest CEN040 bondholders at 30 June 2020

	Number of CEN040 bonds	% of CEN040 bonds
Citibank Nominees (NZ) Ltd	28,034,000	28.03
FNZ Custodians Limited	11,643,000	11.64
Cogent Nominees Limited	6,200,000	6.20
HSBC Nominees (New Zealand) Limited	5,038,000	5.04
Investment Custodial Services Limited	4,872,000	4.87
Custodial Services Limited	4,281,000	4.28
Private Nominees Limited	3,189,000	3.19
Custodial Services Limited	2,842,000	2.84
Custodial Services Limited	2,419,000	2.42
Custodial Services Limited	2,381,000	2.38
Forsyth Barr Custodians Limited	2,316,000	2.32
JB Were (NZ) Nominees Limited	1,730,000	1.73
BNP Paribas Nominees NZ Limited	1,530,000	1.53
Forsyth Barr Custodians Limited	1,358,000	1.36
FNZ Custodians Limited	1,129,000	1.13
Custodial Services Limited	1,060,000	1.06
Investment Custodial Services Limited	800,000	0.80
Forsyth Barr Custodians Limited	795,000	0.80
Custodial Services Limited	765,000	0.77
FNZ Custodians Limited	647,000	0.65
Total for top 20	**83,029,000**	**83.04**

Distribution of CEN040 bonds and bondholders at 30 June 2020

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	37	10.54	184,000	0.18
5,001–10,000	72	20.51	695,000	0.70
10,001–50,000	181	51.57	4,910,000	4.91
50,001–100,000	22	6.27	1,709,000	1.71
100,001 and over	39	11.11	92,502,000	92.50
Total	**351**	**100.00**	**100,000,000**	**100.00**

Twenty largest CEN050 bondholders at 30 June 2020

	Number of CEN050 bonds	% of CEN050 bonds
HSBC Nominees (New Zealand) Limited	12,500,000	12.5
FNZ Custodians Limited	8,942,000	8.94
BNP Paribas Nominees NZ Limited	7,550,000	7.55
Tea Custodians Limited	6,680,000	6.68
Citibank Nominees (NZ) Ltd	6,050,000	6.05
Custodial Services Limited	5,018,000	5.02
National Nominees New Zealand Limited	5,000,000	5.00
Forsyth Barr Custodians Limited	4,384,000	4.38
Cogent Nominees Limited	4,382,000	4.38
Custodial Services Limited	4,097,000	4.10
HSBC Nominees (New Zealand) Limited	3,730,000	3.73
JB Were (NZ) Nominees Limited	3,647,000	3.65
Custodial Services Limited	3,101,000	3.10
Risk Reinsurance Limited	3,000,000	3.00
Custodial Services Limited	2,818,000	2.82
Investment Custodial Services Limited	2,242,000	2.24
Custodial Services Limited	1,326,000	1.33
Private Nominees Limited	1,000,000	1.00
Woolf Fisher Trust Inc	950,000	0.95
New Zealand Methodist Trust Association	874,000	0.87
Total for top 20	**87,291,000**	**87.29**

Distribution of CEN050 bonds and bondholders at 30 June 2020

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	6	2.92	26,000	0.03
5,001–10,000	46	22.33	443,000	0.44
10,001–50,000	102	49.51	2,796,000	2.80
50,001–100,000	22	10.68	1,675,000	1.68
100,001 and over	30	14.56	95,060,000	95.05
Total	**206**	**100.00**	**100,000,000**	**100.00**

NZX waivers

There were no waivers granted by NZX or relied on by Contact in the 12 months preceding 30 June 2020.

Stock Exchange listings

Contact's ordinary shares are listed and quoted on the NZX Main Board and the Australian Securities Exchange (ASX) under the company code 'CEN'. Contact also has three issues of retail bonds listed and quoted on the NZX Debt Market under the company codes 'CEN030', 'CEN040' and 'CEN050'. Contact's listing on the ASX is as a Foreign Exempt Listing. For the purposes of ASX listing rule 1.15.3, Contact confirms that it continues to comply with the NZX listing rules.

Exercise of NZX disciplinary powers

NZX did not exercise any of its powers under Listing Rule 9.9.3 in relation to Contact during FY20.

Auditor fees

KPMG has continued to act as auditors of the company. The amount payable by Contact and its subsidiaries to KPMG as audit fees in respect of FY20 was $560,000. The fees for other services undertaken by KPMG during FY20 totalled $50,500. These related to other assurance activities: reviews of Contact's green borrowing programme, greenhouse gas emissions and Global Reporting Initiative (GRI) indicators, supervisor reporting and scrutineering at the annual meeting.

Donations

In FY20 Contact donated $400,000 of free power for St John, Women's Refuge and the Salvation Army during the response to COVID-19, and $40,000 towards iwi and hapū COVID-19 response initiatives in Taupō. A further $2,000 of charitable donations were made. No political contributions were made during the year.

Credit rating

Contact Energy Limited has a Standard & Poor's long-term credit rating of BBB/stable and short-term rating of A-2.

The $150 million unsubordinated, unsecured fixed-rate bonds issued in September 2015 are rated BBB by Standard & Poor's.

The $100 million unsubordinated, unsecured fixed-rate bonds issued in February 2017 are rated BBB by Standard & Poor's.

The $100 million unsubordinated, unsecured fixed-rate bonds issued in March 2019 are rated BBB by Standard & Poor's.

Sustainability disclosures

Memberships of associations or advocacy organisations

Holds a position on the governance body	Member/participant
Electricity Retailers' Association of New Zealand (ERANZ) Gas Industry Company	Business New Zealand (Energy Council, Major Companies Group, Corporate Affairs Group, Corporate Taxpayers Group) Sustainable Business Council Australasian Investor Relations Association Climate Leaders Coalition Champions for Change Drive Electric Electricity Authority Market Development Advisory Group Hugo Group Liquefied Petroleum Gas Association NZ Initiative ERANZ Retailer Revenue Assurance Advisory Forum ERANZ Retailers' Operational Forum ERANZ Vulnerable Customer & Medically Dependent Customer (VCMDC) Working Group ERANZ Policy Committee ERANZ Communications Committee ERANZ Data Working Group NZ Hydrogen Association Generator Forum ENA Technical Implementation Working Group ENA Joint Implementation Working Group Wellington Chamber of Commerce Women in Geothermal International Geothermal Association NZ Geothermal Association

External commitments

Organisation/Group	Date of adoption	Commitment
Climate Leaders Coalition	July 2019	1. To measure our greenhouse gas emissions, have them independently verified and publicly report on them. 2. Adopt targets grounded in science that will deliver substantial emissions reductions so organisations contribute to being carbon neutral by 2050. These targets will be considered in current planning cycles. 3. Assessing our climate change risks and publicly disclosing them. 4. Proactively support our people to reduce their emissions. 5. Proactively support our suppliers to reduce their emissions. 6. Committed to the Paris Agreement Target to keep warming below 2 degrees and to further pursue efforts to limit temperature increases to 1.5 degrees.
Science Based Targets initiative – Committed	March 2018	We commit to progressing emission reduction in line with verified target.

Emissions data as at 30 June 2020

Contact uses the Greenhouse Gas Protocol to guide its emissions reporting. Emissions are reported on an operational control basis with a base year of FY18, which represents the first year of Contact's reporting of Scope 1, 2 and 3 emissions. As per the Contact Energy Policy for the recalculation of base year emissions data, any structural, methodological or other changes identified that change the emissions reported by more than 5 per cent will trigger a recalculation of the base year and the current reporting year.

Our emissions data includes all gases as per the most recent Intergovernmental Panel on Climate Change (IPCC) report. Emission factors are sourced from the Ministry for the Environment except in the following cases:

- Scope 1 – Gas field specific emissions factors are provided by the supplier and Geothermal field specific factors approved under the Climate Change Unique Emissions Factor regulations 2009. SF_6 is sourced from the IPCC 5th assessment report.
- Scope 3 – Category 1 and 2 emissions factors are sourced from the Carnegie Mellon University Economic Input-Output Life Cycle Assessment. For more detail on FY19 emissions refer to the Greenhouse Gas Inventory document on our website.

Scope 1 emissions

	Emissions (tCO_2e)		Thermal Generation Emission Intensity (tCO_2e per MWh)		Total Generation Emission Intensity (tCO_2e per MWh)	
	FY20	FY19	FY20	FY19	FY20	FY19
Fuel used for thermal generation	723,536	777,467[1]				
Fuel used for geothermal generation	196,868	207,436				
Total fuel used for generation	**920,403**	**984,903**	**0.532**	**0.550**	**0.109**	**0.111**
Fuel used in vehicles	270	880				
Fugitive emissions – SF6	4	122				
Total Scope 1	**920,677**	**985,905**				

1. FY19 figure updated due to finalised data becoming available (estimates were used previously).

Scope 2 and 3 emissions

Scope	Category	FY20 tCO_2e	FY19 tCO_2e
Indirect Emissions (Scope 2)	Electricity consumption	1,258	1,374[1]
Indirect Emissions (Scope 3)	Purchased goods and services	39,397	35,267
	Capital goods	18,052	6,536
	Fuel and energy	91,857	175,811
	Upstream transportation	14	628
	Waste	123	148
	Business travel	719	1,256
	Employee commuting	606	514[2]
	Use of sold products	166,310	301,640
	Downstream leased assets	306	445
	Franchises	0[3]	2,069
	Subtotal	**317,384**	**524,314**
Total (Scope 1, 2 and 3)		**1,239,319**	**1,511,593**

1. FY19 figure updated due to finalised data becoming available (estimates were used previously).
2. FY19 figure restated due to calculation error.
3. No emissions from franchises due to Contact's sale of the LPG business Rockgas Limited in FY19.

Climate-related risks

The table following presents an overview of Contact's most material climate-related risks and opportunities in the short, medium and long term.

In 2019, we commissioned NIWA to model the potential impacts of climate change on our operations. We modelled two scenarios: a business-as-usual scenario where greenhouse gas concentrations continue unabated (Representative Concentration Pathway 8.5), and a mitigation scenario with a global effort to heavily reduce concentrations (RCP 2.5). Under either scenario we saw that most sites will experience a tripling of the number of hot days, with spring and summer expected to become drier and winter wetter. Our hydro catchment is likely to have increased inflows, with potential for hydro generation increasing – especially under the business-as-usual scenario.

Given this, and also what we know about the transitional risks of climate change, such as changing stakeholder expectations and behaviours, the potential of regulatory change, we have identified a range of risks which we have then rated as low, medium, or high based on the likelihood, time-horizon and potential impact/size of the opportunity or risk.

We use our existing risk management systems to capture, monitor and report on climate-related risks. Risks rated high are also monitored by the leadership team and the Board Audit and Risk Committee. The Board Health, Safety and Environment Committee has formal oversight of climate-related issues and reviews climate-related risks. The full Board, when setting strategy, also considers a wide range of risks and environmental factors, and the work our teams do to understand issues such as climate change, contributes to their decision-making.

	Short term (now–2022)	Medium term (2022–2035)	Long term (2035–onwards)
	These may impact near-term financial results, including those that may materialise within the current reporting cycle.	May materially impact financial results over the longer term and may require us to adjust our strategy.	Risks that could fundamentally impact the long-term strategy and business model.
Market transition risks and opportunities			
Contact's emissions profile	• Reputational impact of continued use of thermal and high emissions generation. • Heightened scrutiny from investors on environmental, social, governance (ESG) performance of businesses.	• National imperative to reduce carbon emissions through policy and other means. • Rising gas and carbon costs.	• Stakeholder rejection of fossil fuels including natural gas.
Leading the market to decarbonise	• Rising stakeholder expectations increase the pace of change in which businesses must adapt/respond to climate-related issues. • New opportunities and markets developed to support low-carbon transition activities. • Opportunity to deepen relationships with customers who are looking to decarbonise.	• Transition to lower-carbon economy creates more demand for electricity. • Opportunities for innovative customer and technology solutions. • Increased opportunity for renewable developments.	• Increased electricity demand. • Wider options for new generation development.
Thermal transition	• Opportunity for renewable generation to displace thermal. • Potential for high-emissions industries to favour gas as a transition fuel, resulting in increased gas use and emissions in the short term.	• Continued requirement for thermal peaking plant in New Zealand to ensure affordable security of supply.	• Potential for massive renewable overbuild, and massive distributed generation.
New technology	• Customer adoption of new technologies and/or energy-efficient solutions impacts on demand for grid-connected electricity.	• Distributed technologies increase competition for the development of new generation.	• New technology makes current generation redundant and/or impacts demand significantly.
Regulation	• Changes to regulation impacts on costs of business and/or licence to operate.	• New regulation requires Contact to reduce emissions faster than planned.	• New Zealand's costs become higher relative to globe, which results in production moving offshore and reduced demand.
Physical risks and opportunities			
Temperature increases	• Changes to maintenance requirements as temperatures increase.	• Changes to electricity demand as temperatures change. • Health, safety and wellbeing impacts on people working in warmer conditions. • Impacts on the efficiency and availability of generation plants. • Implications on resource consent requirements which may increase costs and/or impact on licence to operate.	• Impacts on operational plant may require change in design.
Access to natural resources	• Changes to hydro inflows impact on our renewable generation. • Drilling programme requires access to significant volumes of water.	• Increased demand and competition for natural resources, including fresh water, impacts on access to natural resources for generation. • Consent renewal required for Wairākei in 2026. Changes in regulation may impact on access to water, consent conditions and/or costs.	• Water storage requirements change. • Increased hydro inflows create opportunities to increase generation output, but may also increase flood risk and require spilling at hydro.
Intensity of storms	• Increased potential for erosion issues. • Disruption to physical works during storms.	• Storm-water systems require redesign and/or replacement to meet changing capacity requirements. • Potential for increased power outages due to transmission failure caused by storms.	• Increased flood risk around rivers and lakes impacts on generation operations.

Green Borrowing Programme

In line with our commitment to a low-carbon economy, Contact has a Green Borrowing Programme to finance Contact's past and future renewable energy generation investments. This is a progressive approach to financing and provides investors and lenders with an opportunity to access a broad range of accredited green debt instruments where proceeds have been applied to eligible green assets.

The Green Borrowing Programme is described in Contact's Green Bond Framework ('Framework'), which aligns with the Green Bond Principles and is certified by the Climate Bonds Initiative (CBI) under Climate Bond Standard V2.1 with assurance from KPMG.

The Framework, CBI certification and KPMG's annual assurance statement are available on our website. The Framework articulates which of Contact's debt instruments and assets qualify as green, and provides for a comprehensive compliance and disclosure regime to ensure the Climate Bonds Standard V2.1 is always met, in turn ensuring that the existing CBI certification remains in place. A key compliance metric is the Green Ratio whereby the total green asset value must be at least equal to total green debt instruments (i.e. a ratio of 1.0 minimum). This indicator is reported on a half-yearly basis.

The following table sets out the total green asset value and total green debt instruments for the current reporting period, and confirms that the Green Ratio is met at 1.23. Contact confirms to the best of its knowledge that its Green Borrowing Programme continues to remain in compliance with the CBI certification in place, including the requirements of the Climate Bonds Standard V2.1.

Geothermal assets data as at 30 June 2020

	Book value $m	Generation (GWh)	Emissions (tCO_2e)	Emissions intensity (gCO_2e/KWh)	Compliance with CBI standards (< 100 gCO_2e/KWh)
Poihipi	151	335	13,643	41	Yes
Tauhara	140	–	–	N/A	Yes
Te Mihi	506	1,415	50,839	36	Yes
Te Huka	103	198	10,244	52	Yes
Wairākei	814	1,045	21,513	21	Yes
Tenon and Nature's Flame[1]	9	137	2,132	16	Yes
Ohaaki[2]	112	340	98,757	291	No
Geothermal portfolio total/average	**1,835**	**3,470**	**197,128**	**57**	**Yes**
Eligible Green Asset total/average	**1,723**	**3,130**	**98,371**	**31**	**Yes**
Total Green Debt Instruments	**1,400**				
Green Asset Ratio	**1.23**				

1. Includes direct heat sold to Tenon and Nature's Flame.
2. Ineligible green asset in relation to Contact's Green Borrowing Programme.

Workforce by gender and employment type at 30 June[1]

FY20	Total headcount	# Females	# Males	Fixed term	Permanent	Part time	Full time
Officers[2]	6	2	4	0	6	0	6
Corporate	69	42	27	5	64	13	56
Customer	516	324	192	25	491	72	444
Generation	343	71	272	11	332	28	315
Total	**934**	**439**	**495**	**41**	**893**	**113**	**821**
FY19							
Officers[2]	6	2	4	0	6	0	6
Corporate	55	32	23	4	51	11	44
Customer	505	316	189	32	473	73	432
Generation	323	65	258	8	315	25	298
Total	**889**	**415**	**474**	**44**	**845**	**109**	**780**

1. Gender is recorded by self-identification.
2. 'Officers' means the CEO and members of Contact's Leadership Team.
3. Ethnicity total % adds up to more than 100%. This is because individuals can choose to identify multiple ethnicities.

Employee diversity at 30 June[3]

FY20	Females	Males	Under 30	30–50	Over 50	Undisclosed	Māori	Pasifika	Asian	European	Other	AMELA	Undisclosed
Officers	33%	67%	0%	33%	67%	0%	0%	17%	0%	50%	33%	0%	17%
Corporate	61%	39%	12%	62%	23%	3%	7%	0%	7%	35%	33%	0%	29%
Customer	63%	37%	29%	47%	23%	1%	9%	3%	9%	36%	25%	2%	33%
Generation	21%	79%	8%	44%	47%	1%	6%	1%	5%	40%	35%	1%	25%
Total	**47%**	**53%**	**20%**	**47%**	**32%**	**1%**	**8%**	**2%**	**7%**	**37%**	**29%**	**1%**	**29%**
FY19													
Officers	33%	67%	0%	67%	33%	0%	0%	17%	0%	67%	33%	0%	0%
Corporate	58%	42%	15%	60%	24%	2%	9%	2%	7%	42%	44%	0%	16%
Customer	63%	37%	34%	43%	22%	1%	10%	3%	8%	39%	26%	2%	27%
Generation	20%	80%	8%	44%	47%	1%	4%	0%	6%	40%	35%	1%	25%
Total	**47%**	**53%**	**23%**	**45%**	**31%**	**1%**	**8%**	**2%**	**7%**	**40%**	**31%**	**1%**	**26%**

Board diversity at 30 June

	Male	Female	Total	Under 30	30–50	Over 50	Total	European / Pākehā	Māori	Pasifika	Total
Board of Directors FY20	4	3	7	0	3	4	7	6	1	1	7
	57%	43%	100%	0	43%	57%	100%				
Board of Directors FY19	4	3	7	0	3	4	7	7	1	0	7
	57%	43%	100%	0	43%	57%	100%				

Supply chain impacts

Number of suppliers assessed for environmental and social impacts.	1
Number of suppliers identified as having significant actual and potential negative environmental and social impacts[1].	1
Percentage of suppliers with which improvements have been agreed upon as a result of assessment.	0%
Percentage of suppliers with which relationships have been terminated as a result of assessment, and why.	0%

1. The actual and potential impacts we have identified in our supply chain includes local job creation, fair pay, reducing greenhouse gas emissions, decarbonisation and electrification, hazardous chemicals management, waste minimisation and containment, health and safety of workers and human rights.

Safety data at 30 June

Injury Type	Employee – Male	Employee – Female	Contractor
First aid	4	11	8
Medical treatment	1	0	2
Lost Time	1	0	1
Fatality	0	0	0
Occupational Disease	0	0	0
Days Lost	1	0	20
Injury Rate[1]	1.7	0	12.2
Severity Rate[2]	0.9	0	81.1

1. TRIFR – Recordable injuries per million hours worked.
2. Days lost per million hours worked.

Employee absentee rate at 30 June

	Females	Males	All Employees
Total scheduled days	106,506	126,630	233,137
Total absence days	4,394	2,603	6,996
Lost days as a percentage	4%	2%	3%

TCFD Index

Disclosure	Page number
Describe the Board's oversight of climate-related risks and opportunities.	36
Describe management's role in assessing and managing climate-related risks and opportunities.	47
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	63
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	25
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario.	25
Describe the organisation's processes for identifying and assessing climate-related risks.	40
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	47
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	62
Disclose Scope 1, 2 and if appropriate 3 greenhouse gas (GHG) emissions, and the related risks.	62, 63
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	39

GRI Index

Description		Pg	Information
Strategy and analysis			
102–14	Statement from the most senior decision maker	4–7	
Organisational profile			
102–1	Name of the organisation		Contact Energy Ltd
102–2	Brands, products, and/or services	12	
102–3	Headquarter location	13	
102–4	Locations of operations	13	Contact operates only in New Zealand. For GRI reporting purposes our 'significant location of operation' is New Zealand.
102–5	Ownership and legal form		Listed New Zealand Limited Liability Company
102–6	Markets served	12	
102–7	Scale of the organisation	65	Total employees
		13	Number of operations
		72	Net revenue
		12	GWh sold
		72	Total capitalisation broken down by debt and equity
		12	Quantity of products and services provided
102–8	Employee statistics	65	
102–41	Employees covered by collective bargaining agreements		11% of total Contact employees were covered by collective bargaining agreements as at 30 June 2020. Contractor data not collected.
102–9	Organisation's supply chain	15–17	
102–10	Significant changes regarding size, structure, or ownership		No significant changes
102–11	Precautionary approach		Not specifically addressed. Potential adverse environmental impacts are addressed through adaptive management including official (often publicly notified) resource consent assessments.
102–12	External charters, principles, or other initiatives		ISO14001
102–13	Memberships in associations and advocacy organisations	61	

Description		Pg	Information
Identified material aspects and boundaries			
102–45	Entities included in the organisation's consolidated financial statements	70	
102–46	Process for defining the report content	18–19	
102–47	List of material topics	19	For the majority of our material topics, the impacts occur within the operational boundary. For some topics, Biodiversity, Water, Climate Change and Energy Hardship, impacts can be felt downstream of our operational boundary, or we are contributing to a larger issue. Health and safety impacts are also created by companies in our supply chain. In all cases, our focus is on areas which we can control or influence.
102–48	Restatements of information		No restatements in this reporting period.
102–49	Significant changes of aspect boundaries compared to previous years		No significant changes.
Stakeholder engagement			
102–40	Stakeholder groups	18	
102–42	Stakeholder identification and selection	18	
102–43	Approaches to stakeholder engagement	18	
102–44	Key topics and concerns raised by stakeholders	18–19	
Report profile			
102–50	Reporting period		Financial year
102–51	Date of most recent previous report		The previous report was dated 12 August 2019.
102–52	Reporting cycle		Annual
102–53	Contact point for questions	100	
102–54	Chosen 'In accordance' option, GRI index		This report has been developed in accordance with the core GRI 2018 guidelines.

Description		Pg	Information
102–56	External assurance for the report		Integrated Report 2020 has not been assured against GRI. FY20 Greenhouse Gas emissions totals in our GHG Inventory underwent limited assurance.
Governance			
102–18	Governance structure. Committee responsible for decision-making on economic, environmental and social topics.	45	
Ethics and integrity			
102–16	Organisation's values, principles, standards and norms of behaviour, and codes of ethics	11	
Category: environmental			
DMA	Water	41	According to the WRI Aqueduct Global Water Tool, Contact assets are all in low or low-medium water risk areas. We have therefore not reported data by 'water stress areas'.
303–3	Total water withdrawal by source	41	
303–4	Total water discharge by destination	41	
303–5	Total water consumption	41	
DMA	Biodiversity	42	
304–3	Habitats protected or restored	42	
DMA	Emissions	39	
305–1	Direct (Scope 1) greenhouse gas emissions	62	
305–2	Gross location-based Scope 2 emissions	62	
305–3	Gross Scope 3 emissions	62	
305–4	GHG emissions intensity	62	
305–5	Reduction of GHG emissions	39	
DMA	Reliable renewable energy	25	
Own measure	Percentage of renewable generation	25	
Category: social			
DMA	Occupational health and safety	33	
403–2	Workplace injuries	66	Contractor data not available for absentee rate, occupational disease rate and fatalities.

Description		Pg	Information
Self-selected	TISR	33	
Self-selected	Process safety data	33	
DMA	Diversity and equal opportunity	31–32	
405–1	Gender, age and ethnicity statistics	65	
405–2	Ratio of the basic salary and rem of women to men for each employee category	54	
Self-selected	Staff engagement	31	
DMA	Local communities	36–38	
413–1	Community engagement and development	36–38	
DMA	Customer experience	23	
Own measure	Customer satisfaction (Net Promoter Score)	23	
DMA	Customer wellbeing	21–22	
Own measure	Description of activities undertaken to support customer wellbeing	21–22	
DMA	Energy Hardship	21–22	
Own measure	Reduction of customer debt expressed as a percentage	22	
DMA	Supply chain	34	
308–2	Negative environmental impacts in the supply chain and actions taken	66	
414–2	Negative social impacts in the supply chain and actions taken	66	
DMA	Compliance	30	
307–1	Non-compliance with environmental laws and regulations	41	
419–1	Non-compliance with laws and regulations in the social and economic area	3	
DMA	Financial sustainability	28	
Own measure	Financial performance in FY20	29	

Financial statements

Financial statements

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About these financial statements

For the year ended 30 June 2020

These financial statements are for Contact, a group made up of Contact Energy Limited, the entities over which it has control or joint control and its associate.

Contact Energy Limited is registered in New Zealand under the Companies Act 1993. It is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX) and has bonds listed on the NZX debt market. Contact is an FMC reporting entity under the Financial Markets Conduct Act 2013.

Contact's financial statements are prepared:

- in accordance with New Zealand generally accepted accounting practice (GAAP) and comply with New Zealand equivalents to International Financial Reporting Standards (IFRS) and IFRS as appropriate for profit-oriented entities
- in millions of New Zealand dollars (NZD) unless otherwise noted
- on a historical cost basis except for derivatives held at fair value
- using the same accounting policies for all reporting periods presented
- with certain comparative amounts reclassified to conform to the current year's presentation.

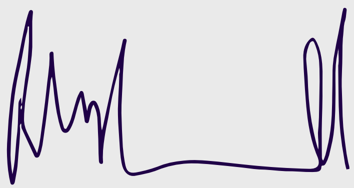
Estimates and judgements are made in applying Contact's accounting policies. Areas that involve a higher level of estimation or judgement are:

- useful lives of property, plant and equipment and intangible assets (note C1)
- impairment testing of cash-generating units (CGUs) and future generation development capital work in progress (note C2)
- fair value measurement of financial instruments (notes D1 and E8)
- unbilled retail electricity and gas revenue (note E4)
- provision for future restoration and rehabilitation obligations (note E5)
- the determination of the Rio Tinto announcement on 9 July 2020 as a material non-adjusting event (note E14).

The financial statements at 30 June 2020 include estimates and judgements in respect of the potential impact of COVID-19 on Contact's financial position and results. Whilst these reflect all available information at the date these financial statements are authorised, it is noted that there is significant uncertainty with regards to the medium- and long-term effects of COVID-19 on the New Zealand economy and electricity market. Further information is provided on specific impacts of COVID-19 in relation to the goodwill and asset impairment testing (note C2) and the provision for impairment of receivables (note E4). No adjustments have been made to the carrying value of any other assets at 30 June 2020 as a result of COVID-19.

On 9 July 2020, Rio Tinto announced that it would start planning for the wind-down of operations and the eventual closure of New Zealand Aluminium Smelters (NZAS) in August 2021. The impact of this decision on Contact is considered in note E14.

The financial statements were authorised on behalf of Contact's Board of Directors on 7 August 2020.



Robert McDonald
Chair

Dame Therese Walsh
Chair, Audit & Risk Committee

Contents

Statement of comprehensive income

For the year ended 30 June 2020

$m	Note	2020	2019
Revenue and other income	A2	2,073	2,460
Operating expenses	A2	(1,622)	(1,955)
Significant items	A2	(5)	9
Depreciation and amortisation	A2	(220)	(205)
Net interest expense	B5	(55)	(70)
Profit before tax		**171**	**239**
Tax expense	E1	(46)	(69)
Profit from continuing operations		**125**	**170**
Discontinued operation			
Profit from discontinued operation after tax	A2	–	10
Gain on sale of discontinued operation	A2	–	165
Profit		**125**	**345**
Items that may be reclassified to profit/(loss):			
Change in hedge reserves (net of tax) – continuing operations	E7	(10)	(43)
Change in hedge reserves (net of tax) – discontinued operation	E7	–	(3)
Comprehensive income		**115**	**299**
Profit per share (cents) – basic	B3	**17.5**	**48.2**
Profit per share (cents) – diluted	B3	**17.4**	**48.2**
Profit per share (cents) from continuing operations		17.5	23.7
Profit per share (cents) from discontinued operation		–	24.5

Statement of cash flows

For the year ended 30 June 2020

$m	Note	2020	2019
Receipts from customers		2,058	2,490
Payments to suppliers and employees		(1,598)	(1,977)
Interest paid		(49)	(69)
Interest received		–	4
Tax paid		(70)	(47)
Operating cash flows	E6	**341**	**401**
Purchase of assets		(94)	(63)
Capitalised interest		(6)	–
Investment in joint venture/associate		(3)	(8)
Acquisition of Energyclubnz		(3)	–
Proceeds from sale of assets/operations (net of tax)		–	390
Investing cash flows		**(106)**	**319**
Dividends paid	B3	(280)	(251)
Proceeds from borrowings		108	100
Repayment of borrowings		(66)	(525)
Financing cash flows		**(238)**	**(676)**
Net cash flow		(3)	**44**
Add: cash at the beginning of the year		47	3
Cash at the end of the year	B4	**44**	**47**

Statement of financial position
at 30 June 2020

$m	Note	2020	2019
Cash and cash equivalents	B4	44	47
Trade and other receivables	E4	191	196
Inventories	E3	56	28
Intangible assets	C1	3	14
Derivative financial instruments	D1	37	13
Total current assets		**331**	**298**
Inventories	E3	–	14
Property, plant and equipment	C1	4,026	4,126
Intangible assets	C1	227	246
Goodwill	C2	179	179
Investments in joint venture/associate	E11	14	11
Derivative financial instruments	D1	119	80
Total non-current assets		**4,565**	**4,656**
Total assets		**4,896**	**4,954**
Trade and other payables		190	185
Tax payable		28	34
Borrowings	B4	220	127
Derivative financial instruments	D1	53	40
Provisions	E5	10	8
Total current liabilities		**501**	**394**
Borrowings	B4	978	969
Derivative financial instruments	D1	74	73
Provisions	E5	58	51
Deferred tax	E1	653	676
Other non-current liabilities		11	9
Total non-current liabilities		**1,774**	**1,778**
Total liabilities		**2,275**	**2,172**
Net assets		**2,621**	**2,782**
Share capital	B2	1,528	1,523
Retained earnings		1,134	1,288
Hedge reserves	E7	(49)	(39)
Share-based compensation reserve		8	10
Shareholders' equity		**2,621**	**2,782**

Statement of changes in equity

For the year ended 30 June 2020

$m	Note	Share capital	Retained earnings	Other reserves	Shareholders' equity
Balance at 1 July 2018		**1,520**	**1,194**	**13**	**2,727**
Profit		–	345	–	345
Change in hedge reserves (net of tax)	E7	–	–	(46)	(46)
Change in share-based compensation reserve	E10	–	–	4	4
Change in share capital	B2	3	–	–	3
Dividends paid	B3	–	(251)	–	(251)
Balance at 30 June 2019		**1,523**	**1,288**	**(29)**	**2,782**
Profit		–	125	–	125
Change in hedge reserves (net of tax)	E7	–	–	(10)	(10)
Change in share-based compensation reserve	E10	–	–	(2)	(2)
Change in share capital	B2	5	–	–	5
Dividends paid	B3	–	(280)	–	(280)
Balance at 30 June 2020		**1,528**	**1,134**	**(41)**	**2,621**

Notes to the financial statements

A. Our performance

A1. Segments

Contact reports activities under the Wholesale segment and the Customer segment. There have been no significant changes to Contact's operating segments in the current year.

The Wholesale segment includes revenue from the sale of electricity to the wholesale electricity market, to Commercial & Industrial (C&I) customers and to the Customer segment, less the cost to generate and/or purchase the electricity and costs to serve and distribute electricity to C&I customers.

The Customer segment includes revenue from delivering electricity, natural gas, broadband and other products and services to mass market customers less the cost of purchasing those products and services, and the cost to service customers.

'Unallocated' includes corporate functions not directly allocated to the operating segments.

The Customer segment purchases electricity from the Wholesale segment at a fixed price in a manner similar to transactions with third parties.

A2. Earnings

The tables on the next pages provide a breakdown of Contact's revenue and expenses, earnings before interest, tax, depreciation and amortisation, fair value adjustments and other significant items (EBITDAF) by segment, and a reconciliation from EBITDAF and underlying profit to profit reported under NZ GAAP.

EBITDAF and underlying profit are used to monitor performance and are non-GAAP profit measures. Significant items are excluded from EBITDAF and underlying profit when they meet criteria approved by the Board of Directors.

The significant items in this reporting period are:

- 'Change in fair value of financial instruments'. Made up of movements in the valuation of electricity price derivatives that are not accounted for as hedges, hedge accounting ineffectiveness and the effect of credit risk on the valuation of hedged debt and derivatives (notes D1, E7 and E8).
- 'Increase in Holidays Act provision'. Additional provision recognised in respect of Contact's discretionary short-term incentive scheme (note E5).

The significant revenue categories are:

- **Electricity and gas revenue**
  Electricity and gas revenue (including mass market electricity, C&I electricity, gas and LPG) is recognised when energy is supplied for customer consumption. Mass market electricity includes net revenue for AA Smartfuel rewards. Revenue is initially recognised net of prompt payment discounts.
- **Wholesale electricity, net of hedging**
  Revenue received from electricity generated and sold through the wholesale market, the net settlement of electricity hedges sold on the electricity futures markets and to generators, other retailers and industrial customers. Revenue is recognised as the energy is delivered.
- **Electricity-related services revenue**
  Revenue from the sale of complementary products and services to the wholesale market for the provision of instantaneous reserves, frequency keeping and other ancillary services. Revenue is recognised as the services are provided.

Revenue recognition involves the calculation of unbilled revenue accruals for mass market, C&I electricity and gas, as well as the recognition of contract assets (note E4).

2020

$m	Wholesale	Customer	Unallocated	Eliminations	Total
Mass market electricity	–	861	–	(1)	860
C&I electricity – Fixed Price	275	–	–	–	275
C&I electricity – Spot	16	–	–	–	16
Wholesale electricity, net of hedging	791	–	–	–	791
Electricity-related services revenue	8	–	–	–	8
Inter-segment electricity sales	332	–	–	(332)	–
Gas	1	74	–	–	75
Steam	26	–	–	–	26
Broadband	–	17	–	–	17
LPG	–	–	–	–	–
Total revenue	**1,449**	**952**	**–**	**(333)**	**2,068**
Other income	–	5	–	–	5
Total revenue and other income	**1,449**	**957**	**–**	**(333)**	**2,073**
Electricity purchases, net of hedging	(635)	–	–	–	(635)
Electricity purchases – Spot	(14)	–	–	–	(14)
Electricity-related services cost	(7)	–	–	–	(7)
Inter-segment electricity purchases	–	(332)	–	332	–
Gas and diesel purchases	(90)	(24)	–	–	(114)
Gas storage costs	(22)	–	–	–	(22)
Carbon emissions	(24)	(4)	–	–	(28)
Generation transmission & reserves costs	(32)	–	–	–	(32)
Electricity networks, levies & meter costs – Fixed Price	(95)	(414)	–	–	(509)
Electricity networks, levies & meter costs – Spot	(2)	–	–	–	(2)
Gas networks, transmission & meter costs	(9)	(37)	–	–	(46)
Broadband costs	–	(17)	–	–	(17)
Other operating expenses	(93)	(79)	(25)	1	(196)
LPG purchases	–	–	–	–	–
Total operating expenses	**(1,023)**	**(907)**	**(25)**	**333**	**(1,622)**
EBITDAF	**426**	**50**	**(25)**	**–**	**451**
Depreciation and amortisation					(220)
Net interest expense					(55)
Tax on underlying profit					(47)
Underlying profit					**129**
Significant items					
Change in fair value of financial instruments					–
Gain on sale of Rockgas and AGS Facility					–
Increase in Holidays Act provision					(5)
Tax on significant items					1
Profit					**125**
Underlying profit per share (cents)					**18.0**

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2019

$m	Wholesale	Customer	Unallocated	Eliminations	Total continuing operations	Discontinued operation	Total
Mass market electricity	–	863	–	(1)	862	–	862
C&I electricity – Fixed Price	388	–	–	–	388	–	388
C&I electricity – Spot	31	–	–	–	31	–	31
Wholesale electricity, net of hedging	1,044	–	–	–	1,044	–	1,044
Electricity-related services revenue	10	–	–	–	10	–	10
Inter-segment electricity sales	314	–	–	(314)	–	–	–
Gas	3	73	–	–	76	–	76
Steam	27	–	–	–	27	–	27
Broadband	–	7	–	–	7	–	7
LPG	–	–	–	–	–	58	58
Total revenue	**1,817**	**943**	**–**	**(315)**	**2,445**	**58**	**2,503**
Other income	10	5	–	–	15	1	16
Total revenue and other income	**1,827**	**948**	**–**	**(315)**	**2,460**	**59**	**2,519**
Electricity purchases, net of hedging	(901)	–	–	–	(901)	–	(901)
Electricity purchases – Spot	(27)	–	–	–	(27)	–	(27)
Electricity-related services cost	(10)	–	–	–	(10)	–	(10)
Inter-segment electricity purchases	–	(314)	–	314	–	–	–
Gas and diesel purchases	(98)	(18)	–	–	(116)	–	(116)
Gas storage costs	(17)	–	–	–	(17)	–	(17)
Carbon emissions	(21)	(3)	–	–	(24)	(2)	(26)
Generation transmission & reserves costs	(40)	–	–	–	(40)	–	(40)
Electricity networks, levies & meter costs – Fixed Price	(139)	(421)	–	–	(560)	–	(560)
Electricity networks, levies & meter costs – Spot	(3)	–	–	–	(3)	–	(3)
Gas networks, transmission & meter costs	(8)	(38)	–	–	(46)	–	(46)
Broadband costs	–	(6)	–	–	(6)	–	(6)
Other operating expenses	(99)	(81)	(26)	1	(205)	(7)	(212)
LPG purchases	–	–	–	–	–	(37)	(37)
Total operating expenses	**(1,363)**	**(881)**	**(26)**	**315**	**(1,955)**	**(46)**	**(2,001)**
EBITDAF	**464**	**67**	**(26)**	**–**	**505**	**13**	**518**
Depreciation and amortisation					(205)	–	(205)
Net interest expense					(70)	–	(70)
Tax on underlying profit					(64)	(3)	(67)
Underlying profit					**166**	**10**	**176**
Significant items							
Change in fair value of financial instruments					2	–	2
Gain on sale of Rockgas and AGS Facility					5	165	170
Remediation for Holidays Act non-compliance					2	–	2
Tax on significant items					(5)	–	(5)
Profit					**170**	**175**	**345**
Underlying profit per share (cents)					**23.2**	**1.4**	**24.6**

A3. Free cash flow

Free cash flow is a non-GAAP cash measure that shows the amount of cash Contact has available to distribute to shareholders, reduce debt or reinvest in growing the business. A reconciliation from EBITDAF to NZ GAAP operating cash flows and to free cash flow is provided below.

$m	Note	2020	2019
EBITDAF	A2	**451**	**518**
Tax paid		(70)	(47)
Change in working capital, net of investing and financing activities		7	(7)
Non-cash items included in EBITDAF		2	4
Significant items, net of non-cash amounts		–	(2)
Net interest paid, excluding capitalised interest		(49)	(65)
Operating cash flows	E6	**341**	**401**
Stay in business capital expenditure		(51)	(60)
Operating free cash flow		**290**	**341**
Proceeds from sale of assets/operations (net of tax)		–	390
Free cash flow		**290**	**731**
Operating free cash flow per share (cents)	B3	**40.4**	**47.5**

During the current reporting period, interest paid and interest received were reclassified to operating cash flows, to better reflect the purpose and use of the underlying instruments.

Stay in business capital expenditure is required to maintain our business operations and includes major plant inspections and replacements of existing assets.

B. Our funding

B1. Capital structure

Contact's capital includes equity and net debt. Our objectives when managing capital are to ensure Contact can pay its debts when they are due and to optimise the cost of our capital.

To manage the capital structure, the Board of Directors may adjust the amount and nature of distributions to shareholders, issue new shares and increase or repay debt.

Contact manages its capital structure to support a BBB credit rating and a gearing ratio suitable to the nature of our business.

$m	Note	2020	2019
Borrowings	B4	1,198	1,096
Shareholders' equity		2,621	2,782
Total capital funding		**3,819**	**3,878**
Gearing ratio		**31.4%**	**28.3%**

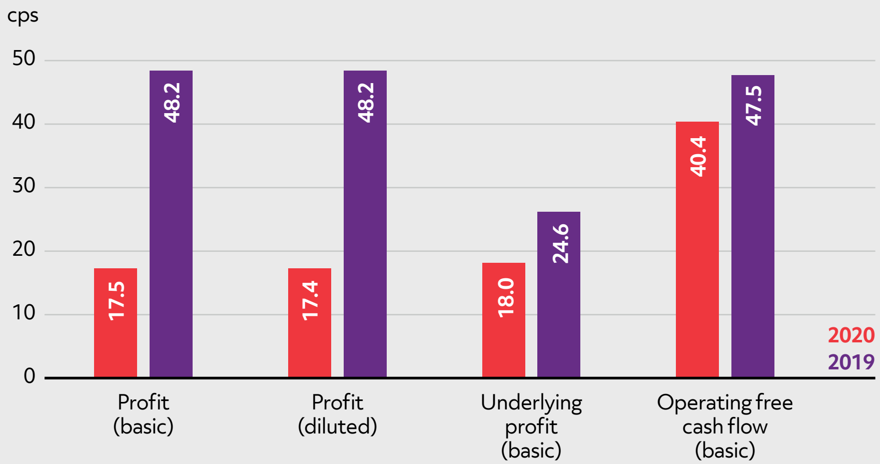
B2. Share capital

Share capital comprises ordinary shares listed on the NZX and ASX. Certain ordinary shares are held in trust on behalf of employees under the Contact Share scheme (note E10). All shareholders are entitled to receive distributions and to make one vote per share.

	Note	Number	$m
Balance at 30 June 2019		**716,774,782**	**1,523**
Share capital issued		1,357,102	5
Balance at 30 June 2020		**718,131,884**	**1,528**
Comprised of:			
Ordinary shares		717,853,729	1,529
Contact Share	E10	278,155	(1)

B3. Distributions

Earnings and operating free cash flow per share



Weighted average	2020	2019
Number of shares (basic)	717,652,455	716,623,167
Number of shares (diluted)	718,964,789	716,715,206

The basic earnings per share calculation uses the weighted average number of shares on issue over the period.

The diluted weighted average number of shares takes into account the number of share options, Performance Share Rights and Deferred Share Rights that are currently exercisable or will become exercisable because vesting depends only on an employee staying with Contact or it is likely vesting conditions will be met.

Dividends paid

Paid during the year ended	Cents per share	$m
2018 final	19.0	136
2019 interim	16.0	115
30 June 2019		**251**
2019 final	23.0	165
2020 interim	16.0	115
30 June 2020		**280**

On 7 August 2020, the Board resolved to pay a 65% imputed final dividend of 23 cents per share on 15 September 2020. On 7 August 2020, Contact had $7 million of imputation credits available for use in future periods.

B4. Borrowings

Borrowings are recognised initially at fair value less financing costs and subsequently at amortised cost using the effective interest rate method. Some borrowings are designated in fair value hedge relationships, which means that any changes in market interest and foreign exchange rates result in a change in the fair value adjustment on that debt.

Borrowings denoted with an asterisk (*) are Green Debt Instruments under Contact's Green Borrowing Programme, which has been certified by the Climate Bonds Initiative. At 30 June 2020 Contact remains compliant with the requirements of the programme. Further information is available on the Sustainability section on Contact's website.

$m	Maturity	Coupon	2020	2019
Bank overdraft	< 3 months	Floating	1	6
* Commercial paper	< 3 months	Floating	120	60
* Drawn Bank facilities	Various	Floating	64	16
Lease obligations	Various	Various	22	25
* Wholesale bonds	May 2020	5.28%	–	50
* USPP notes – US$56m	Dec 2020	3.46%	70	70
* Retail bonds – CEN030	Nov 2021	4.40%	150	150
* Retail bonds – CEN040	Nov 2022	4.63%	100	100
* USPP notes – US$22m	Dec 2023	4.19%	28	28
* USPP notes – US$51m	Dec 2023	4.09%	64	64
* USPP notes – US$42m	Dec 2023	3.63%	61	61
* Retail bonds – CEN050	Aug 2024	3.55%	100	100
* USPP notes – US$58m	Dec 2025	4.33%	73	73
* USPP notes – US$43m	Dec 2025	3.85%	62	62
* Export credit agency facility	Nov 2027	Floating	54	61
* USPP notes – US$15m	Dec 2027	3.95%	22	22
* USPP notes – US$23m	Dec 2028	4.44%	29	29
* USPP notes – US$30m	Dec 2028	4.51%	38	38
Face value of borrowings			**1,058**	**1,015**
Deferred financing costs			(4)	(5)
Total borrowings at amortised cost			**1,054**	**1,010**
Fair value adjustment on hedged borrowings			144	86
Carrying value of borrowings			**1,198**	**1,096**
Current			220	127
Non-current			978	969

Changes in borrowings

$m	2020	2019
Borrowings at the start of the year	1,096	1,494
Net cash borrowed/(repaid)	42	(425)
Non-cash change in lease obligations	1	(8)
Non-cash change in deferred financing costs	1	1
Non-cash change in fair value adjustment	58	34
Borrowings at the end of the year	**1,198**	**1,096**

Short-term funding

Contact uses bank facilities for general corporate purposes including to manage its liquidity risk (note D2). While drawings under our bank facilities are typically for periods of three months or less, the amounts drawn down can be rolled for the term of the facility. Drawn facilities are classified as current when the facility will expire within one year of the reporting period end.

Contact's total bank facilities (including undrawn facilities of $566 million at 30 June 2020) have a range of maturities as follows:

Maturity $m	2020	2019
Between 1 and 2 years	325	165
Between 2 and 3 years	195	120
More than 3 years	110	125
	630	**410**

$430 million of these bank facilities form part of Contact's Green Borrowing Programme.

Lease obligations

Contact's leases predominately relate to property and connections to the national electricity grid. These assets are included in the carrying value of property, plant and equipment (note C1).

Security

Contact's Deed of Negative Pledge and Guarantee and its United States Private Placement (USPP) note agreements restrict Contact from granting security interest over its assets, subject to certain permitted exceptions. Because of these restrictions, Contact's borrowings are all unsecured, except for lease obligations secured over the leased assets. The Deed of Negative Pledge and Guarantee and the USPP note agreements contain various debt covenants, all of which Contact complied with during the reporting period.

Cash and cash equivalents

Cash and cash equivalents exclude bank overdrafts which are included within borrowings. Contact trades electricity price derivatives on the ASX market using a broker that holds collateral on deposit for margin calls. At 30 June 2020, this collateral was $44 million (2019: $17 million) and is included within cash.

B5. Net interest expense

$m	Note	2020	2019
Interest expense on borrowings		(56)	(69)
Unwind of discount on provisions	E5	(5)	(5)
Capitalised interest		6	–
Interest income		–	4
Net interest expense		**(55)**	**(70)**

Interest expense on borrowings is made up of interest on drawn debt and interest rate swaps, interest on finance leases and the unwind of deferred financing costs.

Interest expense relating to finance leases for the period is $2 millon (2019: $2 millon).

C. Our assets

C1. Property, plant and equipment and intangible assets

Contact's property, plant and equipment (PP&E) and intangible assets include:

- Generation plant and equipment: hydro, geothermal and thermal power stations, and geothermal wells and pipelines.
- Computer software: our SAP system that is used for customer service and billing, finance functions and generation asset management, which has a value of $194 million (2019: $216 million) and a remaining life of nine years.

All assets are recognised at cost less accumulated depreciation or amortisation and impairments. Generation plant and equipment acquired before 1 October 2004 is recognised at deemed historical cost, which is the fair value of those assets at 1 October 2004, less accumulated depreciation and accumulated impairment losses.

The useful economic life of Taranaki Combined Cycle plant assets (excluding those depreciated on operating hours) was reassessed during the year for accounting purposes as a result of changes in the external environment, and the likely outcome that the plant will be closed once operating hours are fully utilised. As a change in accounting estimate, this was applied from 1 July 2019, and has resulted in an $18 million increase to depreciation in the year ended 30 June 2020.

Included within additions for the year ended 30 June 2020 is capitalised interest of $6 million in relation to capital works underway at the Tauhara geothermal field.

Property, plant and equipment $m	Generation plant and equipment	Other land, buildings, plant and equipment	Capital work in progress	Leased assets	Total
Cost					
Balance at 1 July 2018	5,593	108	151	60	5,912
Additions	14	1	27	1	43
Transfers from capital work in progress	20	2	(22)	–	–
Disposals	–	–	–	(1)	(1)
Balance at 30 June 2019	**5,627**	**111**	**156**	**60**	**5,954**
Additions	16	4	63	1	84
Transfers from capital work in progress	18	4	(22)	–	–
Disposals	(3)	–	–	–	(3)
Balance at 30 June 2020	**5,658**	**119**	**197**	**61**	**6,035**
Depreciation and impairment					
Balance at 1 July 2018	(1,538)	(92)	(1)	(28)	(1,659)
Depreciation charge	(160)	(6)	–	(3)	(169)
Disposals	–	–	–	–	–
Balance at 30 June 2019	**(1,698)**	**(98)**	**(1)**	**(31)**	**(1,828)**
Depreciation charge	(177)	(4)	–	(3)	(184)
Disposals	3	–	–	–	3
Balance at 30 June 2020	**(1,872)**	**(102)**	**(1)**	**(34)**	**(2,009)**
Carrying value					
At 30 June 2019	3,929	13	155	29	4,126
At 30 June 2020	**3,786**	**17**	**196**	**27**	**4,026**

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Intangible assets $m	Computer software and capital work in progress	Carbon emission units	Other	Total
Cost				
Balance at 1 July 2018	447	10	–	457
Additions	20	32	–	52
Transfers to assets held for sale	–	–	–	–
Disposals	–	28)	–	(28)
Balance at 30 June 2019	**467**	**14**	**–**	**481**
Additions	17	15	1	33
Disposals	(2)	(26)	–	(28)
Balance at 30 June 2020	**482**	**3**	**1**	**486**
Amortisation				
Balance at 1 July 2018	(185)	–	–	(185)
Amortisation charge	(36)	–	–	36)
Balance at 30 June 2019	**(221)**	**–**	**–**	**(221)**
Amortisation charge	(36)	–	–	(36)
Disposals	1	–	–	1
Balance at 30 June 2020	**(256)**	**–**	**–**	**(256)**
Carrying value				
At 30 June 2019	246	14	–	260
At 30 June 2020	**226**	**3**	**1**	**230**
Current	–	3	–	3
Non-current	226	–	1	227

Capital commitments

At 30 June 2020, Contact was committed to $8 million of capital expenditure (2019: $22 million) and $33 million of carbon forward contracts (2019: $38 million), of which $33 million is due within one year of the reporting period end and $8 million is due between one to two years of the reporting period end.

Cost

Contact capitalises the costs to purchase and bring assets into service. When Contact develops an asset, employee time and other directly attributable costs are capitalised and held as capital work in progress until the asset is commissioned.

Contact capitalises costs to obtain resource consents and to drill geothermal exploration wells. These costs are expensed if the existing area of operations that they relate to is unsuccessful or abandoned. All other geothermal exploration costs are expensed.

Carbon emission units are purchased to offset our emissions under the New Zealand Emissions Trading Scheme (ETS). The units are measured at weighted average cost. They are classified as current assets when they will be used to offset our ETS obligations at balance date or obligations expected to be incurred within one year of balance date.

Depreciation and amortisation

The cost of Contact's assets is spread evenly over their useful lives (straight line method) or, for certain thermal assets, over the equivalent operating hours (EOH) those assets are expected to be of benefit to Contact.

Management estimates an asset's useful life or EOH and this is reviewed annually.

Land, capital work in progress and carbon emission units are not depreciated or amortised. The depreciation and amortisation rates for all other assets are:

Asset	Rate/hours
Generation plant and equipment	
Straight line	1–33%
Equivalent operating hours	40,000–100,000
Other buildings, plant and equipment	2–33%
Computer software	5–50%

C2. Goodwill and asset impairment testing

Contact has two cash-generating units (CGUs): Wholesale and Customer. The Customer CGU includes goodwill of $179 million (2019: $179 million). Capital work in progress (CWIP) includes $140 million (2019: $98 million) related to future generation developments not allocated to a CGU.

The recoverable amount of an asset or CGU is calculated as the higher of its value in use and fair value less costs to sell. Every reporting period management estimates the value in use expected to be recovered from Contact's CGUs and future generation development in CWIP. An impairment is recognised when the value in use or fair value less costs to sell is lower than the carrying value.

Determining value in use involves estimating future cash flows for each CGU. These cash flows are adjusted for future growth based on historical inflation and discounted at a post-tax discount rate between 6% and 7% to arrive at the present value, or value in use, of each CGU. The future generation development is assessed separately, however, key inputs are the same as for the Wholesale CGU plus an estimate of plant commissioning costs.

No impairments were recognised in the current or prior period. Future cash flows were assessed on the basis that the New Zealand Aluminium Smelter continues to operate. Post balance date events in this respect are set out in note E14.

The key inputs to CGU and future generation development cash flows, and their method of determination, are (right):

Customer CGU	
Post-tax discount rate and inflation	External WACC report prepared by Cameron Partners and implicit inflation rate
Customer numbers and churn	Actual customer numbers adjusted for historical churn data and expected market trends
Margin per customer	Actual margin per customer adjusted for expected market changes
Estimated future capital expenditure and operating costs	Budgeted capital and operating expenditure, reflecting historical levels and known differences
Cost of purchased energy	ASX future electricity prices adjusted for location and seasonal shape
Wholesale CGU and future generation development	
Post-tax discount rate and inflation	External WACC report prepared by Cameron Partners, and implicit inflation rate
Wholesale electricity price path	Modelled wholesale prices based upon ASX future electricity prices adjusted for location and seasonal shape, and price estimates based on an analysis of expected demand and cost of new supply for periods not quoted on the ASX market
Generation volume and mix	Generation strategy based on expected demand, hydro volumes and expected market pricing
Estimated future capital expenditure and operating costs	Budgeted capital and operating expenditure, reflecting historical levels and known differences
Gas price	Contracted gas prices, otherwise Contact's best estimate of future prices

COVID-19

The impairment testing includes assumptions relating to the impact of COVID-19 on future cash flows. Forecast sales volumes, prices, gross margins, changes in working capital, foreign exchange rates and discount rates have been reassessed and updated as appropriate due to the significant changes in economic and market conditions. Uncertainty remains over the impact of COVID-19 in the medium to long term.

Sensitivities

The calculation of the value in use for the CGUs is most sensitive to the inputs for wholesale electricity prices and the post-tax discount rate.

Wholesale electricity prices are influenced by a number of factors that are difficult to predict, in particular weather, which can impact short term prices. Wholesale electricity prices may also be adversely affected by a reduction in demand, the availability of fuel and generation capacity in the wholesale electricity market, and competitor and transmission system availability.

The post-tax discount rate is an estimate of Contact's weighted average cost of capital and is influenced by a number of external factors such as the risk-free rate and inflation.

The sensitivity of the valuation model to the wholesale electricity prices and discount rate, where all other inputs remain constant, is as follows:

Significant unobservable inputs	Sensitivity	Impact $m
Post-tax discount rate	-1% +1%	+1,490 -994
Wholesale electricity price path	+10% -10%	+374 -374

The value in use exceeded the carrying value for all sensitivities carried out. There is interrelation between the key inputs in the valuation. Any changes in the price path and post tax discount rate would not occur in isolation and would drive other changes which could also impact the value in use.

D. Our financial risks

Contact's financial risk management system mitigates exposure to market, liquidity and credit risks by ensuring that material risks are identified, the financial impact is understood, and tools and limits are in place to manage exposures. Written policies provide the framework for Contact's financial risk management system.

D1. Market risk

Interest rate risk

Contact has fixed and floating rate debt and is exposed to movements in interest rates. For fixed rate debt the exposure is to falling interest rates as Contact could have secured that debt at lower rates, while for floating rate debt there is uncertainty of future cash interest payments.

Contact manages these risks through the use of interest rate swaps (IRS) and cross-currency interest rate swaps (CCIRS) to ensure that the total debt portfolio has an appropriate amount of fixed and floating rate exposure. The risk is monitored by assessing the notional amount of debt on a fixed and floating basis and ensuring this is in accordance with set policies.

Foreign exchange risk

Contact is exposed to movements in foreign exchange rates through its commitments to pay certain suppliers and United States Private Placement (USPP) note holders.

To mitigate this risk, forward foreign exchange contracts are used to fix future cash flows in NZD terms. Foreign debt is hedged through the use of CCIRS, which converts foreign currency principal and interest payments to NZD at a fixed exchange rate.

Commodity price risk

Contact is exposed to electricity price risk through the sale and purchase of electricity on the wholesale electricity market. Contact's integrated wholesale and customer businesses provide a natural hedge for most of this exposure. Derivatives may be used to fix the price at which Contact buys or sells any residual exposure to electricity price risks. In addition, Contact is party to fixed price, variable volume electricity price derivatives to provide cover in extreme price situations.

Contact is also exposed to natural gas price risk on purchases of natural gas. Short and long term gas purchase contracts are used to fix the price of gas. These are not derivative financial instruments.

Summary of derivative financial instruments

A summary of the exposures from derivatives and the impact on Contact's financial position, grouped by type of hedge relationship.

$m	Fair value hedge	Cash flow and fair value hedge	Cash flow hedge[1]		No hedge relationship	
2020	**IRS**	**CCIRS**	**IRS**	**Electricity price derivatives**	**Electricity price derivatives[2]**	**Total**
Notional amount of derivatives	188	447	660	5,247 GWh	385 GWh	
Maturity years	2021–2024	2020–2028	2020–2026	2020–2024	2020–2023	
Average rate/price[3]	1.7%	2.4%/0.76[5]	3.9%	$70/MWh	$96/MWh	
Carrying value of derivatives – asset	12	131	–	8	5	**156**
Carrying value of derivatives – liability[4]	–	(1)	(90)	(33)	(3)	**(127)**
Carrying value of hedged borrowings	199	578	–	–	–	**777**
Fair value adjustments to borrowings	(12)	(132)	–	–	–	**(144)**
2019						
Notional amount of derivatives	238	447	620	3,024 GWh	428 GWh	
Maturity years	2020–2024	2020–2028	2020–2026	2019–2022	2019–2023	
Average rate/price[3]	3.1%	3.7%/0.76[5]	4.3%	$67/MWh	$93/MWh	
Carrying value of derivatives – asset	8	78	–	1	6	**93**
Carrying value of derivatives – liability[4]	–	(4)	(77)	(29)	(3)	**(113)**
Carrying value of hedged borrowings	245	524	–	–	–	**769**
Fair value adjustments to borrowings	(8)	(78)	–	–	–	**(86)**

1. In addition to the derivatives disclosed, Contact had foreign exchange derivatives at 30 June 2020 with a notional value of $9 million and a carrying value of nil.
2. Notionals, maturities and average prices for electricity price hedges not in hedge relationships do not include fixed price, variable volume contracts and options not yet called.
3. Average interest rates for IRS and CCIRS are based on their pay legs. For pay-float swaps (CCIRS and IRS in fair value hedges), the rate comprises the floating base rate plus the margin.
4. The CCIRS liability arises from the cash flow hedge component.
5. USD.

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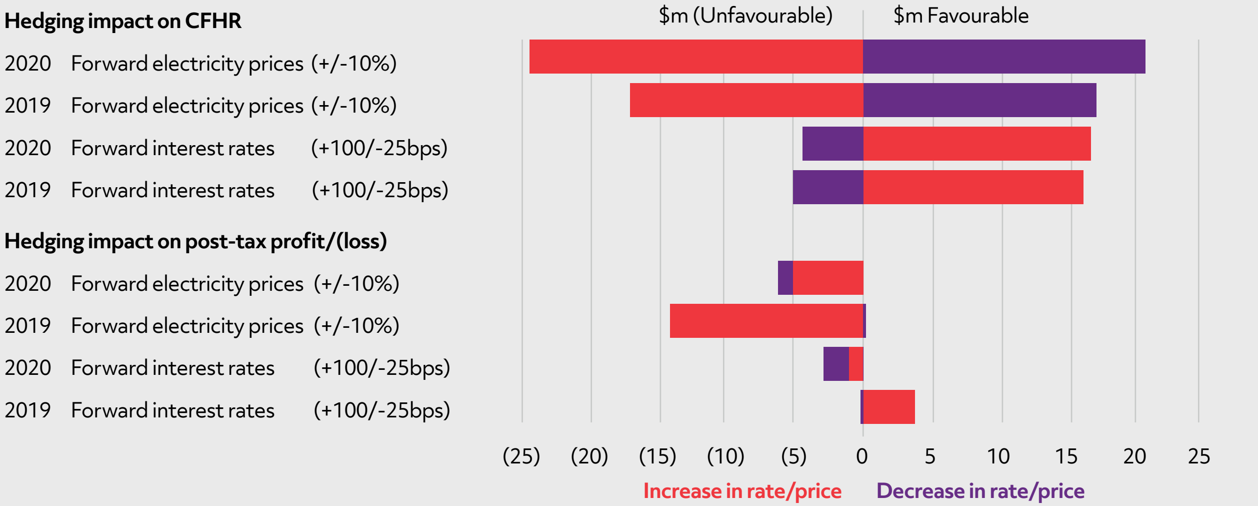
The change in fair value of derivatives recognised in the Statement of Comprehensive Income, within significant items and within other comprehensive income (OCI), is provided on the right grouped, by type of hedge relationship.

Further information on hedging activities and fair value of derivatives is provided in notes E7 and E8.

$m	Fair value hedge	Cash flow and fair value hedge	Cash flow hedge		No hedge relationship	
2020	IRS	CCIRS	IRS	Electricity price derivatives	Electricity price derivatives	Total
Change in fair value recognised in significant items						
• Hedge ineffectiveness	–	–	2	–	–	**2**
• Hedge effectiveness	4	54	–	–	–	**58**
• Non-hedge movements	–	–	–	–	(2)	**(2)**
• Fair value adjustments to hedged borrowings	(4)	(54)	–	–	–	**(58)**
Total change in fair value in significant items	**–**	**–**	**2**	**–**	**(2)**	**–**
Hedge effectiveness recognised in OCI	**–**	**2**	**(20)**	**(19)**	**–**	**(37)**
Amounts reclassified to profit/(loss)	**–**	**–**	**–**	**19**	**–**	**19**
2019						
Change in fair value recognised in significant items						
• Hedge ineffectiveness	–	–	–	–	–	**–**
• Hedge effectiveness	2	32	–	–	–	**34**
• Non-hedge movements	–	–	–	–	2	**2**
• Fair value adjustments to hedged borrowings	(2)	(32)	–	–	–	**(34)**
Total change in fair value in significant items	**–**	**–**	**–**	**–**	**2**	**2**
Hedge effectiveness recognised in OCI	**–**	**(2)**	**(24)**	**(31)**	**–**	**(57)**
Amounts reclassified to profit/(loss)	**–**	**–**	**1**	**(6)**	**–**	**(5)**

Sensitivities

The graph (right) summarises the impact on derivative valuations of possible changes in forward wholesale electricity prices and forward interest rates. The analysis assumes that all variables were held constant except for the relevant market risk factor.



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D2. Liquidity risk

To manage liquidity risk, Contact maintains a diverse portfolio of funding, debt maturities are spread over a number of years, and any new financing or refinancing requirements are addressed with an appropriate lead time. Contact maintains a buffer of undrawn bank facilities over its forecast funding requirements to enable it to meet any unforeseen cash flows.

Management monitors the available liquidity buffer by comparing forecast cash flows to available facilities, to ensure sufficient liquidity is maintained in accordance with internal limits.

Information on contracted cash flows in the table below is presented on an undiscounted basis.

CCIRS cash flows are included within Borrowings in the table below. US dollar inflows on the CCIRS offset the US dollar outflows on the USPP notes.

$m 2020	Total contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Trade and other payables	(163)	(163)	–	–	–
Borrowings	(1,226)	(303)	(195)	(448)	(280)
Electricity price derivatives – net settled	(39)	(29)	(6)	(4)	–
IRS – net settled	(20)	(10)	(6)	(4)	–
Foreign exchange derivatives – inflow	6	6	–	–	–
Foreign exchange derivatives – outflow	(6)	(6)	–	–	–
	(1,448)	**(505)**	**(207)**	**(456)**	**(280)**
2019					
Trade and other payables	(159)	(159)	–	–	–
Borrowings	(1,229)	(186)	(121)	(518)	(404)
Electricity price derivatives – net settled	(26)	(18)	(6)	(3)	–
IRS – net settled	(33)	(10)	(8)	(14)	(1)
Foreign exchange derivatives – inflow	4	4	–	–	–
Foreign exchange derivatives – outflow	(4)	(4)	–	–	–
	(1,447)	**(373)**	**(135)**	**(535)**	**(405)**

D3. Credit risk

Total credit risk exposure is measured by the financial instruments in an asset position of $374 million (2019: $316 million). To minimise credit risk exposure, Contact has a policy to only transact with credit worthy counterparties and to not exceed internally imposed exposure limits to any one counterparty. Where appropriate, collateral is obtained. Further information on customer related credit risk is provided in note E4.

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E. Other disclosures

E1. Tax

Tax expense is made up of current tax expense and deferred tax expense. Current tax expense relates to the current financial reporting period while deferred tax will be payable in future periods.

Tax is recognised in profit, except when it relates to items recognised directly in OCI.

A legislative change in the year ended 30 June 2020 has reinstated tax depreciation on buildings; accordingly Contact is able to claim tax depreciation on these assets from 1 July 2020. This has resulted in a decreased deferred tax liability in respect of those assets.

$m	2020	2019
Profit before tax – continuing operations	171	239
Tax at 28%	(48)	(67)
Tax effect of adjustments:		
• Prior period adjustments	(1)	(1)
• Reinstatement of tax depreciation on buildings	5	–
• Other	(2)	(1)
Tax expense – continuing operations	**(46)**	**(69)**
Current	(67)	(125)
Deferred	21	56

Contact's deferred tax liability is calculated as the difference between the carrying value of assets and liabilities for financial reporting purposes and the values used for taxation purposes.

$m	PP&E and intangible assets	Derivative financial instruments	Other	Total
Balance at 1 July 2018	(780)	14	15	(751)
Recognised in profit/(loss)	52	(1)	5	56
Recognised in OCI	–	17	–	17
Recognised in other reserves	–	–	2	2
Balance at 30 June 2019	(728)	30	22	(676)
Recognised in profit/(loss)	16	–	5	21
Recognised in OCI	–	4	–	4
Recognised in other reserves	–	–	(2)	(2)
Balance at 30 June 2020	**(712)**	**34**	**25**	**(653)**

E2. Operating expenses

Other operating expenses (note A2) include total labour costs of $99 million (2019: $99 million). Labour costs include contributions to KiwiSaver of $3 million (2019: $3 million).

Audit fees paid to Contact's auditor (KPMG) amounted to $560,000 for review of the interim, and audit of the year end, financial statements (2019: $509,000). Other fees paid to the auditor were $2,500 for scrutineering at the Annual meeting (2019: $2,500), $44,500 for other assurance work (2019: $nil), and $3,500 for supervisor reporting (2019: $3,500). Other assurance work relates to review of greenhouse gas emissions reporting, Global Reporting Initiative indicators and our Green Borrowings Programme.

E3. Inventory

Contact's inventories comprise gas in storage for use in thermal generation, consumables and spare parts for power stations, and diesel fuel for use in the Whirinaki power plant. Inventory gas is measured at weighted average cost. All inventories are stated at cost.

$m	2020	2019
Inventory gas	41	28
Consumables and spare parts	11	10
Diesel fuel	4	4
	56	**42**
Current	56	28
Non-current	–	14

E4. Trade and other receivables

$m	2020	2019
Trade receivables	102	85
Unbilled receivables	75	93
Provision for impairment	(3)	(2)
Net trade receivables	**174**	**176**
Contract assets	13	16
Prepayments	4	4
	191	**196**

Trade and unbilled receivables are recognised net of discounts based on past experience of the amount of discounts taken up by customers. Unbilled receivables represent Contact's best estimate of retail sales for unread electricity and gas meters at the end of the reporting period. The estimate uses the consumption history of customer meters to determine the relevant unbilled amount for the period.

Ageing of trade receivables past due but not impaired are:

$m	2020	2019
Less than one month	9	13
Greater than one month	2	5
	11	**18**

When Contact has been unable to collect amounts due from customers, those debts are written off. Trade receivables, net of recoveries, of $3 million (2019: $2 million) were written off during the reporting period.

COVID-19

Contact has increased its provision for impairment of trade receivables by $1 million at 30 June 2020 as a result of the expected impact of COVID-19.

Contract assets

Contact capitalises the incremental costs incurred to acquire new customers and amortises these costs to operating expenses over the expected life of the customer relationship. Incentives given to customers are also capitalised as a contract asset and amortised to revenue over a period of one to three years.

$m	2020	2019
Opening balance	16	13
Additions	8	12
Amortised to revenue	(8)	(6)
Amortised to operating expenses	(3)	(3)
Closing balance	**13**	**16**

Of the total contract assets balance, $9 million (2019: $8 million) is expected to be amortised within one year of the reporting period and the remainder between one to three years of the reporting period end.

E5. Provisions

Contact recognises restoration and environmental rehabilitation provisions for the expected costs to abandon and restore geothermal wells and generation sites and to remove asbestos from properties.

Other provisions includes $5 million relating to a change in the legal interpretation of discretionary payments under the Holidays Act (2019: $1 million for remediation of the Holidays Act non-compliance).

$m	Restoration/ environmental rehabilitation	Other	Total
Balance at 1 July 2019	(55)	(4)	(59)
Created	(3)	(5)	(8)
Released	1	–	1
Utilised	3	–	3
Unwind of discount	(5)	–	(5)
Balance at 30 June 2020	**(59)**	**(9)**	**(68)**
Current	(4)	(6)	(10)
Non-current	(55)	(3)	(58)

These provisions are based on estimates of future cash flows to make good the affected sites at the end of the assets' useful lives. The expected future cash flows are discounted to their present value using a pre-tax discount rate equivalent to a post-tax rate of between 6% and 7%.

E6. Profit to operating cash flows

A reconciliation of profit to operating cash flows is provided below.

$m	2020	2019
Profit	**125**	**345**
Depreciation and amortisation	220	205
Amortisation of contract assets	11	9
Change in fair value of financial instruments	–	(2)
Movement in provisions	5	3
Deferred finance costs	1	1
Bad debt expense	5	5
Share-based compensation	3	4
Significant items (net of tax payable)	5	(171)
Changes in assets and liabilities, net of non-cash, investing and financing activities		
Trade and other receivables	(8)	(40)
Inventories and intangible assets	(3)	12
Trade and other payables	1	7
Tax payable	(6)	36
Deferred tax	(18)	(13)
Operating cash flows	**341**	**401**

E7. Hedging activities

Contact has designated derivatives used to manage market risks into fair value and cash flow hedge relationships. A hedge ratio of 1:1 is applied for all hedge relationships, as the notional value of the derivative matches the notional value of the hedged item.

Fair value hedges

Interest rate risk

The derivatives (IRS) Contact uses to manage its interest rate risk meet the criteria for hedge accounting where they directly relate to issued debt. The hedge is against future fair value movements in the debt and can be for a portion of the debt. Contact has designated $188 million of retail bonds into fair value hedge relationships with receive-fixed, pay-floating IRS. The fixed interest rates and other terms match the relevant bond to create an economic relationship.

The bonds are recognised at amortised cost. Both the hedged risk and the hedging instrument (IRS) are recognised at fair value. The change in the fair value of both items is recognised in profit/(loss) and will offset to the extent the hedging relationship is effective. There are no material sources of ineffectiveness.

Cash flow hedges

The derivatives Contact uses to manage exposure to wholesale electricity prices, floating interest rate risk and foreign exchange rates usually qualify for cash flow hedge accounting. For cash flow hedges, only the derivative is recognised at fair value with the effective portion of all changes in fair value recognised in the cash flow hedge reserve. Any ineffective portion is recognised immediately in profit/(loss). Amounts recognised in the cash flow hedge reserve are reclassified to profit/(loss) or the Statement of Financial Position according to the nature of the hedged item.

The movement in hedge reserves is reconciled below.

$m	Note	2020	2019
Opening balance		(39)	7
Effective portion of cash flow hedges	D1	(37)	(57)
Transferred to revenue		23	(6)
Transferred to deferred tax		4	17
Closing balance		**(49)**	**(39)**

Included in the closing balance at 30 June 2020 is $2 million relating to the cost of hedging reserve (2019: $2 million).

Commodity price risk

Contact designates forecast electricity sales and purchases into cash flow hedges with electricity price derivatives. Volumes are matched to create an economic relationship. There are no material sources of ineffectiveness.

Interest rate risk

Contact designates a certain level of its floating rate exposure into cash flow hedges with receive-floating, pay-fixed IRS in line with set internal policies.

An economic relationship exists between the floating rate exposure and the IRS based on the reference interest rate. Ineffectiveness arises due to IRS that have been designated into hedge relationships part way through their term. These IRS were designated on 1 July 2018 on adoption of NZ IFRS 9.

Combined fair value and cash flow hedges

Contact has designated all its USPP notes into both fair value and cash flow hedge relationships with CCIRS, depending on the component of the USPP note being hedged:

- For the fair value hedges the change in fair value of the USPP note is recognised in profit/(loss) to offset the change in fair value of the relevant CCIRS component.
- For the cash flow hedges the change in fair value of the CCIRS component is recognised in the cash flow hedge reserve.

- The cost to convert foreign currency cash flows under CCIRS is excluded from the hedge relationship and recognised in the cost of hedging reserve.

An economic relationship exists based on the reference interest rates, exchange rate and other terms. There are no material sources of ineffectiveness.

Derivatives not in hedge relationships

These are electricity price derivatives purchased as part of a requirement to participate in the ASX futures electricity market, financial transmission rights and electricity price options. All changes in fair value of these derivatives are recognised directly in profit/(loss).

E8. Financial instruments at fair value

All derivatives are shown gross by instrument in the Statement of Financial Position (and in note D1) because Contact does not have a legally enforceable right to set off its assets and liabilities with the same counterparty, except in the event of default. The fair values of derivatives netted by counterparty are:

$m	2020 Asset	2020 Liability	2019 Asset	2019 Liability
CCIRS	130	–	74	–
Interest rate swaps	–	(78)	–	(69)
Electricity price derivatives	4	(27)	4	(29)
	134	**(105)**	**78**	**(98)**

Fair value

Contact uses discounted cash flow valuations with market observable data, to the extent that it is available, in estimating the fair value of all derivatives and borrowings. The key variables used in these valuations are forward prices (for the relevant underlying interest rates, foreign exchange rates and wholesale electricity prices) and discount rates (based on the forward IRS curve adjusted for counterparty risk).

All inputs are sourced or derived from market information except for forward wholesale electricity prices which are:

- derived from ASX market quoted prices adjusted for Contact's estimate of the effect of location and seasonality, or
- when quoted prices are not available or relevant (i.e. long dated and large contracts), Contact's best estimate of the cost of new supply is used. This is derived using key unobservable inputs, relevant wholesale market factors and management judgement.

Additional key inputs and assumptions used to determine the fair value of electricity derivatives include Contact's best estimate of volumes called over the life of electricity options, forward quoted commodity prices (e.g. adjustments as a consequence of initial recognition differences).

The following table provides a breakdown of the fair value of derivatives, excluding held for sale derivatives in the prior period, by the source of key valuation inputs:

$m	2020	2019
Sourced from market data	(15)	(6)
Derived from market data	55	9
Electricity price estimates	(11)	(23)
	29	**(20)**

The electricity price derivatives most affected by estimates are reconciled below:

$m	2020	2019
Opening balance	(23)	6
Gain/(loss) in profit/(loss):		
• wholesale electricity revenue	13	(4)
• change in fair value of financial instruments	–	–
Gain/(loss) in OCI	(3)	(25)
Instruments issued	2	–
Closing balance	**(11)**	**(23)**

For these derivatives a 10% increase in the electricity price would result in an unfavourable movement in fair value of $33 million (2019: $40 million) and a 10% decrease would result in a favourable movement in fair value of $29 million (2019: $20 million).

Initial recognition difference

Contact has two agreements in place with Meridian Energy Limited for the supply of 80MW and 18.75MW of electricity, which form part of the electricity required by New Zealand Aluminium Smelters Limited to operate its Tiwai smelter. The 80MW supply agreement has a remaining term of up to 11 years and the 18.75MW supply agreement runs until December 2022. These supply agreements are recognised as electricity price derivatives at fair value.

An initial recognition difference arises when the fair value of the derivative differs from its transaction price. The difference is accounted for by recalibrating the fair value by a fixed percentage to arrive at a value at inception equal to the transaction price.

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The calibration adjustment is applied to future valuations and reflects the estimated future gains or losses yet to be recognised in Statement of Comprehensive Income over the remaining life of the agreement. The change in calibration adjustment is provided in the table below:

$m	2020	2019
Opening difference	(1)	1
Initial differences in new hedges	7	–
Volumes expired and amortised	4	1
Changes for future prices and time	(4)	(3)
Closing difference	**6**	**(1)**

E9. Financial instruments at amortised cost

The value of financial instruments carried at amortised cost is provided in the table below.

$m	2020	2019
Cash and cash equivalents	44	47
Trade and other receivables	174	176
Trade and other payables	(163)	(159)
Borrowings	(1,054)	(1,010)

The fair value of borrowings is $1,215 million (2019: $1,115 million). This fair value is derived from market data.

E10. Share-based compensation

Equity scheme

Contact provides an equity award to certain eligible employees made up of options, performance share rights (PSRs) and deferred share rights (DSRs). If performance hurdles are met, or there is a company change in control, the awards vest and become exercisable. On exercise, PSRs and DSRs convert to ordinary shares at no cost to the employee and options convert on payment of the agreed exercise price or by utilising the option of a facility which cancels the options in return for an equivalent value in issued shares. There are no loans available. There are no holding/retention periods or ownership requirements for employees who exercise equity rights. The awards lapse if the performance hurdles are not met, if they are not exercised by the lapse date or if an employee voluntarily leaves Contact. The scheme continues on redundancy but the entitlements are adjusted.

The table following provides a reconciliation of the number of outstanding options and their weighted average exercise price.

	Options	
	Number outstanding	Price
Balance at 1 July 2018	6,145,368	$5.36
Exercised	(2,929,087)	$5.54
Lapsed	(596,100)	$5.32
Balance at 30 June 2019	**2,620,181**	**$5.17**
Exercised	(1,110,849)	$4.94
Lapsed	(9,678)	$5.54
Balance at 30 June 2020	**1,499,654**	**$5.33**

At 30 June 2020, no share options were exercisable.

The table below provides a reconciliation for the number of outstanding PSRs and DSRs. The exercise price of these awards is nil.

Number outstanding	PSRs	DSRs
Balance at 1 July 2018	767,565	588,212
Granted	124,751	859,458
Exercised	–	(271,932)
Lapsed	(100,475)	(144,840)
Balance at 30 June 2019	**791,841**	**1,030,898**
Granted	154,164	244,404
Exercised	(314,638)	(581,968)
Lapsed	(44,852)	(23,155)
Balance at 30 June 2020	**586,515**	**670,179**

Share options had a weighted average remaining life of 1 year and 1 month (2019: 1 year, 9 months), PSRs had 1 year and 10 months (2019: 2 years) and DSRs had 9 months (2019: 11 months).

Contact Share

Contact Share is Contact's employee share ownership plan that enables eligible employees to acquire a set number of Contact's ordinary shares. The shares are acquired on market and legally held by a trustee company for a restrictive period of three years, during which time the employee is entitled to receive distributions and direct the exercise of voting rights that attach to shares held on their behalf.

At the end of the restrictive period the shares are transferred to the employee. Employees who leave Contact due to redundancy, and in certain other circumstances, may have their shares transferred at that time; all other employees who leave Contact have their shares transferred to an unallocated pool. Shares in the unallocated pool can be used by the trustee company for future allocations under Contact Share.

Number outstanding	Contact Share
Balance at 1 July 2018	387,645
Shares purchased and issued	103,086
Transferred to employees	(170,890)
Balance at 30 June 2019	**319,841**
Shares purchased and issued	61,015
Transferred to employees	(102,701)
Balance at 30 June 2020	**278,155**

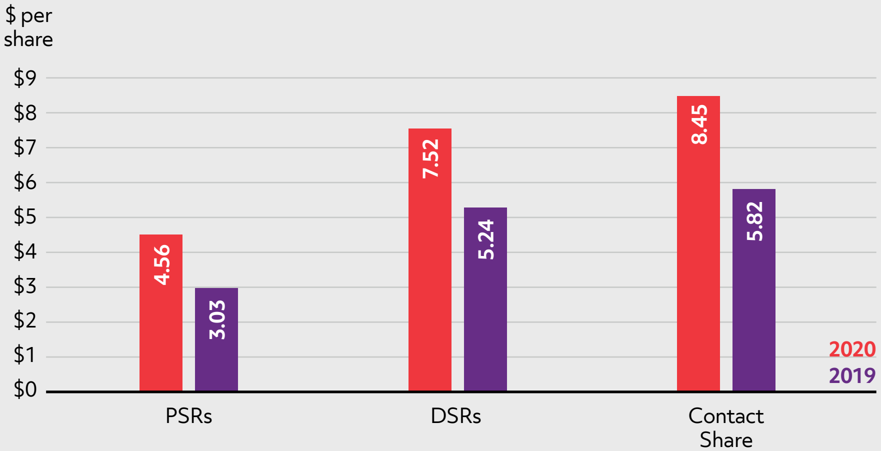
These shares have a weighted average remaining life of one year and two months (2019: one year, three months).

Share-based compensation reserve

The decrease in the share-based compensation reserve of $2 million is reconciled below:

$m	Note	2020	2019
Opening balance		10	6
Exercised share scheme awards		(6)	(2)
Share-based compensation expense		4	4
Current tax on share scheme		2	–
Deferred tax on share scheme	E1	(2)	2
Closing balance		**8**	**10**

The share-based compensation expense is based on the fair value of the awards granted adjusted to reflect the number of awards expected to vest. The fair values of awards granted during the reporting period are:



Key inputs in determining the fair values are:

	2020	2019
Risk-free interest rate	1%	2%
Expected dividend yield	7%	7%
Expected share price volatility	18%	17%

E11. Related parties

Contact's related parties include its Directors, the Leadership Team (LT), Simply and Drylandcarbon.

Simply Energy Limited

Contact owns a 49.9% share of Simply Energy Limited (Simply). Simply is based in Wellington, New Zealand and provides energy solutions to independent generators, retailers and commercial energy users. Contact has an option to acquire the remaining shares in Simply to take full ownership. The purchase price for the remaining shares will be based on the performance of Simply, with a minimum purchase price of $7 million and up to a maximum of $15 million of performance payments.

Drylandcarbon One Limited Partnership

Contact owns a 16.5% share of Drylandcarbon One Limited Partnership (Drylandcarbon) and at 30 June 2020 is committed to invest up to $16 million over the next four years. Drylandcarbon is based in Wellington, New Zealand and is focused on long-term carbon farming and afforestation on economically marginal land in New Zealand, which will offset some of Contact's carbon obligations.

Drylandcarbon is accounted for as an associate, as Contact has significant influence through its participation in Drylandcarbon's financial and operating policy decisions being equivalent to the other three foundational investors.

Contact applies the equity method of accounting for its investments in Simply Energy Limited, a joint venture, and Drylandcarbon One Limited Partnership, an associate. The initial investments are recognised at cost and are subsequently adjusted for Contact's share of the entities' profits or losses.

Contact sold its 50% interest in Rockgas Timaru Limited on 30 November 2018. Transactions with Rockgas Timaru Limited up to that point and all other related party transactions are disclosed below:

Received/(paid) $m	2020	2019
Simply Energy Limited		
Electricity contracts	2	–
Drylandcarbon One Limited Partnership		
Capital contributions	(4)	–
Rockgas Timaru Limited		
Sale of LPG	–	1
Key management personnel		
Directors' fees	(1)	(1)
LT – salary and other short-term benefits	(5)	(5)
LT – share-based compensation expense	(2)	(2)
Balances payable at end of the year		
Key management personnel	–	(1)

Members of the Leadership Team and Directors purchase goods and services from Contact for domestic purposes on normal commercial terms and conditions. For members of the Leadership Team this includes staff discount available to all eligible employees.

E12. Contingencies

The Electricity Authority (EA) have issued a preliminary finding on the claim of an Undesirable Trading Situation (UTS) against Contact and Meridian Energy in November and December 2019, that there was a UTS between 3 December and 18 December 2019. In relation to Contact it found that viewed in isolation the offering behaviour at Contact's South Island stations during the period did not cause outcomes that were significant enough to constitute a UTS. If the EA finds a UTS existed then under the Electricity Participation Code the EA has a number of remedies available to it including directing that any trades be closed out or settled at a specific price. Contact has made no provision for this outcome within these financial statements.

In the normal course of business the Company is subject to inquiries, claims and investigations. There are no other material matters to disclose in this respect.

E13. New accounting standards

There are no new accounting standards issued but not yet effective which materially impact Contact.

E14. Post balance date events

Closure of New Zealand Aluminium Smelters

On 9 July 2020, Rio Tinto announced that it would start planning for the wind-down of operations and the eventual closure of New Zealand Aluminium Smelters (NZAS) in August 2021.

As a major user of electricity in the South Island, representing around 13% of total New Zealand demand, an exit of NZAS has a significant impact upon the electricity market.

The announcement represents a material non-adjusting event to Contact in line with NZ IAS 10 *Events after the Reporting Period*. The significant impacts of the announcement have been assessed as follows:

Asset Impairment Testing

The existing asset impairment testing is set out in note C2. A high level assessment of the impact of an unmitigated NZAS exit in August 2021 on the value in use of Contact's CGUs and future generation development has been completed. The difference between this and the value in use at 30 June 2020 is as follows:

Impact on 30 June 2020 value in use of NZAS exit $m	Expected
Wholesale CGU	(1,391)
Customer CGU	(195)
Future generation development	(218)

Given the level of headroom, early indications are that the carrying value of the Wholesale and Customer CGUs will be supported with no requirement to record an impairment loss.

The sensitivity of the NZAS exit impairment testing on the CGUs, incorporating current expected changes to the wholesale electricity prices and discount rate is demonstrated as follows:

Significant unobservable inputs	Sensitivity	Impact $m
Post tax discount rate	-0.5% +0.5%	527 (426)
Wholesale electricity price path	+15% -15%	410 (410)

The range of sensitivities for the post-tax discount rate and wholesale price path have been altered from our 30 June 2020 sensitivities. The reduction in the WACC sensitivity range reflects the degree of risk incorporated into the cash flows, and the increase in the wholesale price range reflects the greater uncertainty in the future wholesale prices with the announcement by Rio Tinto.

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A change in the wholesale electricity price path assumptions of -8% individually would eliminate the headroom on the wholesale CGU valuation. However, there is interrelation between the key inputs in the valuation, and such a reduction in the price path may drive other changes which could also impact the value in use.

With an expected significant delay in commissioning, and reduction in wholesale price path, the current value in use of the Tauhara future generation development is expected to reduce, therefore Contact expects that it will write off or impair a portion of the Tauhara capital work in progress in FY21. At this stage the expected impairment is around $120 million to $140 million of the $140 million CWIP balance held at 30 June 2020.

Asset useful lives review

With the impacts of an NZAS exit, Contact expects that the useful economic life of TCC may be further reduced (note C1), with early expectations being an end of useful life of 31 December 2021. This would lead to an additional $34 million of depreciation in the year ended 30 June 2021.

At this stage, Contact does not expect to reduce the useful economic lives of the remainder of its portfolio of assets.

Financial instruments

The exit of NZAS will directly impact the hedging instruments that Contact holds with Meridian relating to their electricity supply agreement with the smelter.

The reduction in the price path post year end also impacts upon the value of Contact's electricity price derivatives.

The impact of applying the updated price path as at 24 July 2020, around two weeks following Rio Tinto's announcement, to Contact's electricity price derivatives is as follows. The price path has been taken at this date to allow time for the market to adjust to the news.

Fair value $m	Price path 30 June 2020	Price path 24 July 2020
Meridian price derivatives – Cash flow hedge	(3)	(4)
Meridian price derivatives – Fair value hedge	1	–
Other price derivatives – Cash flow hedge	(17)	1
Other price derivatives – Fair value hedge	1	3

For electricity price derivatives in a cash flow hedge, the movement will be recognised in other comprehensive income and the cash flow hedge reserve. For those held at fair value through profit and loss, the gain/loss will be recorded in profit or loss.

Acquisition of Simply Energy Limited

On 7 August 2020, the Board approved the acquisition of the remaining 50.1% shareholding of Simply Energy Limited (see note E11). In addition to the remaining $2 million payment for the initial 49.9% shareholding, the fixed consideration of $7 million will be paid over the next two years followed by a potential variable performance-based payment in December 2022.

Independent auditor's report

To the shareholders of Contact Energy Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Contact Energy Limited (the 'company'), the entities over which it has control or joint control and its investment in associate (the 'group') on pages 70 to 95:

i. present fairly in all material respects the Group's financial position as at 30 June 2020 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 30 June 2020;
- 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 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('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 trustee reporting, annual meeting scrutineering and other assurance for Greenhouse gas emissions reporting, Global Reporting Initiative indicators and Green Borrowings Programme reporting. 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.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the group's major activities in the financial year ended 30 June 2020. The customer business had a continued focus on creating positive customer experiences with the wholesale business focused on accelerated decarbonisation of New Zealand's energy sector. In the current period the external environment impacts of COVID 19 and post year end the announcement of the closure of New Zealand Aluminium Smelters has affected the activities of Contact.

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 $8 million determined with reference to a benchmark of group profit before tax. We chose the benchmark because, in our view, this is a key measure of the group's performance

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.

KPMG

The key audit matter	How the matter was addressed in our audit
Carrying value of cash-generating units – Note C1 and C2 of the financial statements	
The Group separates its business into two cash-generating units (CGUs) for the purpose of asset impairment testing. The value of each CGU, including any allocated goodwill, is supported by a discounted cash flow model which is inherently subjective. We focused primarily on the generation assets due to the significance of the assets relative to the Group's financial position, the impact changes in underlying assumptions may have and the sensitivity of the generation portfolio to developments and changes in the electricity generation sector as a whole. The significant assumptions in the generation model are forward electricity prices, future generation volumes, forecast operating and asset costs, the terminal growth rate and the discount rate applied to the future cash flows. All these assumptions involve judgement.	Our work to assess whether the Group should recognise any impairment to the CGUs included ensuring the methodology adopted in the model is consistent with accepted valuation approaches. We also assessed whether the modelled cash flows appropriately reflect the Group's strategy and budget. We tested the significant judgements in the modelled cash flows by comparing forward electricity prices to external market projections, comparing future generation volumes to historical volumes, comparing operating costs and asset renewal costs to historical levels and budgets and assessing any impact in changes in the cost structure of generation sites. We also compared the model's terminal growth and discount rates to our own independently determined rates. We challenged the assumptions by performing a sensitivity analysis, considering a range of likely outcomes based on various scenarios. We are satisfied that the forward electricity prices, future generation volumes, forecast operating and asset renewal costs, terminal growth rate and discount rate assumptions used by Management were within acceptable ranges and in line with the current market view. As an overall test we compared the Group's net assets at 30 June 2020 of $2.6 billion to its market capitalisation of $4.5 billion and noted an implied headroom of $1.9 billion.
Future development of generation capital work in progress – Note C1 and C2 of the financial statements	
We considered the recoverability of capital work in progress, with a particular focus on the Tauhara geothermal project that is held for future development at 30 June. We consider this a key audit matter due to the recoverability assessment being based on Management's intention for continued investment in the project; the impact of future developments in the electricity generation sector and the level of judgement involved in the assumptions modelled to determine future economic feasibility of this project.	We satisfied ourselves that the recoverability of generation projects held in capital work in progress for future development were supported by appropriate development plans including an initial works contract and modelled cash flows at year end. We considered Contact's generation asset portfolio strategy and known third party future generation developments and the potential impact of these on the Tauhara project as well as the wholesale generation market as a whole. We tested the significant judgements in the Tauhara project modelled cash flows by comparing: • Forward electricity prices to external market projections; • Future generation volumes, operating costs and asset renewal costs to budgets. • The model's discount rates to our own independently determined rates. We challenged the assumptions by performing a sensitivity analysis, considering a range of likely outcomes based on various scenarios.

The key audit matter	How the matter was addressed in our audit
Post balance date event disclosure – Note E14 of the financial statements	
On 9 July 2020, following the conclusion of its strategic review, Rio Tinto announced that it would start planning for the exit of New Zealand Aluminium Smelter ("NZAS") by August 2021. There is judgement involved in determining whether the announcement of the closure of NZAS reflected conditions that existed at 30 June 2020 and as a result whether it is an adjusting or non adjusting post balance date event. As the event is of a material nature, the impact has been quantified by the Group and disclosed in the financial statements. There is significant judgement involved in the assumptions used in the revised carrying value of the generation CGU assessment, the future Tauhara development and reassessment of specific generation asset useful lives. Our focus was on the judgments and assumptions impacted by the change in market conditions.	We considered whether the announcement of NZAS's closure was an adjusting or non adjusting post balance date event. NZ IAS 10 Events after the Reporting Date paragraph 3(b) defines a non-adjusting event as an event that is indicative of conditions that arose after the reporting period. We assessed the announcement of the NZAS exit as a change in market conditions that arose post balance date. We assessed whether the post balance date event is of a material nature that the financial impact required disclosure in the financial statements. To assess whether the post balance date events disclosure was reasonable. We considered Contact's change in assumptions in respect of the future strategy of its generation assets portfolio. We specifically: • considered the change in the useful economic life of the Taranaki Combined Cycle ("TCC") plant; and • recalculated the estimated increase in depreciation for the year ended 30 June 2021 in respect of the TCC plant based on the revised useful life to ensure the disclosed financial impact was reasonable. Our work to assess whether the Group should disclose the financial impact of a subsequent impairment to the Generation CGU included assessing whether the revised modelled cash flows appropriately reflect the Group's strategy and budget. We obtained Management's revised generation cash generating unit modelled cash flows. We are satisfied that the updated forward electricity prices, revised future generation volumes, revised forecast operating and asset renewal costs, terminal growth rate and discount rate assumptions used by Management were within acceptable ranges and in line with the market conditions post balance date. We assessed Management's revised cash flows and assumptions in respect of the Tauhara geothermal project, specifically the impact of the updated forward electricity prices and a revised commissioning date, on the assessment of recoverability of the carrying value to ensure the disclosed financial impact was reasonable. We are satisfied that the estimated financial impact disclosed is within an acceptable range. We recalculated the impact on the fair value of electricity price derivatives due to the change in ASX prices post balance date based on the updated price path at 24 July 2020. We are satisfied that the estimated financial impact disclosed is within an acceptable range. As an overall test we compared the Group's net assets at 30 June 2020 of \$2.6 billion to its market capitalisation of \$4.1 billion at 30 July and noted an implied headroom of \$1.5 billion. We reviewed the balance sheet to ensure all material estimated financial effects of the post balance date event were appropriately disclosed.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes Key activity this year, Chair's and CEO report, Who we are, Accessibility, Reliability, Environmental sustainability, Governance matters and additional disclosures. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 David Gates.

For and on behalf of

KPMG

David Gates
KPMG
Wellington
7 August 2020

Corporate directory

Board of Directors

Robert McDonald (Chair)
Victoria Crone
Whaimutu Dewes
Jon Macdonald
David Smol
Elena Trout
Dame Therese Walsh

Leadership team

Mike Fuge
Chief Executive Officer
Jan Bibby
Chief People Officer
Venasio-Lorenzo Crawley
Chief Customer Officer
Dorian Devers
Chief Financial Officer
James Kilty
Deputy Chief Executive Officer
Catherine Thompson
Chief Corporate Affairs Officer and General Counsel
Jacqui Nelson
Chief Generation Officer

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Auditor

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Change of address, payment instructions and investment portfolios can be viewed and updated online:

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