Growing. Investing. Leading.

2021 Integrated Report

Welcome to our second integrated report. This report explains 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 2021.

We expect it to be of interest to our people, customers, investors, suppliers, business partners, local communities, tangata whenua, legislators, regulators, policymakers and all other stakeholders.

It 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 16 August 2021 and is signed on behalf of the Board of Directors of Contact Energy:

Robert McDonald
Chair

Dame Therese Walsh
Chair, Audit and Risk Committee

Our Chair Robert McDonald and the Board of Directors will host shareholders at the Contact Energy AGM in mid-November 2021. The notice of meeting and agenda will be provided to shareholders in October 2021.

More than 98 per cent of Contact Energy shareholders receive digital reports from us. We encourage shareholders to move to digital, and 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.
Contact26	Contact's strategy which sets out the company's plan of action for the five years until 2026.
EBITDAF	Earnings before interest, tax, depreciation, amortisation, and changes in fair value of financial instruments.
ERANZ	The Electricity Retailers Association represents companies that sell electricity to New Zealand 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.
FY19	The financial year ended 30 June 2019.
FY20	The financial year ended 30 June 2020.
FY21	The financial year ended 30 June 2021.
FY22	The financial year ended 30 June 2022.
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 subsidiary), Western Energy Services Limited (a subsidiary) 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 hydroelectric generation.
<IR>	The Integrated Reporting Framework is a principles-based framework for corporate reporting.
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.
SDGs	Sustainable Development Goals are 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 are intended to be achieved by 2030.
Stratford CCGT	Stratford power station comprises one combined cycle unit and two open cycle gas turbine units.
TCFD	The Task Force for Climate-related Financial Disclosures provides a framework for climate-related financial risk disclosures.
Terrawatt	Unit of power equal to one million million watts.
TRIFR	Total Recordable Injury Frequency Rate is a globally recognised measure of injury rates that can be benchmarked.
TWoW	Transformative Ways of Working is one of our major strategic focuses for the coming 12–18 months. It's about reimagining our traditional ways of working.

Key activity this financial year

July

$40m appraisal confirms Tauhara geothermal field is a world-class, low-emissions renewable project.

Jacqui Nelson joined the leadership team as Chief Generation Officer.

Launched our office/home rotational working model for our customer teams.

August

Announced FY20 results with EBITDAF of $451m* and net profit of $125m.

Announced we were taking 100% ownership of energy solution business Simply Energy.

First Kiwi company to join the Nasdaq Sustainable Bond Network.

*refer to note A2 of the financial statements.

September

Paid 23c per share FY20 final dividend to investors, following on from interim dividend of 16c per share in April 2020.

23c per share

October

Ngā Kaihautū o te awa o Waikato presented their assessment of the cultural impacts of the 2019 Karapiti incident.

November

Director Whaimutu Dewes advised he would retire from the Board in March 2021.

December

OMV revised down estimates of the gas it could produce for us from the Maui/Pohokura fields in 2021.

Fined $162,500 in the Environment Court for the 2019 Karapiti incident's impact on the Waipuwerawera and Waikato awa.

Announced feasibility study with Meridian Energy to investigate green hydrogen in Southland.

January

Agreed to supply a portion of the Tiwai Point aluminium smelter's electricity as its owners confirmed it would operate until the end of 2024.

Signed a four-year sustainability-linked loan with MUFG Bank worth $75m.

February

Announced $580m investment to develop 152MW geothermal power station at Tauhara, and began a strategic review of our thermal assets.

FY21 interim results revealed EBITDAF of $246m and net profit of $78m.

Announced a $400m equity raise for our capital investment programme.

March

Rukumoana Schaafhausen joined the Board as an independent director.

Established a new arrangement with highly regarded wind generation experts Roaring40s.

Director Dame Therese Walsh advised she would retire from the Board.

Marked the beginning of the Tauhara power station construction with a ceremony hosted by Tauhara Hapū.

April

Acquired Taupō-based geothermal well specialists Western Energy.

Named most trusted electricity/gas provider in Reader's Digest Trusted Brand awards.

Cleared of breaching the Electricity Authority's conduct rules after an investigation into our actions when Clutha River was in flood in 2019.

May

Customers Open Country Dairy and Nature's Flame were winners at the 2021 Energy Excellence Awards.

Announced our 'Thermal Co' concept as a potential option to enable low-carbon security of supply for NZ.

June

Published new verified science-based climate change targets in line with limiting global warming to 1.5˚C.

Announced sponsorship of the APEC CEO Summit 2021.

Rated lowest in Consumer NZ's 2021 power company satisfaction survey.

50k broadband connections

Reached 50,000 broadband connection milestone.

Chair's report

Welcome to Contact's FY21 integrated report. I'm very pleased to be sharing some observations on the year, and to be looking ahead to the future possibilities and opportunities for Contact.

As you read this year's report, you'll see that FY21 has been a year in which we have achieved a lot, we have delivered good returns for our shareholders, and we have ensured the business is well-positioned for future growth. I acknowledge everyone on the Contact team who has put their energy in day after day to make this happen. Even with the unpredictable and unprecedented challenges of the COVID-19 pandemic, Contact's people have consistently delivered.

Strategy

The Contact26 strategy was developed in the second half of FY21 and sets out the company's plan of action for the five years until 2026. This report is structured around the Contact26 strategic themes and enablers. It also uses the Global Reporting Initiative (GRI) standards and the International Integrated Reporting Council <IR> Framework to report on material environmental, social and governance activities, and to provide a balanced view of our performance.

Through Contact26, Contact is ushering in a time of significant change and adaptation, and is being positioned for growth. The focus is on leading New Zealand's decarbonisation.

New Zealand is privileged to start the decarbonisation journey with a low-carbon electricity system. As demand for electricity grows with industry and transport decarbonising, Contact will bring new renewable projects to market to meet that increased demand.

To that end we are very pleased to be progressing with the world-class Tauhara geothermal project. The final decision to proceed was accompanied by $580m of additional investment. We are absolutely delighted that market conditions now allow us to proceed with this important development – one which has been in the planning stages for more than a decade.

We believe the Tauhara geothermal project is New Zealand's best low-carbon renewable electricity opportunity. It will operate 24/7, is not reliant on the weather and is ideal for displacing baseload fossil fuel generation from the national grid, which will significantly reduce New Zealand's carbon emissions.

It was notable that Prime Minister Jacinda Ardern and the Minister of Energy Hon Dr Megan Woods joined us in March for the launch ceremony hosted by Tauhara hapū: Tauhara is not just important for Contact, but for New Zealand. It is a major post-COVID-19 private sector investment, and will have a substantial impact on the country's goal to become 100 per cent renewable-energy powered by 2030.

In March we successfully completed a $400m equity raise for our capital investment programme, to initially reduce net debt and provide financial flexibility to fund the Tauhara project and other future growth projects. The capital raise gives us the flexibility to execute on up to $800m of additional projects beyond Tauhara.

Looking to future growth projects, this year we entered an exclusive partnership with wind generation experts Roaring40s to develop a pipeline of large-scale wind generation assets, we acquired specialist geothermal service company Western Energy, and in July 2021 we released a report we have been working on with Meridian Energy that examines the potential to develop green hydrogen at scale in the South Island.

New Zealand is privileged to start the decarbonisation journey with a low-carbon electricity system. As demand for electricity grows with industry and transport decarbonising, Contact will bring new renewable projects to market to meet that increased demand.

The Contact26 strategy was developed in the second half of FY21 and sets out the company's plan of action for the five years until 2026.

Projects like Tauhara and other potential geothermal developments, the work that Western Energy does to make geothermal production more efficient, the work that Simply Energy does to help customers, examining the potential of hydrogen, and investigating the best wind projects are exactly the types of things that will play an important role in New Zealand's transition to a low-carbon future.

Contact26 gives impetus to these important projects and many others across the company. This includes using automation and digitisation to simplify experiences, and expanding into new products and plans to help our customers. And it includes embracing transformative ways of working to ensure we have a highly engaged and productive team.

Contact26 was underpinned by two significant shifts in our operating environment. Rio Tinto announced it would extend the operation of New Zealand's Aluminium Smelter at Tiwai Point – a major source of demand for the energy sector – until the end of 2024. Alongside that we have the continued acceleration in stakeholder expectations and regulatory pressure around natural resource management, particularly climate change, and the drive for action to reduce New Zealand's carbon dioxide emissions.

Contact is pleased to have played its part in helping to secure the NZAS resolution, which has provided much-needed certainty that the transition away from this significant source of demand can be achieved in an orderly way.

Financials

FY21 has been a year in which we have continued to deliver solid returns for our shareholders and made significant moves to ensure the company is well-positioned for the future.

We delivered a strong financial result in FY21 after successfully navigating the potential departure of major energy users, the short-term issues around low rainfall in the hydro catchments, and the ongoing challenges around gas supply.

As signalled last year, the dividend policy was revised to target a payout ratio of between 80 and 100 per cent of the average operating free cash flow of the preceding four financial years. This saw the Board approve a final cash dividend of 21 cents per share which will be paid on 15 September 2021 and deliver investors a 35 cents per share annual dividend.

People

On a personal note, I would like to acknowledge the departure in March of independent director Whaimutu Dewes after more than 10 years on the Contact Board. Independent director Dame Therese Walsh will also leave the Contact Board this year to focus on her other governance roles. Both Whaimutu and Dame Therese have made considerable contributions to Contact and I would like to thank them both very much, and to wish them both well.

In March we were joined by a new independent director, Rukumoana Schaafhausen. She holds a range of governance roles at various organisations and has strong iwi connections and experience.

We are delighted to have her strong values, diverse thinking, and passion for Aotearoa on the Contact Board. We are looking forward to having Sandra Dodds join the Contact Board in September. She will bring an international infrastructure perspective, as well as strong financial skills and governance experience.

I would also like to formally thank Mike and the leadership team for consistently demonstrating strong and clear leadership inside Contact and to our external stakeholders, and ensuring that we deliver on our strategy. The results, and the many other significant accomplishments outlined in this report, are a testament to this.

I think we can all be proud of the important contribution Contact is making to New Zealand and the position the company is in. Contact is a strong participant in New Zealand's efficient, competitive energy market, and is well placed to be a leader in the country's decarbonisation.

Over the coming year we will focus on delivering our Contact26 strategy, as we build a better future for New Zealand and create value for all stakeholders, alongside sustainable success over the long term.

Ngā mihi nui,

Robert McDonald
Chair

CEO's report

I'm delighted to be sharing my perspectives on another action-packed and opportunity-laden year for Contact, after completing my first full year as CEO.

I feel pride and satisfaction at all that we have achieved over the past year. We have continued our strong performance and positioned ourselves well for the future. As we look to FY22 and beyond, there is a lot more to do – it is a very exciting time to be involved in the electricity sector.

We have had a significant strategic reset with Contact26, which was delivered in the second half of FY21 and has ushered in an exciting new chapter for the business. At the heart of Contact26 is our commitment to building a better New Zealand and leading the country's decarbonisation.

We will do this by growing demand for New Zealand's renewable electricity; developing new, renewable, flexible electricity generation; decarbonising our portfolio; and creating outstanding customer experiences. The key enablers of our strategy will be our commitment to strong environmental, social and governance practices, a focus on operational excellence and the ongoing transformation of how we work.

We are well-positioned to deliver our strategy. We have a strong platform with our existing knowledge and capabilities in decarbonisation. We have the renewable assets and development pipeline we need to provide firm and flexible electricity supply at a reasonable price. And we have considerable flexibility in our portfolio. We also have the people with the passion, capability and commitment to deliver.

At the heart of Contact26 is our commitment to building a better New Zealand by leading the country's decarbonisation.

Advances in technology and the improving economics will accelerate the shift toward electrification across the economy. Fossil fuel input costs have rapidly risen, with carbon costs doubling over the past two years. Gas prices are rising as supply becomes less secure. Meanwhile the cost of green technologies has fallen, as new uses like green hydrogen emerge and electric vehicle production gains scale.

The upshot is that clean, low-cost, renewable electricity will be increasingly attractive and in hot demand. And we are ready to respond. We are more than ready. We are in action.

Tauhara and beyond

Most notably, we made the decision in February to proceed with the development of the Tauhara geothermal power station.

An enormous amount of complex work went into the project ahead of the final investment decision: research, preparation, discussion, listening and engineering wizardry must happen before an investment like this can get off the ground. It has been a long time coming, with some of the people involved at Contact since the initial phase of investigation kicked off more than 10 years ago.

Another major focus is on the retail business where our energy is going into creating outstanding customer experiences.

I would like to thank the team for their perseverance, resilience and patience. I have appreciated the guidance and passion of our then deputy CEO James Kilty and the intellectual horsepower and common sense of Dr Mike Dunstall and our team of engineers and project managers. We have a fantastic team from within and beyond Contact who will ensure the construction of a world-class power station that everyone can be very proud of.

It does not stop with Tauhara. We are actively looking at how we can bring more geothermal development forward in response to the clear market signals. And we are underway with innovative options including increased generation efficiency from our existing assets (for example, new and improved turbines and refined geothermal processes) and exploring options around wind, solar and the potential development of a battery in the North Island.

We have a fantastic team, engagement is high, and we are building our capability to support growth.

I am also excited about our work with Meridian Energy to investigate the potential of a large-scale, renewable hydrogen production facility in the lower South Island. This could see a new industry established that could deliver long-term economic value for New Zealand while helping to decarbonise our economy.

Another major focus is on the retail business where our energy is going into creating outstanding customer experiences. This commitment has seen us grow our net promoter score across all of our customer 'touchpoints' by 39 points over the past five years in a highly competitive market. Disappointingly we rated lowest in Consumer NZ's power company satisfaction survey. We intend to understand what contributed to this.

In line with our plans to increase customer connections by expanding into new products and services, we now have more than 50,000 broadband connections and we are New Zealand's fastest-growing broadband provider. We had zero broadband connections four years ago.

People

Our focus also remains very much on our people. We know the success of our strategy hinges on our people being ready and excited to execute. We have a fantastic team, engagement is high, and we are building our capability to support growth.

This will see us build on our Transformative Ways of Working (TWoW) programme to re-engineer the way we work. We are making work at Contact more flexible for our people, improving their experience, helping them to be productive, and at the same time delivering savings to the bottom line. Our engagement survey results show we are moving in the right direction, but we will need to keep evolving and improving.

We have had some changes to our leadership team this year. Our Chief Customer Officer Vena Crawley left the company in April 2021. He was a highly valued member of the leadership team, and has delivered on the retail business transformation and the development of our technology strategy, and created our digital and data road map.

Deputy CEO James Kilty finished up at Contact in July 2021, to take up the role of CEO at electricity distributor Powerco. James has made a huge contribution to Contact and the New Zealand electricity industry after nearly 20 years at the company. He has been instrumental in delivering countless major strategic initiatives across all areas of the Contact business – I have enjoyed his keen strategic mind and wise counsel.

On behalf of the Contact whānau, I would like to thank both James and Vena and wish them well for the future.

In July 2020 we announced the appointment of Jacqui Nelson as Chief Generation Officer with responsibility for operations and energy market trading. Jacqui has been with Contact for more than 15 years in a wide range of roles across finance, resource management, trading and most recently as General Manager of Operations.

And in another significant appointment, Jack Ariel took up the new role of General Manager, Major Projects in April. Jack is responsible for overseeing the execution of all major surface engineering projects, starting with the Tauhara power station development.

Financial performance

This year we've delivered a strong financial performance with EBITDAF[1] up 24 per cent year-on-year to $553m, and profit up significantly to $187m.

Our results are underpinned by continued smart channel management of our flexible portfolio of gas-fired and renewable assets, continued operational excellence, strong asset availability, and a strong finanical position.

We have done a very good job in securing gas supply to ensure we could continue to generate electricity and help keep the lights on when renewable generation options were constrained by weather and restricted gas supply.

In FY21 we will deliver investors a 35 cents per share annual dividend, down slightly from 39 cents per share in FY20, and in line with the dividend policy updated in February.

While we can be proud of our FY21 performance and results, and the ground we have taken to assure future growth, there is no room for complacency.

1 EBITDAF is a non-GAAP (generally accepted accounting practice) measure. Information regarding the usefulness, calculation and reconciliation of these measures is provided within note A2 to the financial statements.

The future

While we can be proud of our FY21 performance and results, and the ground we have taken to assure future growth, there is no room for complacency.

Our retail landscape continues to change with Trustpower announcing in June that its retail business (including electricity, gas, fixed and wireless broadband and mobile phone services) will be acquired by Mercury Energy, subject to Commerce Commission approval. We're looking forward to the challenges or changes this brings to the market – after all, competition drives us to evolve faster and it will bring out the best in us for our customers.

We continue to see volatility in the wholesale market, underpinned by the increase in gas shortages and gas field issues over the past three years and the impact on investment that accompanied the Tiwai Point smelter's threatened closure.

There is no doubt flexible thermal generation will be required as New Zealand transitions to 100 per cent renewable. But market stability encourages investment in sustainable generation and we have made a good start with more than two terawatt hours of low-carbon renewable generation projects set to come on stream across the sector in the next three years.

As an industry we will need to expedite sensible decarbonisation, while maintaining security of supply and affordability.

One action we've taken on that front is to start engaging about an option to consolidate New Zealand's thermal generation arrangements into one entity. As the market transitions to lower-carbon solutions, we are likely to see sub-optimal levels of capacity from intermittent renewables, for example, for demand peaks or dry periods. Additional flexibility from fast-start thermal generation will continue to be needed during the transition, however asset owners will struggle to make economic returns as the frequency of use declines. We believe consolidating thermal assets into a new 'Thermal Co' could encourage electricity generation from coal and gas-fired plants in ways that are aligned with New Zealand's decarbonisation objectives, ensuring affordable, ongoing stable electricity supply, and we are talking with stakeholders about this.

There is a further stake in the ground for our industry with the goals and challenges set out in the Climate Change Commission's advice to the Government in June. Our response at Contact is unequivocal: we are up for the challenge. Let's get moving.

It is a hugely exciting time to be involved in the electricity sector. As a country and a company we have some audacious goals. We are confident we can deliver and we are looking forward to it.

Last, and definitely not least, I would like to thank everyone at Contact for their hard work throughout the year. None of this would be possible without our people.

Ngā mihi nui,

Mike Fuge
Chief Executive Officer

We believe consolidating thermal assets into a new 'Thermal Co' could encourage electricity generation aligned with New Zealand's decarbonisation objectives.

Who we are

Our Board

Jon Macdonald
INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed Nov 2018
Chair, People Committee
Member, Development 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, Safety and Sustainability Committee
Chair, Development 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

Rukumoana Schaafhausen
INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed Mar 2021
Member Safety and Sustainability Committee
Member Audit and Risk Committee

Elena Trout
INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed Oct 2016
Chair, Safety and Sustainability Committee
Member, Development Committee

Whaimutu Dewes left the Board on 31 March 2021.

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 **Governance matters** 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

James Kilty
DEPUTY CHIEF EXECUTIVE OFFICER
Joined 2002

Dorian Devers
CHIEF FINANCIAL OFFICER
Joined 2018

Jacqui Nelson
CHIEF GENERATION OFFICER
Joined 2004

Mike Fuge
CHIEF EXECUTIVE OFFICER
Joined 2020

Matt Bolton
CHIEF CUSTOMER OFFICER (ACTING)
Joined 2009
Joined leadership team Mar 2021

Catherine Thompson
CHIEF CORPORATE AFFAIRS OFFICER & GENERAL COUNSEL
Joined 2010

Iain Gauld
CHIEF INFORMATION OFFICER
Joined 2017
Joined leadership team Mar 2021

Jack Ariel
GENERAL MANAGER MAJOR PROJECTS
Joined Apr 2021

Our leadership team implements 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 Contact, 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.

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

945
employees

63k
shareholders

430k
spent in communities

0
tier 1 process safety incidents

8TWh
contracted electricity sales

$2.9b
net assets

35c
per share dividend

81%
renewable generation

$79m
tax paid

+31
Net Promoter Score

97.6%
gender pay ratio

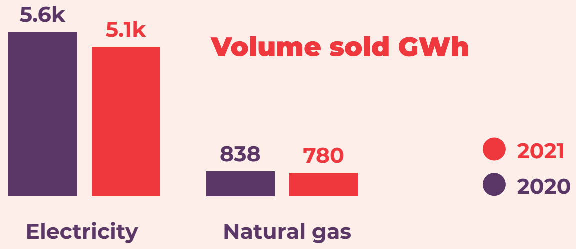
1,045k
tCO_2e Scope 1 Group emissions

All figures at 30 June 2021 or for FY21

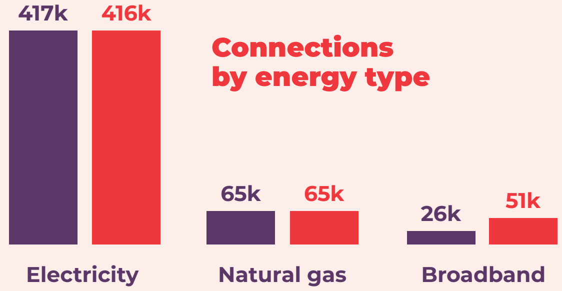
Connections

532k
total customer connections at 30 June 2021

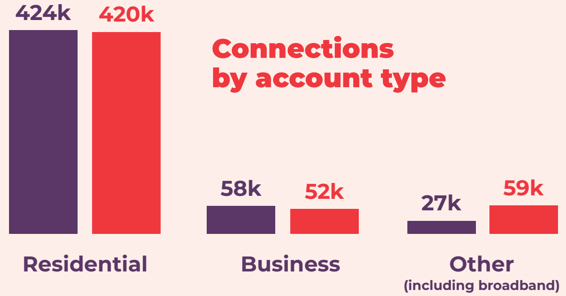
Volume sold GWh



Connections by energy type



Connections by account type



These connection figures include Simply Energy connnections.

2021 generation by station and type

8.4TWh
Total generated

Geothermal — 3,114 (GWh)

Tauhara (152 MW) Under construction

Te Huka (28 MW)	155
Ohaaki (44 MW)	299
Poihipi (55 MW)	339
Wairākei (132 MW)	1,081
Te Mihi (166 MW)	1,240

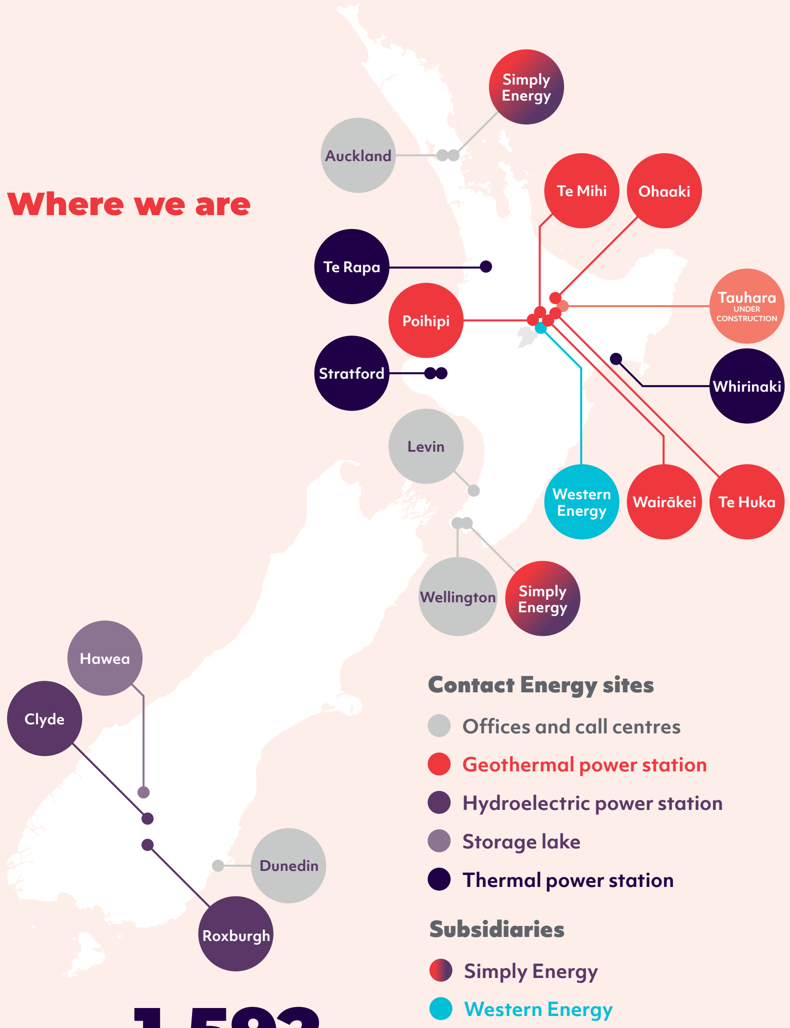
Hydro — 3,698 (GWh)

Roxburgh (320 MW)	1,667
Clyde (432 MW)	2,031

Thermal — 1,592 (GWh)

Te Rapa and Whirinaki (199MW)	232
Stratford – Peakers (210 MW)	234
Stratford – CCGT (377 MW)	1,126

Where we are



Creating value

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 people and all of our other stakeholders over the short, medium and long term.

"New Zealand has one of the world's leading energy systems when it comes to sustainability, security and affordability. It is the only country that has had a triple A grade in all three areas since 2000."

Business NZ

"COVID-19 has changed patterns of electricity consumption and e-commerce, and the recovery from the pandemic is likely to be greener, exemplified by 'build back better'."

The World Energy Council

External environment

The external environment we operate in impacts our value creation. This includes economic conditions such as the post-COVID-19 recovery, technological change and the rise of digital for customers, political activity, regulatory policymaking such as implementing the recommendations of 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 FY21 and beyond, please read the overviews from our Chair Robert McDonald, our CEO Mike Fuge and Contact26 – our decarbonisation strategy.

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 and strategy, overseen by good governance
- delivering outcomes that impact on accessibility, reliability and environmental sustainability.

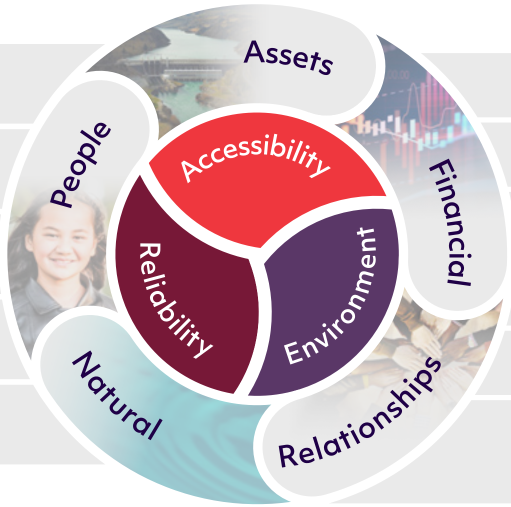
Vision and strategy

Ngā Tikanga

Governance and leadership

Supply chain

Risk and opportunity



Build a better New Zealand by:

- Delivering reliable generation of electricity
- Growing electricity demand
- Growing renewable development
- Decarbonising our portfolio
- Creating outstanding customer experiences
- Operating with great ESG practices, operational excellence and transformative ways of working

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.

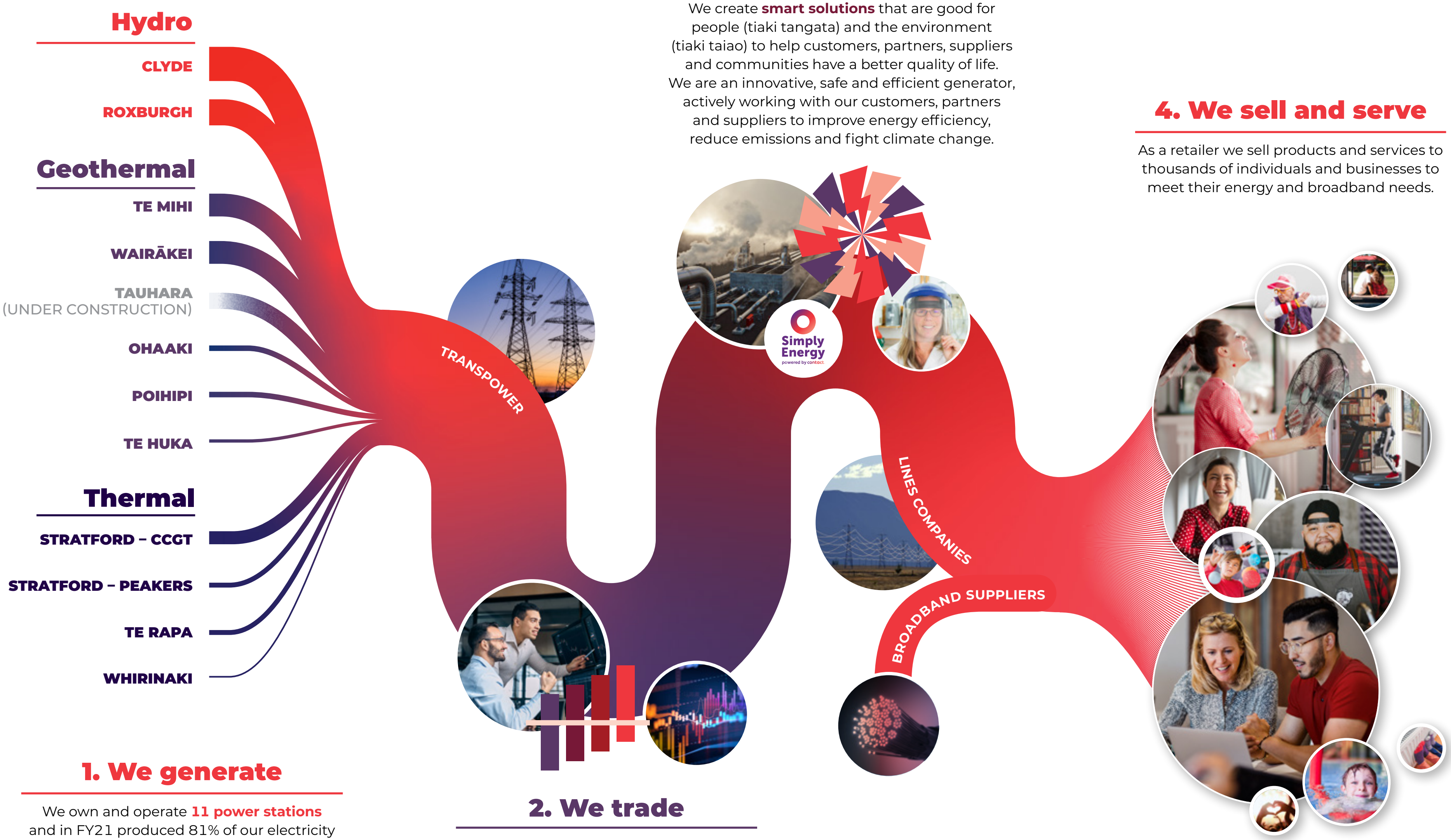
People
The experience, expertise, competence and passion of our people from our Board and management team through to everyone in our offices and sites. It captures our ways of working, our safety culture and our Tikanga. It includes internal engagement, development, risk management, continuous improvement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

Relationship
Our social licence to operate relies on myriad 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.

Asset
Various physical and intellectual assets are used in delivering reliable, affordable and environmentally sustainable electricity to New Zealanders. This includes 11 power stations, 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 supply chain



1. We generate

We own and operate **11 power stations** and in FY21 produced 81% 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.

2. 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.

3. 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.

4. 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.

What matters most

We use the Global Reporting Initiative (GRI) standards (core) and the International Integrated Reporting Council <IR> 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.

Unless otherwise stated, all activities and indicators are for Contact rather than the Group.

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, safety, supporting NZ economy, climate change, inequality, reducing costs, mitigating emissions trading costs, business resilience, decarbonisation and electrification, energy efficiency, cash flow, financial security, privacy, cybersecurity.

Tangata whenua
Whānau/hapū/iwi health and 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, cost of living.

Communities
Being a good neighbour, impact on the natural environment, climate change, community connection, jobs, cost of living, cost of energy, mental health, waste, inequality, renewable energy, supporting local economy.

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

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

Suppliers/partners
Continuity and certainty of work, maintaining supply chains, health and safety, natural environment, cash flow, access to energy, technology.

Government
Accelerating renewables and electrification, resource management reform, fresh water, relationships with tangata whenua, inequality, regional development, social licence, reliability of supply, energy hardship and inequality, just transitions.

The material issues matrix

Our materiality matrix maps 'stakeholder interest' on the vertical axis, and 'opportunity for Contact to create value' 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.

This year we report on 13 topics grouped under the seven areas of our Contact26 strategy.

Our key observations are:

The top specific issue from stakeholders was '**protection of children**' – linking to the big theme of future generations.

The rise in inequality was informed by the #1 issue of our stakeholder survey – protection of children. Also the top themes for stakeholders and shown in national research were social issues such as poverty and access to housing.

Water moved higher, driven by changing public sentiment – increased concern on water quality and supply, additional regulatory risk, focus and reforms from the Government on this issue, and continued investor disclosure requirements.

Increase in focus on **financial sustainability**, being driven by increasing importance to stakeholders in the ongoing COVID-19 pandemic. Stakeholders didn't mention customer experience much, potentially reflecting that people are satisfied with their customer experience. They may be more focused currently on price and energy hardship.

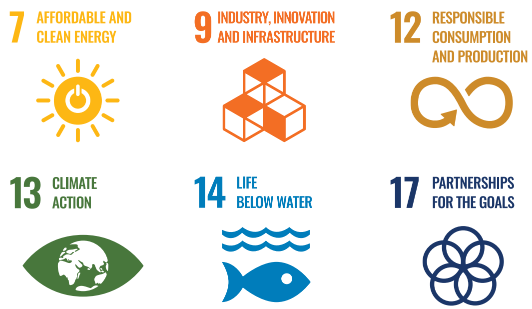
With changing ways of working, it's not surprising that **employee wellbeing** is increasing in focus.

Compared to the significant focus on **resilient supply chains** a year ago (during global lockdowns) this theme did not feature much this year.

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.

You will see these icons in the main report where they relate to specific sections.



Contact26

Our strategy to lead New Zealand's decarbonisation

Themes

Grow demand

We're **growing demand** for New Zealand's renewable electricity in a range of ways.

Grow renewable development

We're **developing new, renewable, flexible electricity generation** as the market evolves.

Decarbonise our portfolio

We're **decarbonising our portfolio** of generation assets (and the New Zealand electricity market) via an orderly transition to renewable generation (managing the balance between continued security of supply, minimal emissions and affordability).

Create outstanding customer experiences

We're creating **outstanding customer experiences** as we build New Zealand's leading energy and services brand to meet more of our customers' needs.

This will be underpinned by three key enablers

Enablers

Environmental, Social, Governance (ESG)

- Create long-term value through our strong performance across a broad set of environmental, social and governance factors.

Transformative ways of working (TWoW)

- Use technology to modernise our operating model
- Increase employee engagement to attract and retain talent.

Operational excellence

- Use innovation to continue to improve business efficiency
- Prudent management of stay-in-business CAPEX to deliver value
- Capture economies of scale and further digitise our business.

We are pursuing our long-term vision to create and contribute to a better New Zealand by playing a leading role in the country's decarbonisation journey. Our Contact26 strategy was developed in the second half of FY21 and sets out our plan of action for the five years until 2026.

The refreshed strategy is underpinned by two structural shifts:

- Rio Tinto's announcement that it would extend the operation of New Zealand's Aluminium Smelter (NZAS) at Tiwai Point until at least 2024 provided much-needed certainty that a transition away from the electricity sector's reliance on this significant source of demand (~13 per cent of total electricity demand in New Zealand) could be achieved in an orderly way.
- The continued acceleration in stakeholder expectations and regulatory pressure around natural resource management, particularly climate change, and the drive for action to reduce New Zealand's carbon dioxide emissions.

Decarbonisation is combining with advances in technology to accelerate the shift toward electrification across the economy. Fossil fuel input costs have rapidly risen, with carbon costs doubling from $20 to more than $40 per unit over the past two years. Gas prices are rising as supply becomes less secure. Meanwhile, the cost of green technologies has fallen, as new uses like green hydrogen emerge and electric vehicle production and availability gains scale (an EV battery is expected to be 30 per cent cheaper in 2025 than it is today).

The upshot is that clean, low-cost, renewable electricity will be increasingly attractive and in demand. Our strategy will reduce reliance on NZAS and deliver decarbonisation by electrifying New Zealand's energy needs as well as new global industrial supply chains.

Strategic themes

Our Contact26 strategy has four strategic priorities:

- We're **growing demand** for New Zealand's renewable electricity in a range of ways.
- We're **developing new, renewable, flexible electricity generation** as the market evolves.
- We're **decarbonising our portfolio** of generation assets (and the New Zealand electricity market) via an orderly transition to renewable generation (managing the balance between continued security of supply, minimal emissions and affordability).
- We're creating **outstanding customer experiences** as we build New Zealand's leading energy and services brand to meet more of our customers' needs.

Strategic enablers

These priorities are underpinned by three programmes of work that are our strategic enablers:

- a renewed commitment to **environment, social and governance** outcomes, as we know strong ESG credentials will help us create long-term value
- the continuation of our **operational excellence programme** driving efficiency and best practice
- our **transformative ways of working** to attract and retain talented people.

Why will we succeed?

The key capabilities that will allow us to move on our Contact26 strategy, and set us apart from our peers include:

- **Knowledge and capabilities in decarbonisation** that provide us with a growth platform. For example, through Simply Energy we provide commercial and industrial customers with a package of demand flexibility, long-term power pricing agreements, and deep knowledge around electrification options. We were also the first gentailer to complete a large-scale industrial electrification, working with our customer Open Country Dairy on their new boiler.
- **Renewable assets and a development pipeline to back this demand**. Our portfolio is able to provide firm and flexible electricity supply and low costs. Our hydro power stations deliver low-cost electricity and flexibility and attract new demand from new sources (e.g. data centres). Our geothermal power is the lowest cost baseload power in the market, and we believe our operating costs are unmatched. We have a pipeline to build on this with additional geothermal development options, and our future pipeline of wind and solar options is progressing too.
- **Commodity risk management**. We have considerable flexibility in our portfolio, with our hydro assets, demand flexibility capacity, and thermal plant. This allows us to manage our risk and make trade-offs between different fuel sources. This will become more important as renewable penetration grows and prices become more volatile.

Measuring success

Each of the strategic themes has a set of ambitious measures that provide insights into the anticipated areas of activity, and define what success will look like.

We have set ambitious measures of success across our strategic themes

Themes

Grow demand

Grow renewable development

Decarbonise our portfolio

Create outstanding customer experiences

Metrics and measures

Grow demand

- Senior in-house capability to support industry electrification partnerships by 2021
- 100 MW of new commercial and industrial demand by 2025
- Identified 300+ MW of market-backed demand opportunities, replacing NZAS in the lower SI by end of 2024 (e.g. hydrogen).

Grow renewable development

- Tauhara online by 2023
- Final investment decision on next renewable build (e.g. Wairākei geothermal, new wind, new solar) by 2024
- Decision on North Island battery by end of 2023, for delivery in 2024
- 100 MW demand response capacity by 2025.

Decarbonise our portfolio

- Complete thermal review in 2021, and executed by the end of 2022
- TCC decommissioned by end of 2023
- Reduce Scope 1 and 2 GHG emissions 45% compared to 2018 baseline by 2026[1].

Create outstanding customer experiences

- Top 10 'most trusted brand' by 2025[2]
- +650,000 customer connections by 2025
- CTS < $120 per connection
- 75% of customer interactions through digital channels.

1. SBTi target at 1.5 degrees.
2. As per Colmar Brunton Rep Track report, 2021 ranked 44th.

Strategic themes

Grow demand

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We are pushing for accelerated electrification of New Zealand's economy through our own efforts and investments, and working with customers, partners and suppliers to grow demand for renewable electricity at their end. In this section we discuss some of the opportunities that are underway.

Study into green hydrogen

In December 2020 we announced a $2m, three-part study into the feasibility of producing green hydrogen in the lower South Island, in conjunction with Meridian Energy.

The project is now officially called Southern Green Hydrogen and in July 2021, Contact and Meridian Energy released the first part of our feasibility study and announced we are seeking registrations of interest to develop the world's largest green hydrogen plant.

The first part of our study, conducted by McKinsey and Co, found that the plant has the potential to earn hundreds of millions in export revenue and help decarbonise economies here and overseas.

Green hydrogen is regarded as the most promising energy source to decarbonise sectors such as heavy transportation and industrial processes that currently rely on fossil fuels.

More than NZ$200 billion has already been committed by governments and the private sector around the world to support the development of hydrogen economies. The report estimates global demand could increase more than sevenfold to 553 million tonnes by 2050.

We believe Southland has the potential to be at the forefront of this growth opportunity when the Tiwai Point aluminium smelter closes at the end of 2024, freeing up large volumes of renewable electricity.

Economic benefits outlined in the report for a 600 MW green hydrogen export facility include a one-off addition of up to $800 million to New Zealand's GDP and the creation of thousands of jobs in construction, as well as up to $450 million and hundreds of additional jobs on an ongoing basis.

Green hydrogen production could support New Zealand's transition to a 100 per cent renewable electricity generation system by reducing hydrogen production when hydro lakes are running low, allowing electricity to flow back into the national grid to support local homes and businesses. This flexibility would see hydro generation replace coal and gas-fired generation and reduce carbon emissions.

The Southern Green Hydrogen feasibility study is ongoing, with two further reports being produced later in 2021 – a technical study to understand how to build and operate a large green hydrogen plant in a safe and commercial way, and an electricity market study to work out what role a large facility might play in helping to manage 'dry year' risks and get New Zealand closer to 100 per cent renewable electricity.

Registrations of interest from organisations around the world that may wish to participate in the project close in October.

Electrification of space heating

Space heating (e.g. open coal fires, gas radiant/convective heaters, hot water radiator systems in homes and commercial buildings) are another major part of New Zealand's energy use.

As with process heat, the electrification of this part of the energy sector is expected to become more economically enticing and set to accelerate over the coming years. The Climate Change Commission expects demand for electric space heating to have increased by 3 terawatt hours by 2035.

Our role is to help customers make the transition, with the biggest wins set to be in large commercial buildings. There is a lot of activity in this area, much of it stimulated by the Government Investment in Decarbonising Industry Fund (GIDI Fund), a partnership between Government and business to accelerate decarbonisation and shift all building heat away from reliance on fossil fuel heating.

As carbon prices grow and impact on heating options, we expect many business and residential customers to consider the benefits of electrification.

Decarbonising process heat

Process heat comprises 35 per cent of New Zealand's energy use, most of which is supplied by burning high-emission fossil fuels. Through Simply Energy, we work with companies across a range of industries as they contemplate and take action to decarbonise their operations where it makes sense. This includes investigating and activating options to electrify the heat required as part of industrial processes. Our focus is initially on low temperature boilers, which are most easily electrified.

There is huge potential to remove coal and gas from these processes and replace it with renewable electricity: for example, it is estimated that the electrification of domestic food production alone would require an additional 12.6 terawatt hours of electricity and reduce New Zealand's carbon emissions by about 3 per cent[1].

The Climate Change Commission's recent advice suggested all meat, retail food and dairy production (a combined volume of around 5 terawatt hours) process heat would be converted away from fossil fuels by 2035. We know that as carbon costs continue to rise the economics of electric boilers will become increasingly attractive for industrial users.

Last year Simply Energy partnered with Open Country Dairy in their Awarua expansion, providing a long-term energy supply agreement to support the installation of a 13 MW unit that is the Southern Hemisphere's largest electrode boiler.

With the new boiler, Open Country Dairy can heat cold water to full steam in less than five minutes, compared to six hours via a traditional coal-powered boiler.

We expect to see more appetite for process heat electrification as carbon prices continue to rise, and gas remains scarce. Simply Energy works with customers on a broader approach too, offering long-term pricing agreements with stable pricing, bundled with demand flexibility options and fuel switching technology. This makes the proposition more attractive by allowing these assets to support the grid and provide additional revenue to the customer's bottom line.

Attracting demand from data centres

As global data processing grows and increases its electricity requirements, Simply Energy is working on plans to attract new demand from data centres in the lower South Island close to clean, low-cost and reliable electricity.

Electricity makes up anywhere from 40–80 per cent of a data centre's total running costs. Many other countries have data centre industries and have similar sources of electricity, including Canada, Norway and Sweden.

There are some challenges around access to major connections and latency. While this is improving with increased investment and competition in undersea cables to Australia and the United States, this will remain a challenge for New Zealand.

Plans are underway to supply a 10MW data centre in the lower South Island on a flexible load supply agreement.

Decarbonising road transport

We are helping electrify and decarbonise New Zealand's road transport by supporting the uptake of electric vehicles (EVs), and potentially supporting hydrogen-fuelled heavy transport too.

EVs are a major source of new electricity demand, identified by the Climate Change Commission as requiring around 6 terawatt hours of electricity by 2035. Between 2021 and 2025 more than 400 new EV models are expected to be launched by manufacturers around the world. This will increase consumer choice and competition, and the price of an EV is expected to break even with a conventional petrol car.

We will launch a lower, EV-targeted overnight tariff for our customers to help them make the switch, and we are working with our industrial customers through Simply Energy to electrify their fleets where it makes sense to do so. We've been electrifying our own fleet too.

Over half of our passenger fleet is already electric, saving us money and emissions. We will be able to electrify 100 per cent of the passenger fleet by 2023, and 100 per cent of Contact's company fleet will be zero emissions by 2030. The company fleet includes non-passenger vehicles like utes.

1 MBI Process Heat fact-sheet.

Grow renewable development

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

In FY21, 81 per cent of the energy we generated came from renewable geothermal[1] and hydro sources, and the remainder from thermal generation. This was approximately 20 per cent of New Zealand's total electricity generation.

We are building new generation on the back of demand growth, and also substituting baseload thermal generation in New Zealand's grid.

We believe investment in renewables will continue to grow. Declining technology costs make it more economical than ever to invest in renewables. The ongoing scarcity of gas in the market also means new, baseload, flexible generation is increasingly important to New Zealand as it delivers reliability and assists with the stability of electricity supply.

The Government is very clear about its desire to decarbonise New Zealand's electricity production. There is a strong appetite for new renewables to be built and to displace thermal generation.

We are proven developers and operators of renewable assets, and we are well-placed to deliver here.

Tauhara build proceeding

On the generation side, we're focusing on the successful build of the Tauhara geothermal power station. The final decision to proceed was made in February 2021, accompanied by $580m of additional investment. We're delighted that market conditions now allow us to proceed with this important development for New Zealand – one which has been in the planning stages for more than a decade.

We believe the Tauhara geothermal project is New Zealand's best low-carbon renewable electricity opportunity. It will operate 24/7, is not reliant on the weather and is ideal for displacing baseload fossil fuel generation from the national grid, which will significantly reduce New Zealand's carbon emissions.

Japanese engineering, procurement and construction contractor Sumitomo Corporation is partnering with New Zealand construction company Naylor Love and Fuji Electric to complete around 60 per cent of the build activity. The remaining 40 per cent will be completed by a suite of contractors across New Zealand, including the central North Island and Taupō.

The development supports New Zealand's transition to a low-carbon economy as it provides a foundation to support the country's increased electricity needs over the next decade.

We have 60 years of production experience from operating the world's second-oldest electricity-producing field. Our acquisition of Western Energy this year builds on these capabilities, and will help us improve our well service capability and be even more efficient with our production.

We believe we are New Zealand's lowest-cost geothermal operator, and the natural developer for new geothermal to support New Zealand's energy transition.

To continue to strengthen our capacity and capability for major projects, we have established a Major Projects Group. This group, headed by a new General Manager Major Projects, Jack Ariel, will oversee the execution of all major surface engineering projects, starting with Tauhara. Establishing the Major Projects Group is a key part of our strategy for growth, to ensure projects are resourced with the capability and skills to win and are not distracted from their core purpose of safely delivering projects on time, within budget and to the specifications required.

1 Geothermal is something of an unsung hero in Aotearoa New Zealand, but it plays a crucial role in our generation mix and the transition away from fossil fuels.

Beyond Tauhara

We are already thinking beyond Tauhara to our next developments. This includes a pipeline of wind, solar and geothermal options to make sure we are well-positioned to capture the increased demand for electricity with new, renewable assets.

In March 2021 we announced the highly regarded wind generation experts at Roaring40s will work exclusively with us to develop a pipeline of large-scale wind farm opportunities in New Zealand over the next six years. We have signed a contract with a landowner for a potential wind farm site in the lower South Island.

The Climate Change Commission believes New Zealand needs around 10 terawatt hours of additional wind generation by 2035. Our exclusive partnership with Roaring40s puts us in a strong position to meet this need given their experience developing close to 70 per cent of the country's current wind sites.

In solar, we are in the process of securing consents to build a pipeline of potential sites.

Geothermal energy remains important in the transition to a low-carbon economy because it provides low-emission baseload generation, unlike weather-dependent renewable sources such as wind, solar or hydro. In geothermal, we have a range of options to consider. These include doing nothing further, building a new plant on the Wairākei field, or potentially extending our operations on the Tauhara field.

As we work through the options, we will continue to work closely with iwi, hapū and local communities. 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 avoided, reduced or mitigated.

North Island battery investigations

We are exploring ways to provide more flexibility to the grid, and we see this becoming increasingly valuable as the proportion of renewable energy increases. One investigation is into the potential development of a 50MW battery in the North Island.

The 'green flexibility' of a battery is becoming more favourable as thermal generation capacity exits the market and is 'replaced' by intermittent wind and solar generation. The costs of technologies like batteries are falling quickly too, making an investment like this more attractive.

Growing demand flexibility

Through Simply Energy we continue to grow our demand flexibility platform – and we now have more than 30 commercial and industrial customers signed up providing a total portfolio of 13MW. Simply Energy has identified 400MW of potential flexible load, and we expect the demand flexibility portfolio to grow to 100MW by FY24.

This platform enables commercial and industrial customers to automatically reduce power consumption from equipment such as pumps, fans and compressors during high-electricity demand periods and reduce fossil fuel generation as a result. Innovation in technology has reduced the cost of the associated equipment by around 90 per cent, opening up this market further.

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

We know our customers value opportunities that make it easy for them to contribute to reducing New Zealand's emissions by being flexible with their operations, and to reduce their costs at the same time.

Supplying geothermal process heat

Geothermal process heat is a way to deliver energy in close proximity to geothermal sites without the need for heat pumps or power plants. Directly using geothermal energy is much less expensive than using traditional fuels and it is also very clean.

In New Zealand there are industrial, commercial, residential and agricultural applications including timber drying, aquaculture, horticulture, milk drying and space heating.

Through Simply Energy, we supply geothermal process heat to Taupō businesses around our geothermal power stations, including the Huka Prawn Park, Tenon Sawmill, Nature's Flame, Ohaaki Thermal Kilns, Wairakei Terraces and Wairākei Resort.

Thermal portfolio

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

We have led the way by closing higher-carbon generation assets and developing new, low-carbon ones. Over the past 13 years we have built geothermal generation at Te Mihi and Te Huka and have works in progress at Tauhara. We've closed thermal power stations, developed underground gas storage and built two highly efficient gas-fired peaking plants.

In FY21 we put in place arrangements to reduce carbon emissions through gas tolling with Nova Energy. This will see a significant tranche of electricity generation switched away from high-emissions generation at Nova substituted by efficient, lower-emissions generation by Contact.

Thermal asset review

In February 2021, we announced plans to review our portfolio of thermal assets: Taranaki Combined Cycle (TCC), Stratford Peakers, Te Rapa and the Whirinaki Peaker Plant.

This ongoing review aims to find the best way for us to operate these assets. It is grounded in our desire to create a sustainable future for Contact's operations; aligning ourselves with decarbonisation is the best way to create long-term value for our shareholders and for New Zealand.

We are also cognisant of supply constraints and the need for an orderly transition away from thermal generation, without threatening the stability of supply or affordable access to energy. In New Zealand there continues to be strong reliance on thermal generation when intermittent renewables cannot meet demand.

We expect to close TCC in 2023 when the geothermal power station at Tauhara is commissioned. TCC is due for an expensive refurbishment and input costs will escalate as gas and carbon costs continue to increase. This closure will reduce our emissions footprint and help us meet our recently updated science-based targets.

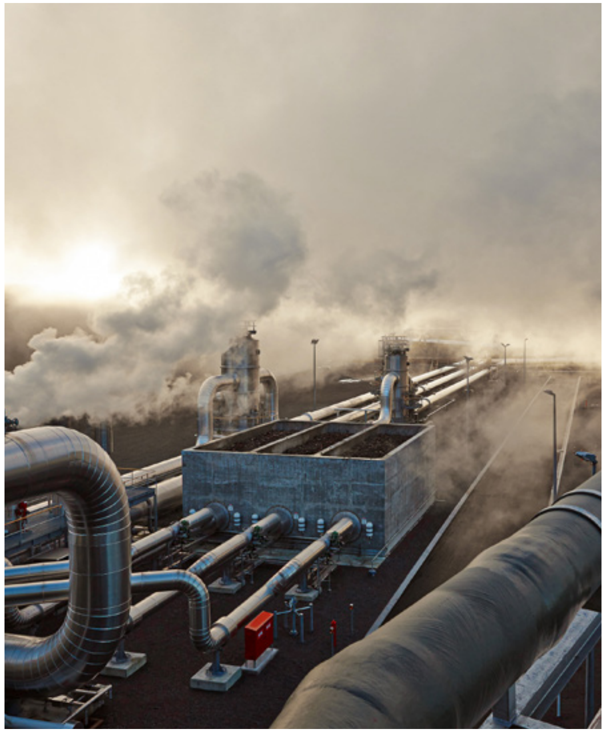
We need to find the best operating model for our remaining thermal assets.

The thermal transition for New Zealand

As thermal generation exits the market, pushed out by lower-cost intermittent renewables, New Zealand will continue to have sufficient energy in the grid but may be exposed to sub-optimal levels of capacity to meet peaks in demand or dry periods.

Our view is that baseload thermal assets are set to become less economical with rising gas and carbon costs, but the flexibility provided by fast-start thermal 'peakers' will remain critically important over the short and medium term. They will play an important role in ensuring the orderly transition to renewables without negative impacts on price and security of supply. However, these assets will be used less frequently.

The market's current operating model for thermal generation, where many owners hold a broad set of assets that operate independently, may not be optimal. Owners of thermal assets will struggle to make an economic return and the market will see higher and higher prices to claw back the fixed costs of running these assets when they are needed.



We believe there is an opportunity for the market to reassess the role of thermal generation as it transitions towards 100 per cent renewable generation. One idea we have developed is to consolidate New Zealand's thermal generation arrangements into one entity. This new entity ('Thermal Co') would encourage electricity generation from coal and gas-fired plants in ways that are aligned with New Zealand's decarbonisation objectives, and in an orderly way that is affordable, ensures ongoing stable electricity supply and provides risk coverage.

We're underway with discussing the Thermal Co idea with various stakeholders.

Creating outstanding customer experiences

7 AFFORDABLE AND CLEAN ENERGY

We play a vital role for hundreds of thousands of New Zealand homes and businesses that 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 our customers and align our services and our people capability with this. Access to our services is fair, easy and customer-inspired.

We offer a broad range of products and services to meet different customers' needs. We work with customers to understand their circumstances and find the right plan that suits their needs.

Growing customer engagement

We are the largest single-brand electricity provider in New Zealand. Over the past five years we have improved our engagement with customers, with our Net Promoter Score (NPS) at +31 on 30 June 2021.

Another useful indicator of our customer satisfaction is our customer switch rate, which measures customers leaving Contact. Our switch rate for FY21 was 18.1 per cent, which is 13.6 per cent below the market average. Our switch rate was up 10.6 per cent compared with FY20 (an atypical year because of COVID-19) but down 2.4 per cent compared with FY19[1].

In April we were pleased to be awarded the Reader's Digest Award for the most trusted electricity/gas provider in the country. On the flipside, in June we were rated the lowest in Consumer NZ's annual power company satisfaction survey with 42 per cent of our customers 'very satisfied' and 40 per cent 'somewhat satisfied'. We have met with Consumer to find out more and we acknowledged that we want to do better.

What we've done

We focus on creating outstanding customer experiences by simplifying our customer journeys through digitisation, making it easy for customers to bundle broadband with their gas and electricity, and providing smart solutions that create a better energy future.

Digitisation

Our end-to-end customer journeys programme is streamlining the experience for customers, making it easier for them to engage with us digitally, fixing pain points, and simplifying labour-intensive processes.

More than 60 per cent of our interactions with customers are now through a digital channel. Many of our customers now use our apps and website for self service, with more than 100,000 active monthly users.

The Contact mobile apps continue to provide excellent experiences for our customers, top-rated among all New Zealand energy companies in the Apple app store (4.7 stars) and top-rated among tier one energy providers in the Google Play store (4.2 stars). This success eases demand on our traditional phone and email service channels. Some of the wins on this front include:

- **Self-service refunds**: Customers can 'self-serve' refunds through our apps and website without having to call us. This has resulted in a 55 per cent increase in self-service.
- **Faster CSR journeys**: New digital journeys for our Customer Service Representatives have reduced the average handling time for customers looking to join Contact or change their account to a new address.

1 The statistics do not include former energyclubnz customers who were transferred to Contact in the middle of 2020.

- **Improved billing emails**: We made these easier to understand and highlighted important information. In the first month of using the new emails we saw customers using our website increase by 48 per cent and app use increase by 10 per cent.
- **Online messaging**: We introduced new customer service channels using Facebook Messenger and WhatsApp. These instant messaging tools help us respond faster as we can talk customers through issues in real time and they are fully integrated with our call centre platform. The project has seen a 16 per cent efficiency increase in our service delivery, alongside a 20 per cent reduction of inbound email.

We are rapidly shifting our customer sales activity from traditional to digital channels. This helps ensure customers sign up for the most suitable products and services at the right price, while helping us reduce customer acquisition costs. We have also stopped door-to-door sales.

Credit checking

We have introduced comprehensive credit reporting. This ensures we consider good payment behaviour alongside any issues. For example, we may now take on a customer who has an unpaid bill from several years ago but has since paid all their bills on time. As a result we are now onboarding more than 50 additional customers each week.

Customers who fail a credit check are all still able to use our PrePay product, which enables them to access most of the same products, prices, discounts and rewards as other customers.

Success in broadband

In the past four years we have grown broadband from zero to more than 50,000 customer connections. We are New Zealand's fastest-growing broadband provider.

This year we enabled automation of broadband orders from customers straight through to our provider Devoli. This ensures customers are connected faster and improves the overall customer experience.

Our success in broadband is the result of continually improving our broadband products and delivering the best possible customer experience, supported by a commitment to staff training and dedicated marketing and IT support.

Supporting customer wellbeing

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 know we have an important role in helping those most in need to keep their lights on and their homes warm. We also know that 'one-size-fits-all' isn't the best way to serve our customers or New Zealand.

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 help customers having a tough time financially to 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 to drive continuous improvement in the support provided to customers in need.

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 to 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 5,500 customers are now on weekly or fortnightly payment plans, up from 602 two years ago. We've also had more than 5,000 customers sign up for PrePay since it launched in September 2018. About 30 per cent of these customers would previously have been unable to access energy from us because of their credit history.

For some customers, PrePay helps them to retain access to energy by repaying debt at a rate and timeline that suits their budget, with no additional charges or fees.

We made a simple change to our automated disconnection process in June to help PrePay customers who are on welfare benefits. Moving automated disconnections to a different day of the week saw the volume of weekly PrePay disconnections fall by between 70 and 100 and ensured more of our customers stayed connected (and avoided reconnection fees).

Managing customer debt

We know complex issues are at play when it comes to customer debt, and we take a responsible approach. We help customers manage their existing debt with repayments over a period that works for them, and without debt-related fees or charges.

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 FY21 was $549, down from $600 in the same period of FY20.

We work hard to help customers who are disconnected get reconnected. In the final quarter of FY21, 53 per cent of customers were reconnected within 24 hours, up from 45 per cent a year ago[1].

This year our net bad debt write-offs were less than $1.2m, compared to $3.4m last year.

1 Note these numbers do not include customers on prepay.

Responding to energy hardship

We are proud of our work with ERANZ on 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 the Energy Efficiency and Conservation Authority (ECCA), and delivered by community organisations.

In 2019, ERANZ piloted EnergyMate in 150 homes in Auckland, Wellington and Rotorua. In April 2021 the Government announced plans to help expand the programme tenfold to reach more than 1,500 families this year. A key element of this expansion is a greater focus on Māori and Pasifika communities, through Whānau Ora and Pasifika services affiliated with FinCap.

Privacy

Privacy is very important and is becoming more so as the world becomes increasingly reliant on digital communication. We are guided by our Tikanga and take responsibility for looking after and respecting all personal information that we manage. We expect our people to comply with the Privacy Principles set out in the Privacy Act 2020 and we have two Privacy Officers to assist in driving and managing our privacy practices.

Over the past year, we have been focused on getting ready for the changes brought into effect from December 2020, while improving our overall privacy policies, procedures and training.

We are reporting on privacy complaints and breaches in our **Sustainability disclosures**.

Strategic enablers

ESG

12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION · 14 LIFE BELOW WATER · 17 PARTNERSHIPS FOR THE GOALS

As a significant New Zealand company there is an increasing expectation for us to pull our weight, to understand our impact on the environment, society and future generations, and measure our progress.

And we anticipate that the next generation will have even higher standards and expectations of companies like Contact.

Our families, our teams and our communities expect us to actively demonstrate that we are good corporate citizens who care about New Zealand. In fact it's more than actively demonstrating – it's living and breathing these things, and contributing to making New Zealand a better place.

We know too that many – if not most – investors are increasingly considering non-financial sustainability-based measures, in combination with traditional financial measures, when assessing every company's performance.

And of course, although these factors are labelled non-financial, how they are managed or not managed has measurable financial consequences in terms of things like access to capital, risk and reputation management, and efficiency.

We know enhancing our strong environmental, social and governance credentials will help us create long-term value. It will also ensure we are focused and not spread too thin – deliberately pursuing some things, and also being deliberate about what we are not pursuing.

We have renewed our effort on ESG over the past 12 months. We are in a good place here – we have many ESG factors built into the DNA of the company. This starts with our Tikanga – our commitment to being a responsible organisation – and our built-in reliance on natural resources and good people and strong communities to sustain our operations.

It includes our market-leading efforts around decarbonisation, integrated reporting, science-based targets, carbon disclosure, diversity and inclusion, site-based environmental management, sustainability policies and our green borrowing programme.

So when we say a renewed effort, it has been about adding rigour and resources to many of the things we have been doing for many years. It's being clearer and more deliberate. It has seen ESG factors integrated into our priorities and recognised as a key enabler – alongside operational excellence and the way we work. We want to keep leading and being recognised as a leader on this front.

Where we focus

The Contact26 strategy is grounded in a sustained, conscious effort to lead decarbonisation for New Zealand – and that means we will operate in a sustainable way, and ensure a bright future for the next generation.

For New Zealand, this means that we are acting as good stewards of our environment and helping communities to thrive. We'll do this by being responsible asset managers, lowering our carbon emissions, and investing into communities.

In practical terms, it means we help make good things happen – an example of this is ensuring access for the Central Otago Rail Trail near the Clyde Dam. It means building a bioreactor to reduce our impact on waterways. It means working hard to look after our native species such as kiwi and tuna (freshwater eels). And sometimes it means making tough calls to close power stations, reduce emissions and embrace the shift to renewable energy.

For our customers, it means giving them access to affordable, clean and reliable electricity. It means we value our customers, will work to ensure their needs are met and will treat them fairly. A good example of this is our set of customer pricing principles where ESG has had a strong influence.

This includes making sure the prices paid by new customers and existing customers are never too far apart.

For our Contact people, this is about being a fair and equitable workplace where people are proud to work. Our people also want to be a part of a successful organisation, they want us to walk the talk and want to help us drive positive change. Our strategy to decarbonise New Zealand provides an exciting challenge for us all on that front.

Setting ESG metrics

We have a comprehensive set of metrics to track our ESG performance set out in the table below.

A sustainable supply chain

Maintaining and developing a sustainable and resilient supply chain is increasingly important, especially as COVID-19 has led to 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 past 12 months we have developed a more robust approach to sustainable procurement. We have developed a Supplier Code of Conduct that we ask suppliers to sign up to and have started to embed this procurement approach into Contact. This includes 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 is in our Sustainability disclosures.

Environment	Social	Governance
• We will reduce our Scope 1 and 2 carbon emissions by 45% by 2026, compared to 2018 when we first set our targets. • We will displace 1PJ of industrial heat with electricity by 2022. • We will move our geothermal generation operations off the Waikato River, reducing our impact on the river system by 2026. • We are electrifying our fleet. 100% of Contact's company fleet will be zero-emissions by 2030. The company fleet includes non-passenger vehicles like utes. • Through our partnership with Drylandcarbon, we will plant 20,000 hectares of economically marginal land by 2024. This equates to 30 million tonnes of carbon dioxide removal over the lifetime of the 40-year partnership. • We will plant an additional 100,000 native trees by 2024. • We want to be a world leader in renewable energy development. Our goal is to be 95% renewable by 2025.	• We will support a minimum of 100 community initiatives and organisations each year. In FY21 we supported 123 through sponsorship, donations, grants, and volunteer time. • We directly spent $163,000 on energy hardship initiatives in FY21. • We have products that suit a range of customers and do not discriminate on the basis of credit history. Our target is to on-board 96% of customers who come to us for energy services. • We will work to try and ensure that no modern slavery exists in our supply chains. In March we signed an open letter calling on the government to legislate against the use of slave labour. • We are ensuring Contact employees and contractors are paid a fair and equitable wage.	• We are ensuring a minimum 40:60 gender split throughout the company – Board, leadership team, senior managers and across all of our people. We are also focusing on STEM and technical trades to ensure a 40:60 gender balance in our apprenticeship and training programmes. • We will actively work to remove bias from our recruiting processes and systems. • We will maintain our Rainbow Tick accreditation as an inclusive workplace for LGBTTQIA+ people. • We have converted all of our bilateral lending facilities to sustainability-linked loans and certified all debt as green. • We are targeting inclusion in the Dow Jones Sustainability Asia Pacific Index by FY22.

Supporting community wellbeing

We live, work and operate in communities across New Zealand, 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'.

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's all part of being a responsible New Zealand company.

As a good neighbour, our approach is to be upfront and transparent, and to invest locally into issues that matter to our people and our communities. We have community engagement plans for 100 per cent of our operational sites. These plans guide our approach to stakeholder engagement, identify our key stakeholder groups, and include initiatives such as regional partnerships and site sponsorship programmes. We also have a staff volunteer initiative called Community Contact, so our people can contribute time to community initiatives that they care about.

This year we spent $430,000 in the community and supported 123 organisations and initiatives through sponsorship, donations, partnerships, and staff volunteering. Our people spent 733 hours volunteering.

As we begin construction of the Tauhara power station, re-consent our Wairākei operations and our peakers in Stratford, and look to new renewable development opportunities, we will ensure we minimise our impacts on the communities around these projects, and maximise the benefits. Community buy-in is critical in obtaining and renewing consents.

We have mitigation agreements in place with various community organisations and tangata whenua where we operate, which outline our commitments to offset our impacts on stakeholder groups. For example, agreements with tangata whenua outline how we will mitigate cultural impacts and engage with tangata whenua as tangata tiaki (guardians) of their cultural resources. Delivering on these agreements is important to maintaining our social licence to operate. While they outline the minimum we should be doing, we always aim to do more – as a good neighbour would.

Our project teams also have comprehensive stakeholder engagement processes in areas where we have new developments or re-consenting underway. These processes are about identifying our impacts and looking at how we avoid, offset or mitigate any issues that arise.

In Taupō, we have established a new employment and training programme. Ka Hiko (this means 'to spark') is an initiative we are running in partnership with our contractors, which came about as a result of feedback from tangata whenua that they want training and employment opportunities for whānau.

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 don't always get it right but we front up to explain our approach and apologise where we have made a mistake. For example, we accepted responsibility for the accidental, unauthorised, unlawful discharge into the Waikato River in February 2019, for which we were fined $162,500 by the Environment Court in December 2020. Although we could not undo the incident, we have put a lot of effort and resources (including more than $2.5m) into putting things right as best we can.

As part of our sentencing, we committed to a restorative justice process, and have been working collaboratively with local authorities, iwi and others in the local community to address their concerns. In particular we worked alongside Ngāti Tūwharetoa to understand the deep and wide-ranging impacts of the incident on the stream and river, their cultural connections to these taonga, and their community.

We agreed to a suite of actions to respond to the issues Ngāti Tūwharetoa highlighted in the **cultural impact assessment**, including improvements to our current ways of operating and interacting with iwi, a wide-ranging environmental restoration effort on the affected areas, and long-term initiatives to strengthen our relationship and cultural competency.

We also apologised for upsetting the local community, tangata whenua and environmental groups near Reporoa following aerial spraying of the Torepatutahi Wetland, a restoration project we have been working on since 2014. The spraying targeted invasive willow, however native plants were damaged in the process. We have committed to be more inclusive and collaborative in our approach to managing this restoration project. The Waikato Regional Council issued us with an abatement notice to be more selective with our restoration methods in the future.

We want to hear from our neighbours when times are good and not-so-good. In addition to our social media and website channels we have an 0800 number for communities around our geothermal and hydro operations, which 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.

Caring for kiwi

We entered an exciting new partnership with **Taranaki Kiwi Trust** this year to help protect and grow western brown kiwi populations and raise awareness of their plight.

Without help, New Zealand's most iconic bird is likely to be extinct in the wild within two generations. Community involvement and engagement is essential for kiwi conservation, and that's the focus of the Taranaki Kiwi Trust.

Through our partnership, we are the main supporter for the Trust's education programme, where secondary students create educational resources to teach primary students about kiwi conservation.

The programme encourages inquiry learning – enabling students to get hands-on experiences that will foster an interest in kiwi conservation, and to create educational resources to pass on the information to other schools.

The partnership aligns with our sponsorship of the educational category in the Taranaki Regional Council environmental awards, and enhances our sponsorship of the Kiwi Contact education programme in Wairākei.

Planting with a purpose

We joined forces with Ngāti Tūwharetoa to plant 300 native trees near a stream culvert on Huka Falls Road in Taupō in September 2020.

More than 30 of our Wairākei team took part in the planting through our Contact Community Volunteer programme – alongside 50 students from a local kura kaupapa and intermediate.

One of the things that made the planting extra special was that we planted 16 different varieties of tree, each with a purpose in traditional medicine or kai – from beer-making (kawakawa, tī kōuka) through to healing herb properties (makomako, korokio, mānuka, patete).

This initiative followed on from our massive planting of more than 6,500 mānuka seedlings last year at the Waipuwerawera Stream, impacted by the Karapiti slip at Wairākei.

Another epic Contact Epic

We hosted the **Contact Epic** – New Zealand's ultimate mountain biking challenge – at Lake Hawea again in April. The Contact Epic is a 125km race that attracts riders to the Queenstown Lakes from around New Zealand each year. It is the longest and most scenic mountain bike race in New Zealand.

This year 620 riders competed in the Epic and the shorter Classic and Traverse events. Among them were seven of our own team wearing the Contact jersey.

The race is known for challenge and adventure and this year was no exception, with Mother Nature shaking things up. Large inflows into Lake Hawea just before the event meant part of the course was impassable and the route had to be changed – adding to the challenge for organisers as well as riders.

A large part of the success of this event, which Contact has supported since 2008, comes from the efforts of the many volunteers that make it happen. This year around $15,000 has been raised for the volunteer groups and the Contact Epic Community Fund, which will benefit individuals and not-for-profit groups in the Hawea Community. On top of that, during the race the local pony club raised $1,500 at the now famous Dingleburn Station tea and scones aid station and the Girl Guides raised $1,900 at the end-of-race bike wash.

Responding to 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 the electricity we generate at Contact 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 participant in the New Zealand Emissions Trading Scheme, which means we purchase and surrender units to cover our obligations.

In 2019 we 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 and opportunities. Our Contact26 strategy positions us well to respond to these.

The key risks and opportunities identified over the short, medium, and long term are outlined in **Climate-related risks**. 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 **Grow renewable development**). This benefits our communities, and also creates an opportunity to grow demand for renewable energy, which as a generator and retailer we are well-positioned to meet.

Reducing our carbon emissions

We are a member of the Climate Leaders Coalition, and we're committed to playing a role in the decarbonisation of New Zealand.

In June 2021 we committed to ambitious new climate change targets aligned with the goal of minimising global warming to 1.5˚C and approved by the Science Based Targets initiative. This sees the Group aiming to reduce our Scope 1 and 2 emissions by more than 45 per cent – a reduction of more than 500,000 tonnes of carbon dioxide on 2018 emissions.

The targets are one thing, but more importantly they will be accompanied by action. We are well underway with several projects and activities that will reduce our emissions. This includes building the low-emission, renewable geothermal power station at Tauhara, as well as reviewing the future of our thermal portfolio.

We are walking the talk with our TWoW programme of flexible working, which has seen travel and commuting emissions across the Group reduce by 57 per cent year-on-year (a reduction of 756 tonnes of carbon emissions).

Since 2012 we have reduced our emissions from generation by 57 per cent by closing down high-emission power plants, prioritising low-emission fuel options for electricity generation, and completing emission reduction projects across our sites.

Details of our science-based targets

We use the Greenhouse Gas Protocol to measure and report on our Group emissions. Scope 1 emissions are direct emissions from operations, Scope 2 emissions are from the purchase and use of electricity, and Scope 3 emissions are created throughout our supply chain.

Our Group commitments are:

- to reduce absolute Scope 1 and 2 GHG emissions 45 per cent by 2026 from a 2018 base year
- to reduce absolute Scope 1 and Scope 3 emissions from all sold electricity 45 per cent by 2026 from a 2018 base year
- reduce Scope 3 emissions from use of sold products 34 per cent by 2026 from a 2018 base year.

Achieving these targets will require us to displace thermal generation with low-carbon renewable generation, which will take time and investment. Our Tauhara project is set to play an important role in helping us meet these long-term targets too.

In FY21 our Group Scope 1 and 2 emissions were 13 per cent higher than the previous year. This was due to a nationwide dry year, with low lake levels meaning we ran our thermal power stations more. Compared to our 2018 base year, our Scope 1 and 2 emissions were 11 per cent lower in FY21.

Our Group Scope 3 emissions increased year-on-year by 100 per cent, mainly as a result of an increased use of our swaption with Huntly power station.

There is a slight increase in emissions per MWh for the period as a result of using more thermal generation. Further detail on our emissions is in Sustainability disclosures or in our GHG inventory on our website.

Leading by example

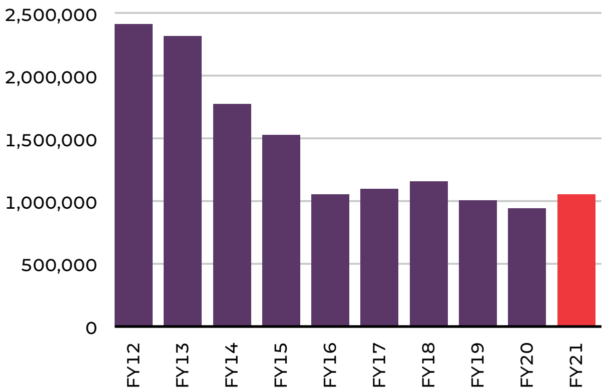
Contact was the first New Zealand company to sign up as a supporter of the Task Force on Climate-related Financial Disclosures. We have used their guidelines to guide our climate-related reporting and have included a TCFD index in this report to identify where material is reported.

We were also the first company in New Zealand to establish a green borrowing programme. This year we have expanded by establishing additional sustainability-linked loans.

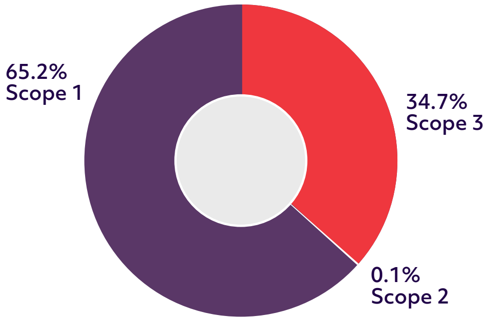
And in 2020 we became the first company in the Asia-Pacific region to list our bonds on Nasdaq's Sustainable Bond Network.

We were also pleased to be recognised again as one of the companies working hard to be a sustainability leader in the 2021 edition of Colmar Brunton's Better Futures report.

Emissions from electricity generation (tCO_2e)



Total group greenhouse gas emissions by Scope (tCO_2e) 2021



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

Financial implications of climate change

In 2021, we reviewed and updated our scenario analysis, based on the latest information such as the Climate Change Commission's recent research, to further understand the financial implications of climate-related risk on our business.

We formulated 12 potential scenarios using a business-as-usual, 1.5˚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 Tiwai Point aluminium smelter closure, changes to solar uptake, increasing carbon costs, changes to demand, generation asset mix and more. This analysis tells us that under all scenarios EBITDAF will remain relatively flat in the short term, before lifting again in line with assumptions on increasing demand as a result of electrification post-2024 when the electricity supply contract for the Tiwai Point smelter ends. Our analysis also suggests that mobilising to help decarbonise New Zealand, and limiting global warming to 1.5˚C, yields better financial outcomes for Contact than a situation where temperatures increase above 1.5˚C.

Our Contact26 strategy helps position us to take advantage of the opportunities that decarbonisation presents to our business, while also reducing emissions from electricity in New Zealand in the short to medium term. We have more detail in **Strategic themes**. While there are many unknowns, we believe 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**.

Using water resources sustainably

Water is a precious resource that we share with all New Zealanders. We rely significantly on access to water to run our power stations and generate electricity. Water holds both a practical and cultural significance in New Zealand. Our stakeholders want to know that we are using our water resources in a sustainable way, ensuring that fresh water is protected for future generations.

At our hydro facilities, water is passed through our dams to generate electricity, which impacts on river flow, freshwater species migration upstream and downstream, and sediment. At geothermal, we use geothermal fluid to generate electricity.

Through Simply Energy we also provide geothermal fluid to other downstream users, such as the Wairakei Terraces and Huka Prawn Park. Cooling water is used at all of our power stations to keep things running safely and efficiently. This is reused or returned to the stream or river it was taken from (and some evaporates). We also use water in our offices, like most other businesses.

We have a **Commitment to Water**, which outlines our principled approach to sustainable and shared use of this resource. We maintain a water impacts register at our operational sites and from that we identify projects for improvement each year. 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 15,435,820 megalitres of water, 99 per cent of which is returned to rivers or to geothermal reservoirs (non-consumptive), with the remainder discharged in line with our resource consents.

In FY21, we had a target to undertake four water improvement projects. We completed two at our Wairākei geothermal power-station, which resulted in reducing our potable water-use at the site by approximately a third. We undertook a number of ecological studies on the Waikato River to understand our impacts, to work towards improving them. We also completed a review at Whirinaki Power Station to identify the most sustainable options for our water discharges from the plant. We have a project underway at Stratford power station to improve the water treatment plant performance.

We had no water-related incidents in the financial year, although we continue to address the impacts of the Karapiti incident in 2019, whereby a large amount of sediment was discharged into the Waikato River (see Protecting biodiversity).

Non-consumptive water usage (ML)[1]	2021	2020
Source/water use	(ML)[1]	(ML)[1]
Clutha Mata-Au River water[2]	15,098,980	16,624,902
Geothermal reservoir	69,180	75,992
Geothermal cooling water[2]	336,840	330,047
Total	**15,435,820**	**17,030,941**

Protecting biodiversity

Biodiversity simply means the variety of all life on Earth. It is important to us because our operations have wide-ranging impacts on species and habitats, which differ depending on the type of generation, the region we are operating in, and the local environment.

Our Biodiversity Statement of Intent sets out our intent and responsibility to protect the indigenous species and unique ecosystems we impact. Our goal is to have thriving and sustainable ecosystems within all habitats that we influence. We do this by ensuring that all of our sites have site-specific biodiversity management plans and we engage with local communities, work with external partners and experts in biodiversity management, and support community groups to achieve their biodiversity goals.

The diversity of our operations results in a range of different impacts.

At our geothermal operations in the Taupō region, we impact on species that rely on warm ground, such as thermotolerant vegetation, and 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.

Our approach to biodiversity management is to first look for opportunities under our control and influence, then to support grassroots community groups doing work in these areas. We invest in youth near our operations by providing them with hands-on experiences to educate and inspire. For example, in Taupō, we support Kids Greening Taupō and Kiwis for kiwi and enable local schools to follow the life of kiwi from egg incubation to release back into the wild.

We have established plans to mitigate our biodiversity impacts for all our operational sites and we report on our progress to the Board's Health, Safety and Environment Committee.

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 78 hectares. We have also planted 64 hectares with indigenous species to boost indigenous flora and fauna across the areas we operate in.

Across our sites in 2021 we caught 3,354 pests, planted 29,068 trees, transferred 330 tuna (freshwater eels) downstream in the Clutha catchment (including 19 migrant tuna), and transferred 51.8kg of elvers upstream of the Roxburgh Dam. We have planted more than 125,000 native trees over the past three years. To ensure their survival, this year we hand-released (weeded and cleared by hand) around some of the existing native plants.

Total water usage[3]	2021		2020	
Source/water use	Withdrawal (ML)[1]	Discharge (ML)[1]	Withdrawal (ML)[1]	Discharge (ML)[1]
Geothermal reservoir	103,177	33,997	114,805	38,813[4]
River and surface water[2]	2,509		1,536	
Water from third parties[2]	321		283	
Council[2]	7,594		34	
Discharge from all sources		18,727		15,476
Total	**113,601**	**52,724**	**116,658**	**54,289[4]**

1 ML = Megalitres.
2 Fresh water.
3 Management of the use and impact on water is largely done through our resource consent compliance activities.
4 FY20 figure restated due to reporting error.

TWoW

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The success of our strategy relies on our people being ready, willing, able and excited to get things done. We have great people, our employee engagement is high, and we are building our capability to support growth.

A key enabler of our strategy is our Transformative Ways of Working (TWoW) programme. This is about making work at Contact more flexible for our people, improving their work experience, engagement, and productivity, and delivering savings to the bottom line.

Our aspiration for a OneContact culture has been fundamental to our approach with TWoW. OneContact is about all of our people being connected and inspired to support the delivery of our strategy in a united way. How we support and enable the success of our people is consistent and inclusive – We are OneContact.

How we're transforming ways of working

The ways in which we live and work have fundamentally changed over the past 18 months as we have responded to the COVID-19 pandemic. Rather than go back to the pre-COVID-19 normal, we are being deliberate about continually reimagining and redesigning Contact towards the 'next normal'.

This is the basis of the TWoW programme. It is much broader than just 'working from home'. At Contact we have the choice to work from anywhere, as long as it works for the role and we can do so safely and securely.

It's not just about location either – we are also redesigning what we work on, who we work with, how we work and when we work.

We know that technology and digitisation underpin TWoW and we have completed a highly successful upgrade of our platform, moving to Windows 10 and providing new equipment to allow our people to work more efficiently. We have also used RealWear VR technology to undertake specialist inspections remotely where we haven't been able to bring global experts into New Zealand.

We are continuously watching out and adjusting for any unintended consequences of TWoW too, gathering data and insights to understand what's working and what needs more or different support.

As travel bubbles open, we support our people to take leave to recharge and reconnect with family and friends. If anyone finds themselves stranded because of temporary travel bubble closures, we will work with them and their leaders to minimise any impacts. With the technology we have in place, many of our team can continue to work while offshore subject to certain restrictions.

We know from research that companies that embrace flexible work practices are likely to be well-positioned to sustain their operations, attract more diverse talent, futureproof their culture, create competitive advantage and succeed over the longer term.

That has been our experience so far too. In our people engagement survey tool, Peakon, Contact was rated highly for ability to work flexibly (8.5/10) and ability to work remotely (8.6/10). We have been able to hire people who live in parts of New Zealand where we do not have a physical office or site. And we have also had minimal business disruption during further regional COVID-19 alert level changes.

TWoW is also delivering financial benefits. It has enabled us to downsize our offices in Auckland, Levin, Wellington, and Dunedin, while still providing space for people who prefer to work from the office. In Wellington, where we've had the biggest change, we have moved from occupying four floors to just one.

In the past year, TWoW-related initiatives have delivered $1.8m of recurring savings.

Changing labour market

COVID-19 has changed the labour market and we have seen fluctuations in the talent available. In the initial stages we saw applications spike for entry-level roles such as customer service representatives. Conversely, the market has become tighter for specialist talent and skills, such as geothermal and digital expertise.

While we can no longer employ global talent as easily as in the past, we are leveraging TWoW to attract talent from previously untapped areas in New Zealand and we are developing our current people. In the long term we are optimistic the international talent market will reopen and we are working alongside Immigration New Zealand to address talent shortages in the short term where possible.

Embedding inclusion and diversity

We have an equitable work environment where inclusion is deeply embedded and our people are encouraged to be themselves.

Underpinned by our Inclusion and Diversity Policy and Strategy, we have a wide range of initiatives to drive greater inclusion and support for our rainbow community, Māori, women and young people.

We have retained our Rainbow Tick accreditation and are preparing for reassessment in August 2021. The reassessment will give us insights into how well we are doing at supporting and including our rainbow community, and will help us keep building an inclusive culture.

We celebrated Pride this year with an internal campaign, Pride in Contact. This built on the great work we have done to make sure we have good policies, processes, and systems to support our rainbow community. It was centred around our Pride Flower, which symbolises unity and represents our Rainbow Community, and we provided tangible ways for our people to connect with and celebrate Pride with a library of assets.

We continue to partner with Global Women on the Champions for Change reporting initiative. The Champions for Change 2020 Diversity Report was published in late March 2021. The aggregate 2018 – 2020 data for the Champions group (those organisations that participate) shows that female representation has increased both proportionally and in absolute numbers across work categories.

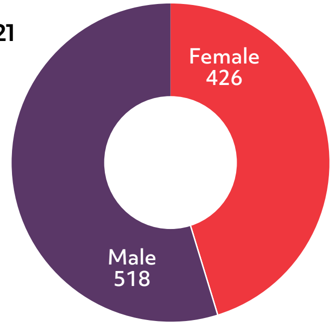
For Contact specifically, we achieved the gender balance target of 40:60 women to men across half of our work categories, but we need to improve across the 'Other Executives', 'General Managers' and 'Other Managers (tier 3 and 4)' categories. We continue to ensure that our systems are free from bias and that our processes support inclusion and diversity, and we know there is more work to do. It's a long-term strategy working toward gender balance across all work categories.

Our work with iwi on our Māori Summer Internship Programme continues. This programme strengthens our bonds with iwi, and helps to develop their people. For the 2020 programme we had seven interns work with us during their summer break – three from Ngāi Tahu, two from Ngāti Tūwharetoa and two from Ngāti Tahu.

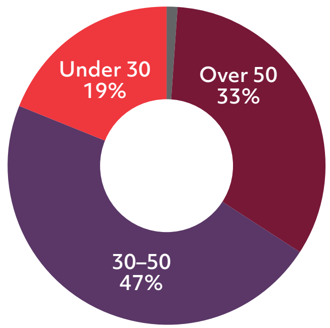
We continue to support our people's participation in WING. WING is a not-for-profit international organisation promoting education, professional development and advancement of women in the geothermal industry. This year the focus areas for WING are Equality, Industry Visibility and Community Engagement. The members involved from our Wairākei team have been supporting the WING focus areas by launching a pilot for a WINGwomen task force, participating in a WING event during New Zealand Geothermal Week in July, and hosting college-level internships (two in Rotorua, two in Taupō).

This year our Stratford site participated in the Gateway programme with Stratford High School and Hamilton Girls' High School. Gateway programmes

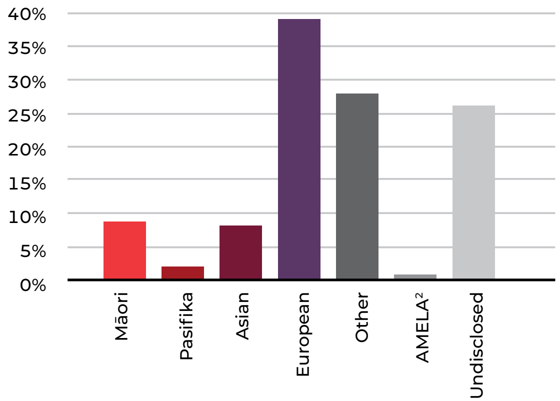
Gender FY21



Age diversity FY21



Ethnicity[1] FY21



1 Total % adds up to more than 100%. This is because individuals can choose to identify multiple ethnicities.

2 African, Middle Eastern & Latin American.

are for Year 11 to 13 learners who want to explore job options while studying towards NCEA. The students experienced different roles around the site to see how learning at school can be practically applied in the workforce, and were supported to think about their career paths after school. We also had a group of engineering student interns at our Stratford site over summer, to help with projects and gain practical experience towards their study.

Connexis ITO's Girls with Hi-Vis (GWHV) is a programme that aims to attract more women into the trades by giving them the opportunity to see options in the energy sector first-hand. In June this year, our Wairākei team hosted the annual GWHV event for the second time. Twenty-four students attended the event, which gave them a peek into the world of geothermal energy generation, including a site visit to our Te Mihi station. Students were able to learn about the geothermal generation process and see the steam turbines up close, followed by some group experiments demonstrating the magic of geoscience.

Our culture and commitment to living our Tikanga and behaviours across Contact are mentioned as a strength through our people engagement survey tool, Peakon. The average score for "People from all backgrounds are treated fairly at Contact" is 8.7/10.

New leadership framework: 'Shaping our Contact Community'

We know that great leadership is a critical ingredient in the success of how we work, so we have developed a new leadership framework called Shaping our Contact Community.

This defines what leadership means at Contact supports our OneContact culture, and is deeply anchored to our Tikanga, behaviours, purpose and vision.

We recognise that we are all leaders at Contact and Shaping our Contact Community defines how we constructively lead with open and honest conversations, invest deeply in knowing ourselves and others, openly and optimistically explore all ideas, helpfully stand in the role of teacher and student, and unanimously connect as OneContact.

The framework will help all of our people put their energy where it matters, bringing our strategy to life through great leadership – no matter where they are working or what sort of work they do.

'OneContact' learning strategy

To be the leader that we aspire to be, we need our people to be propelled by curiosity and to become lifelong learners. We embrace learning as part of our DNA and through our OneContact culture.

Our OneContact Learning Strategy is about lifting our capability – identifying, mapping and planning for the critical skills that are needed now and for the future.

Over the next 12 months we will continue to build on this new learning experience, providing the tools and training to enable our people to focus on their growth, and to help us deeply understand our skills and capability gaps.

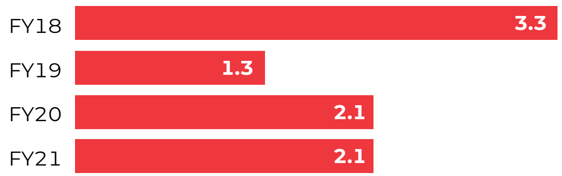
The OneContact Learning Strategy correlates with what we have heard through our people engagement survey tool, Peakon – our people want more access to training and development. When asked about their personal growth across a number of factors including professional growth, career pathways, opportunities to learn new skills and a supportive manager or mentor, we achieved a collective score of 7.2/10.

Employee health, safety, environment and wellbeing

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 plans and processes to keep them safe.

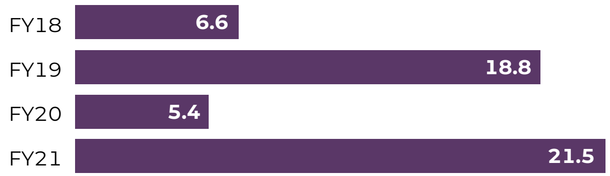
Our Peakon engagement survey tool enables us to understand how our people feel about their health, safety and wellbeing at work. Is it a priority? Can they manage the impacts of work on their personal life?

Controlled TRIFR



Note: We have removed Rockgas from our data for comparative purposes.

Monitored TRIFR



Process safety

	FY21	FY20	FY19	FY18
Tier 1	0	0	0	0
Tier 2	3	2	2	0
Tier 3	49	24	58	56

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 event 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 or Rockgas LPG facilities.

Does their mental and physical health allow them to perform effectively at work? Looking across these three indicators, we have a cumulative score of 8/10.

From the survey feedback we can see our people feel well supported in managing their mental and physical wellbeing, however, we need to put more attention into health, safety and wellbeing initiatives and programmes.

Measuring our HSE performance

We track our safety performance with two key measures, our Total Recordable Injury Frequency Rate (TRIFR) and Total Incident Severity Rate (TISR).

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 risk into account. As our TRIFR reduces, it becomes less relevant to 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 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 injuries. There were two minor and three moderate injuries. Our TRIFR measure is calculated based on hours worked (2.40m in FY21) and number of injuries.

Our TRIFR for monitored activity (work done by our service delivery partners under their own HSE systems) was 21.5, representing five minor injuries and one moderate injury.

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 2,088 within controlled activity in FY21.

Operational excellence

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our focus on Operational Excellence enables us to make our operations much more efficient. We have a strong track record of being good operators, and taking cost out of the business where it makes sense.

Operational Excellence is underpinned by our culture which is safe, innovative and brave. That includes keeping our people safe; keeping our plant safe to run; and fostering an environment where it's safe to challenge, innovate and fail, and to learn and evolve.

We continue to innovate to become more efficient, including using digitisation and analytics to transform operations across our trading, generation, and customer businesses.

Some of the ways we've increased Operational Excellence have included:

- modelling hydrology and competitor behaviour to start to simulate the market and optimise our trading position
- securing third-party gas tolling arrangements to ensure that available gas is used efficiently, thereby freeing up gas for industrial customers
- using predictive modelling in the build of Tauhara to help us to understand and plan for the right maintenance, and improve the operation of our assets
- piloting a 'matrix' type of working in our geothermal business with outcome-based teams, linked to TWoW
- working with Western Energy and Solenis on mechanical and chemical geothermal well clean-out technologies – improving the reliability of these methods and reducing costs by as much as 60 per cent compared with using a rig
- delivering better data for the optimisation of our steamfields
- conducted robotics experiments to replace manual and repetitive processes
- building on augmented reality/VR technology (initially used to respond to COVID-19 restrictions) for safety risk reductions, competency building and training
- using analytics to understand our customers' energy use and personalise what we offer them.

Financial performance

In FY21 we have continued to deliver solid returns for our shareholders and made significant moves to ensure the company is well-positioned for the future.

We successfully navigated the potential departure of major energy users, the short-term issues around low rainfall in the hydro catchments, and the ongoing challenges around gas supply to deliver a very strong financial performance.

Our statutory profit for FY21 was $187m, up from $125m last year, and EBITDAF[1] was up significantly to $553m in FY21.

The results are underpinned by smart channel management to mitigate risks regarding access to fuel, our flexible portfolio of gas-fired and renewable assets, continued operational excellence, strong asset availability, and a strong financial position.

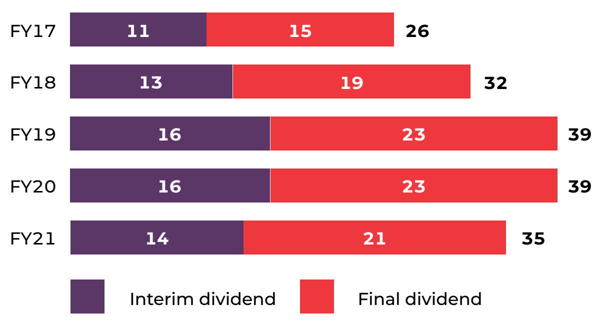
We secured gas supply and leveraged our access to stored gas to ensure we could continue to generate electricity and help keep the lights on when renewable generation options were affected by weather and restricted gas supply. Our ability to meet the grid's demands for generation from higher-cost fuel sources in a constrained environment saw elevated wholesale prices flow through to our financial performance.

We expect there will be continued reliance on higher cost fuel sources over the short term, but these will be displaced over the next two years as 2 terawatt hours of low-carbon, renewable generation plants, including our geothermal development at Tauhara, come on stream.

An interim ordinary dividend of 14 cents per share was paid in April 2021 and in August 2021 the Board approved a final ordinary dividend of 21 cents per share (imputed by up to 14 cents per share for qualifying shareholders) and this will be paid to investors on 15 September 2021.

This means we are delivering investors a 35 cents per share annual dividend, down slightly from 39 cents per share in FY20. The dividend policy was updated by the Board in February 2021 and targets a payout ratio of between 80 per cent and 100 per cent of the average operating free cash flow of the preceding four financial years.

Dividends (cps) – declared



1 EBITDAF is a non-GAAP (generally accepted accounting practice) measure. Information regarding the usefulness, calculation and reconciliation of these measures is provided within note A2 and A3 of the financial statements.

In March we completed a $400m equity raise for our capital investment programme as we look ahead to other exciting renewable generation developments. This injection of capital provides us with the flexibility to execute on up to $800 million of additional projects and we are actively looking at how we can bring more development forward in response to the clear market signals for more renewable electricity.

We are excited about the future for Contact. We're a strong company with a clear strategy and a host of opportunities in front of us. We have a robust balance sheet, a portfolio of high-quality and flexible assets and a very capable team.

Our regulatory environment

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.

Some of the main themes that potentially affect the business environment we operate in include:

- **Climate change**. The collective responsibility of New Zealand to reduce carbon emissions and meet local and international climate change commitments, for example, Climate Change Commission recommendations, and the opportunities for the electricity sector to support New Zealand's decarbonisation.
- **Energy hardship**. This includes the Government's response to the Electricity Price Review and associated recommendations and energy efficiency initiatives such as ERANZ's EnergyMate programme and Hardship Fund.
- **Renewable energy**. This includes opportunities to accelerate renewable generation investment and remove thermal generation for the New Zealand generation mix.
- **Energy transition**. This includes the Emissions Trading Scheme, increased momentum around electric vehicles, incentivising investment in renewable developments and the electrification of industry away from fossil fuels, and longevity of demand from major industrial users.
- **Sectors in transition**. This includes the 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**. This includes new climate change legislation, ongoing reviews of the Resource Management Act, the National Policy Statement for Freshwater Management, the National Policy Statement for Indigenous Biodiversity and Three Waters Reform.

We are also committed to supporting New Zealand's economic recovery from the COVID-19 pandemic, and we are ensuring stakeholders are aware of our desire to reduce carbon, create jobs and invest in electrification and renewable generation. This extends to exploring green hydrogen opportunities, as well as our Tauhara geothermal project.

The last five years in review

For the year ended 30 June	Unit	2017[1]	2018[2]	2019[2]	2020	2021
Revenue	$m	2,079	2,275	2,519	2,073	2,573
Expenses	$m	1,578	1,794	2,001	1,627	2,020
EBITDAF	$m	501	481	518	446	553
Profit/(loss)	$m	151	132	345	125	187
Profit per share – basic	cps	21.0	18.4	48.2	17.5	25.3
Operating free cash flow	$m	305	301	341	290	371
Operating free cash flow per share	cps	42.6	42.0	47.5	40.4	50.2
Dividends declared	cps	26	32	39	39	35
Dividends paid	$m	186	201	251	280	274
Total assets	$m	5,455	5,311	4,954	4,896	5,028
Total liabilities	$m	2,677	2,584	2,172	2,275	2,101
Total equity	$m	2,778	2,727	2,782	2,621	2,927
Gearing ratio	%	36	35	28	31	23

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.

Resource management reforms

A fundamental reform of New Zealand's resource management system has been well signalled by the Government and is proceeding quickly; key provisions in the proposed Natural and Built Environments Act (NBEA) were released in late June 2021. This is set to be the primary replacement legislation for the Resource Management Act 1991 and is expected to be enacted in 2022.

It is important that sufficient weight be given to the role of renewable electricity generation in decarbonising the economy and that effective consenting pathways for renewable projects are provided. There are many other issues and opportunities arising from such an enormous reform of environmental law and natural resource allocation, including in relation to water and geothermal energy, and we will continue to engage with government and policymakers as the reforms progress.

At the same time the Wai 2358 Waitangi Tribunal Inquiry into the Crown's current and proposed future handling of rights to geothermal resources is recommencing, and Contact is registered as an interested party to those proceedings. The outcomes are likely to influence the approach taken to the allocation of geothermal energy in the proposed new resource management system and the role of tangata whenua in its sustainable management.

Another significant new regulation for Contact is the proposed National Policy Statement for Indigenous Biodiversity (NPSIB). Many of our current or potential future renewable energy projects affect native plants, fish and fauna, and these are carefully assessed, managed and mitigated by way of consent conditions and our own environmental initiatives. It is important that any new NPSIB finds the right balance between the importance of biodiversity protection and the need for new and protection of existing renewable energy developments.

We remain engaged across national and local resource management regulation changes with particular emphasis on facilitating new and existing renewables, ensuring that any new environmental bottom lines are set reasonably, and that practical recourse to environmental restoration, offsetting, and compensation for unavoidable effects is provided. We are also aware that our relationships with tangata whenua will become even more important in light of their increased role in natural resource management.

2019 'Undesirable trading situation' claim

In December 2020, the Electricity Authority found that an undesirable trading situation (UTS) had occurred in the wholesale electricity market in December 2019 due to the confluence of factors that resulted in water being spilt by generators in the South Island. 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. The Electricity Authority is now consulting on actions to correct the UTS.

In April 2021, the Electricity Authority closed a separate High Standards of Trading Conduct investigation that related to the same event with no further action, having found no breach of the rules.

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
- Approving major investments
- Monitoring financial performance
- Appointing the CEO and monitoring CEO and senior management performance
- Ensuring 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).

In March 2021, Whaimutu Dewes retired from the Board and was replaced by Rukumoana Schaafhausen. Rukumoana brings valuable skills that complement the expertise of the other directors on the Board. In March 2021, Dame Therese Walsh announced her resignation from the Board this year. Contact's succession planning process culminated in the appointment of Sandra Dodds to replace Dame Therese as Chair of the Audit and Risk Committee.

Following an independent review by Korn Ferry in 2021, 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.

"Contact's strong governance systems and the robust process to ensure discussion and deep dives on key risks." **Dame Therese Walsh**, Director

"Developing and approving the new Contact26 strategy, which underpins our plan of action for the company's success over the next five years. At the same time the TWoW programme has ensured a massive change to embrace a more flexible workplace while improving productivity and the bottom line."

Robert McDonald, Chair

Board performance

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 next independent review is scheduled to be carried out in early 2022.

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.

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.

Primary Secondary

Strategic Focus	Director Expertise	Governance Capabilities
Brand value and customer experience		Brand identity and value. Deep customer insight and advocacy including in energy poverty. Understands generational shift and the impact on customer drivers. Retail growth and 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, renewables, and wholesale energy markets		Leadership experience across the energy sector including in a generation portfolio of geothermal, hydro and thermal, energy markets, supply/demand and commercial and industrial customers. Core understanding of key drivers in value creation and prediction of market needs, moving towards a sustainable renewable energy business model. Operational risk management including health and safety.
Asset infrastructure		Experience successfully leading energy sector or adjacent companies (e.g. physical infrastructure, new technologies, engineering and construction), large scale projects, investment and management. Skills to support and challenge in project investment, build and industrial maintenance.
Portfolio efficiency		Expertise in cost base reduction and increasing flexibility of an asset portfolio with sustainability at the forefront. Proven track record in cost out, improving reliability and resource utilisation while maintaining safety. Ideally experience in process improvement in resource environments.
Capital markets, investment community and ESG		Significant investment community experience. This spans finance, communications and securities law to enable the most effective two-way understanding of, and communication between, the company and the financial community, contributing to fair valuation and ability to gain buy-in for future strategic shifts. Experienced in sustainable investing and with the ESG data toolkit for identifying risks, informing solutions and impacting valuations, brand value and reputation.
Government and regulation		Ability to engage effectively and collaboratively with key government stakeholders. Brings an understanding of legal, policy, and regulatory environments that Contact operates in. Insight into non-financial risks around climate change, natural resources scarcity, pollution/waste and ecological opportunities.
Iwi connection and relationships		Iwi connection and relationships to develop shared understanding of kaitiakitanga and collaborative investment into resources.
Executive experience		Former CEO or C-suite executive with excellent track record of growing value, leading with purpose, strategy development and execution, including investing in people, leadership of culture, and effective delegation. Experience in international markets.
Financial expertise		Finance and accounting experience of large companies including transformation and cost optimisation. Expertise in M&A, project financing and/or wholesale commodity markets. The skills to chair the Audit and Risk Committee.
IT, digital and new technologies		Contemporary digital ecosystem platforms and systems to support lean operations, automation, security management and customer innovation. Skills to support and challenge in capital investment plans, technology-enabled operational efficiencies and service improvements. Strong exposure to trends in new energy technologies, cleantech and new products that support decarbonisation including the developments in transmission and changing nature of the 'energy corridor'.

"The increasing recognition of the role that ESG plays in Contact's success and the focus on strong governance for ESG matters. As Chair of the Safety and Sustainability Committee, one thing that stood out in particular was the HSE Culture review with its focus on the wellbeing of our people."

Elena Trout, Director

Board committees

The Board has four standing committees to perform work and provide specialist advice in certain areas. Our Board works to the principle that committees should enhance effectiveness in key areas, while still retaining Board responsibility.

This financial year, we carried out a review of Contact's governance systems, to ensure the Contact Board receives the right information in a timely manner to help enable good decisions to be made (the Governance Review). Part of the Governance Review involved looking at the role of the Board and Board committees, ensuring that the right committee receives the right information at the right time and that the flow of information and decisions through the committees to the Board contributes to effective decision-making. This resulted in some changes to the way we do things, effective from 1 July 2021.

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 functions, and risk management.

The Safety and Sustainability (HSE) Committee supports the Board in relation to HSE objectives and monitoring HSE performance. For FY22, the mandate of this committee has been widened to include oversight of ESG matters and it has been renamed the Safety and Sustainability Committee. This reflects the importance Contact places on ESG performance. The committee also has oversight of climate related risks and opportunities.

The People Committee advises and supports the Board in fulfilling its responsibilities across all aspects of Contact's people and capability strategies, risks, policies and practices. In FY21, this Committee also had responsibility for Board composition, performance and remuneration, but those functions will move to the full Board from FY22.

In FY20, the Board established the Tauhara Board Committee, reflecting the strategic importance of the Tauhara power station project. In October 2020, this Committee's mandate was widened to include all major growth projects and opportunities.

The current members of the committees are:

Committee	Members
Audit and Risk	Dame Therese Walsh (Chair) Victoria Crone Rukumoana Schaafhausen
Safety and Sustainability	Elena Trout (Chair) David Smol Rukumoana Schaafhausen
People	Jon Macdonald (Chair) Robert McDonald Dame Therese Walsh
Development	David Smol (Chair) Elena Trout Jon Macdonald

Code of Conduct and policies

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, along with our Tikanga, 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. Information about how our key policies operate is in our Corporate Governance Statement and the policies themselves are on our **website.**

In FY21, we refreshed our **Protected Disclosure (Whistleblowing) Policy**, which offers protections for employees who disclose serious wrongdoing in accordance with the process in the policy, and we replaced our old whistleblower hotline with a new online portal to help ensure we're aware of any breaches of the Code of Conduct, our policies or any other illegal or unethical activity. This portal is easily accessible and user friendly – anyone at Contact who is concerned about any incident or behaviour can use the whistleblower portal to report that matter, anonymously if they choose. Any whistleblower disclosures are reported to the General Counsel and CEO and where appropriate, the Chair.

In March this year, we published our first Modern Slavery Statement, which sets out the steps we have taken to identify, manage and mitigate the specific risks of modern slavery in our operations and supply chain. We have also implemented a Supplier Code of Conduct, which outlines the behaviours we expect from suppliers, particularly regarding ethical, social and environmental business practices.

"The success of retail adjacency with Contact's broadband product and recently hitting the milestone of 50,000 broadband connections." **Victoria Crone**, Director

"Approving the Tauhara geothermal power station project – an investment decision that was a long time in the planning and is New Zealand's best low-carbon renewable electricity opportunity." **David Smol**, Director

Risk management and assurance

Risk management

Our risk management framework enables the Board to set an appropriate risk strategy and ensure that risk is managed throughout the organisation. The framework ensures we have appropriate systems in place to identify material risks and that, where applicable, the Board sets appropriate tolerance limits. We assign responsibility to individuals to manage identified risks and we monitor any material change to Contact's risk profile.

Assurance

Our business assurance team fulfils our internal audit function and provides objective assurance of the effectiveness of our internal control framework. The team is based in-house, and draws on 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 by our risk management framework. The 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

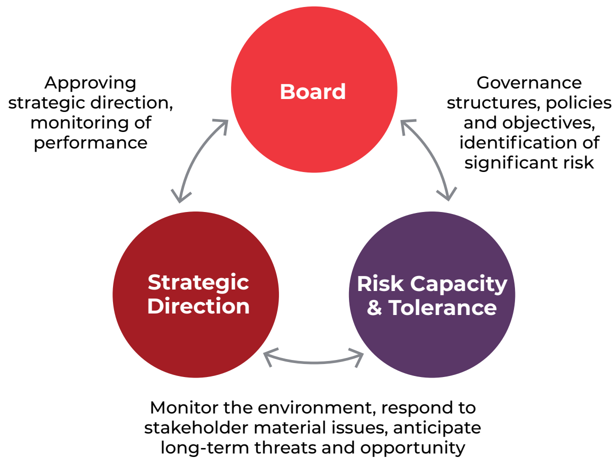
We recognise that the role of our external auditor is critical for the integrity of our financial reporting. Our external auditor is KPMG. The Audit and Risk Committee ensures that the audit partner is changed at least every five years.

Our External Audit Independence Policy sets out the framework we use to ensure the independence of our external auditors is maintained and 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 Chair of the Audit and Risk Committee approved KPMG to perform additional engagements this year, including assuring our green borrowing programme, greenhouse gas emissions and Global Reporting Index (GRI) indicators.

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

"Completing the acquisition of Simply Energy, as an important step towards our progress in helping customers be smarter with their electricity consumption, and watching them succeed – for example, the expansion of demand flexibility and the partnership with US-based smart plug company Sapient."
Jon Macdonald, Director



"Hosting the Prime Minister at the opening of the Tauhara project site and seeing the impact the project will have for the Taupō area and New Zealand's decarbonisation efforts."
Rukumoana Schaafhausen, Director

Remuneration report

Dear fellow shareholders

I am pleased to present Contact's remuneration report for FY21 on behalf of the Board's People Committee.

FY21 Financial results and remuneration

Contact has delivered a solid financial result for shareholders this year with profit of $187 million, EBITDAF of $553 million, and operating free cash flow of $371 million. Operating costs and capital expenditure have been managed prudently, while contending with ongoing gas shortages and low hydro lake levels.

Our discretionary short-term incentive pool reflects Contact's performance in FY21 and any payments under these arrangements will be made in September 2021. Given the company's performance over the past year, we consider executive remuneration is appropriate.

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

Review of remuneration framework

As signalled last year, we reviewed our remuneration framework to ensure remuneration remains transparent, fair and enables Contact to attract, reward and retain high-performing people. We are committed to paying appropriate market rates for all roles, and making sure people are rewarded for their performance and experience.

Following this review, we made changes to our short-term incentive scheme and our equity scheme that will apply from FY22:

- we are buying out the short-term incentive (STI) for people below senior management level and therefore increasing their fixed remuneration
- we are applying a consistent weighting of the corporate and individual performance outcomes for senior employees who remain in the STI scheme
- senior managers invited to participate in the equity scheme through Performance Share Rights (PSRs) will now receive their full eligibility of PSRs
- we have reduced the test dates of PSRs to one test at the third anniversary, and introduced a second hurdle linked to decarbonisation and achieving our Contact26 strategy
- the leadership team's cash STI has been reduced, and their participation in Contact's Deferred Share Rights (DSRs) scheme has been increased by an equal amount.

The changes aim to provide more clarity and certainty for our people, as well as increasing alignment with company performance.

Inclusion and diversity

Activity aligned with Contact's inclusion and diversity strategy underpins the company's work environment, inclusion is embedded, and people are encouraged to be themselves. In our people engagement survey, the average score for "People from all backgrounds are treated fairly at Contact" is a very strong 8.7/10 which is good to see.

A wide range of initiatives drive greater inclusion and support for the rainbow community, Māori, women and young people. This includes Rainbow Tick re-certification for the fourth consecutive year, our Māori Summer Internship programme, and support for the WING organisation to lift the presence of women in the geothermal industry.

Contact also supports the Champions for Change initiative and participated in its third Diversity and Inclusion Impact report (published in March 2021). The data from participating organisations shows female representation increased both proportionally and in absolute numbers between 2018 and 2020. In FY21 Contact achieved gender balance (40:60 women to men) across half of our work categories, but there are several categories where we need to improve. We've reported on gender composition across these categories in our sustainability disclosures.

Pay equity analysis examines whether females and males within the same role grade are paid equitably. At Contact the FY21 pay equity is 97.6 per cent – this is above our stated target of 97 per cent (and FY20's 96 per cent result) but we remain committed to further reducing this gap.

An additional remuneration disclosure has been included for the first time this year, including the ratio between the total annual compensation of the CEO and the median employee compensation – a ratio of 20:1.

TWoW

Contact has embraced the choice for its people to work from anywhere as long as their role allows, and the work can be done safely and securely. Embracing flexible work practices helps build engagement, attract more diverse talent, and will help Contact succeed over the longer term. This is echoed by strong results around working flexibly and working remotely in recent people engagement surveys.

More flexibility around location, and a greater use of technology rather than travel has also contributed to our ambition for less emissions. An additional benefit of TWoW has been a recurring cost reduction of over $1.8m per year, as a result of a range of initiatives but primarily through a reduction in our property, travel and technology costs. On a related note, the Contact team has proven resilient and flexible in ensuring minimal business disruption during further regional COVID-19 alert level changes in FY21.

Contact is continuously looking to improve as part of its overall commitment to being a good employer. There is always more to do.

Jon Macdonald
Chair, People Committee

Directors' remuneration

The total directors' fee pool is $1,500,000 per year. It has not 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. There were no increases in the level of director fees between FY20 and FY21. 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 in light of the developing situation around COVID-19.

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.

FY21	Chair per annum	Member per annum
Board of Directors	$285,000*	$138,000
Audit and Risk Committee	$46,000	$23,000
Safety and Sustainability Committee	$26,000	$13,000
People Committee	$26,000	$13,000
Development Committee	$20,000	$10,000

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

Directors*	Board fees	Audit and Risk Committee	Safety and Sustainability Committee	People Committee	Development Committee	Total remuneration
Robert McDonald	$270,750					$270,750
Victoria Crone	$131,100	$21,850				$152,950
Whaimutu Dewes	$96,600	$16,100	$9,100			$121,800
Jon Macdonald	$131,100			$24,700	$9,500	$165,300
Rukumoana Scaafhausen	$46,000	$5,750	$3,250			$55,000
David Smol	$131,100		$12,350		$17,000	$160,450
Elena Trout	$131,100		$24,700		$11,500	$167,300
Dame Therese Walsh	$131,100	$43,700		$12,350		$187,150
Total	**$1,068,850**	**$87,400**	**$49,400**	**$37,050**	**$38,000**	**$1,280,700**

* Notes:

Amounts paid during the period 1 April to 30 June 2020 reflect a 20 per cent reduction, as described above.
Rukumoana Scaafhausen joined the Board on 1 March 2021.
Whaimutu Dewes resigned from the Board on 31 March 2021.
The mandate of the Tauhara Committee widened and it was renamed the Development Committee on 1 October 2020.
The mandate of the Health Safety and Environment Committee was widened and it was renamed the Safety and Sustainability Committee on 1 July 2021.
David Smol replaced Elena Trout as Chair of the Development Committee on 1 October 2020.
In June 2021, the Board agreed certain changes to its committees to ensure it has the optimum governance structures in place for the changing environment. We describe these changes in Board committees.
Whaimutu Dewes was paid $6,250 for consultancy services from 1 April 2021 (i.e. after his resignation from the Contact Board).

Details of remuneration paid to non-executive directors of Contact subsidiaries for FY21 are as follows:

Subsidiary	Non-executive director	Total remuneration
Simply Energy Limited	Chris Seel	$20,000
Western Energy Services Limited	Dane Coppell	$6,000

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 Mike Fuge for his time as CEO during the year.

CEO remuneration for the period ended 30 June 2021

Position	Fixed remuneration			Pay-for-performance remuneration				Total remuneration $
	Salary paid $	Benefits $	Subtotal $	Cash STI $	Equity STI $	Equity LTI $	Subtotal $	
FY21	1,150,000	38,340[1]	1,188,340	431,250[2]	258,750[3]	402,500[4]	1,092,500	2,280,840

Pay-for-performance remuneration breakdown for the year ended 30 June 2021

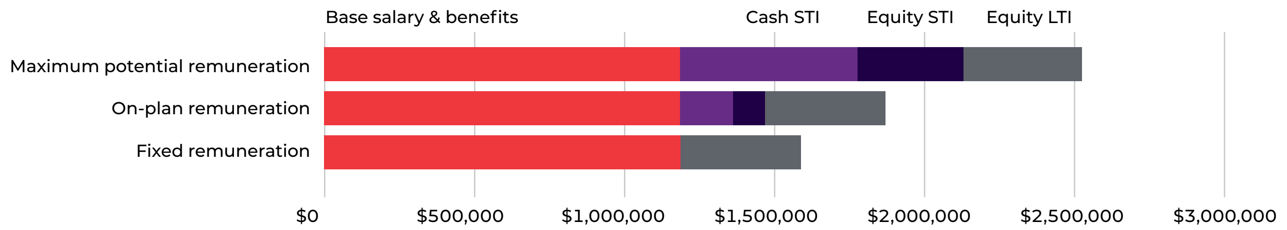
All discretionary payments were calculated and paid based on period employed in FY21.

Scheme	Description	Performance measures	Percentage of maximum potential
Cash STI[5]	Cash STI is a discretionary scheme based on achievement of KPIs. Maximum potential set at 50% of base salary.	70% based on corporate shared KPIs: • 50% financial results (Operating Free Cash Flow, EBITDAF, OPEX) • 40% transformation targets • 10% safety targets 30% based on individual KPIs including corporate reputation, demand growth, transformation, strategy development and executive capability.	75% (Paid September 2021)
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.	75% $258,750 based on fair value allocation (To be granted 1 October 2021 and tested October 2023)
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 hurdles to receive these are: • 50% Contact's relative total shareholder return (TSR) ranking within an energy industry peer group of other New Zealand NZX50 listed utilities companies. • 50% internal hurdle related to our strategic priority of decarbonisation. Tested once, at year 3.	100% $402,500 based on fair value allocation (To be granted 1 October 2021 and tested October 2024)

1 Benefits include 3% KiwiSaver contribution calculated on remuneration amounts including cash STI, and health insurance.
2 STI for FY21 period, paid in FY22.
3 Equity, based on fair value allocation, performance hurdles tested 2023.
4 Equity, based on fair value allocation, performance hurdles tested 2024.
5 The Cash STI performance weightings changed in FY21 to 70% corporate and 30% individuals KPIs from the previous 60% corporate and 40% individual KPIs.

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
Mike Fuge						
FY21	$2,280,840	75%	0%	n/a	0%	n/a
FY20[2]	$669,641	40%	0%	n/a	0%	n/a
Dennis Barnes						
FY20[3]	$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%[4] 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

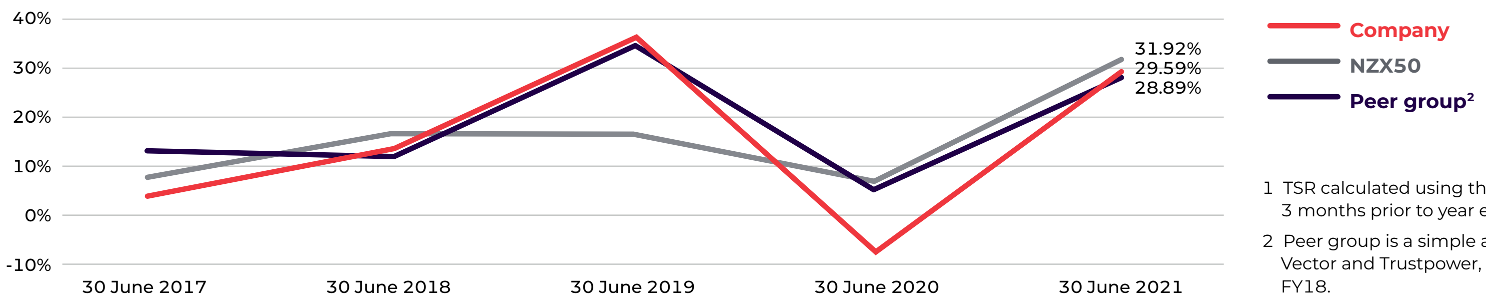
1 Total remuneration paid includes salary, benefits, Cash STI, and value of STI and LTI Equity (paid in shares).

2 24 February 2020 – 30 June 2020

3 1 July 2019 – 28 February 2020

4 100% 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.

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.

Contents

Contact 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 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 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 2021 there were 94 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 statements.

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 in financial statements for more detail); and additional benefits and offers from retailers and service providers.

Additional Contact 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 2021 our pay equity was at 97.6 per cent for women to men. We make adjustments to individual salaries where appropriate to address pay equity while applying our grade structure.
- CEO-to-employee pay ratio, 20:1. The ratio between the total annual compensation of the CEO and the median employee compensation.
- 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.

Group[1] employees who earn over $100k

The table shows the number of our people (including any who have left) who received remuneration and other benefits during FY21 of at least $100,000 for the year ended 30 June 2021.

The value of remuneration benefits analysed includes:

- fixed remuneration including allowance/overtime payments
- employer superannuation contributions
- short-term cash incentives relating to FY20 performance but paid in FY21 (Contact and Simply Energy)
- the value of equity-based incentives at fair value allocation received during FY21 (Contact)
- the value of Contact Share received during FY21 (Contact)
- redundancy and other payments made on termination of employment.

The figures do not include; amounts paid after 30 June 2021 that relate to the year ended 30 June 2021, the remuneration (and any other benefits) of the Contact CEO, Mike Fuge, as they are disclosed in CEO remuneration.

Table of employees who earn over $100k

Remuneration band	Number of employees
$100,001–$110,000	47
$110,001–$120,000	42
$120,001–$130,000	61
$130,001–$140,000	53
$140,001–$150,000	53
$150,001–$160,000	39
$160,001–$170,000	33
$170,001–$180,000	14
$180,001–$190,000	17
$190,001–$200,000	13
$200,001–$210,000	19
$210,001–$220,000	14
$220,001–$230,000	6
$230,001–$240,000	4
$240,001–$250,000	3
$250,001–$260,000	6
$260,001–$270,000	3
$270,001–$280,000	6
$280,001–$290,000	3
$290,001–$300,000	2
$300,001–$310,000	1
$320,001–$330,000	3
$330,001–$340,000	4
$370,001–$380,000	2
$380,001–$390,000	1
$390,001–$400,000	1
$400,001–$410,000	1
$430,001–$440,000	1
$480,001–$490,000	2
$490,001–$500,000	1
$530,001–$540,000	1
$550,001–$560,000	1
$640,001–$650,000	1
$720,001–$730,000	1
$960,001–$970,000	1
$1,120,001–$1,130,000	1
	461[2]

1 Excludes Drylandcarbon.

2 Includes 29 former employees across the group (excluding Drylandcarbon).

Additional disclosures

Statutory disclosures

Disclosures of interests by directors

The table below lists the general disclosures of interest by directors of Contact Energy Limited in accordance with section 140 of the Companies Act 1993.

Robert McDonald

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

Victoria Crone

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

Jon Macdonald

Sharesies Limited and various subsidiaries	Director
Titan Parent New Zealand Limited (Parent company of Trade Me Ltd)	Director
Mitre 10 (New Zealand) Ltd and various subsidiaries	Director
NZ Technology Training Trust	Trustee
My Food Bag Group Limited	Director
The Champ Trust	Trustee/Beneficiary

Rukumoana Schaafhausen

AgResearch Limited	Director
KGS Limited	Director
Te Waharoa Investments Limited	Director
Miro (Hautupua) Limited	Director
Water Governance Board, Waikato District Council	Director
Tindall Foundation	Trustee
Princes Trust NZ	Trustee
Equippers Church Trust	Trustee

David Smol

New Zealand Growth Capital Partners Limited	Chair
Department of Internal Affairs' External Advisory Committee	Chair
Ministry of Social Development's Risk and Audit Committee	Chair
Capital & Coast District Health Board	Chair
Hutt Valley District Health Board	Chair
New Zealand Transport Agency	Board Member
The Co-operative Bank Limited	Director
Victoria Link Limited	Chair
Rimu Road Consulting Limited	Director

Elena Trout

Callaghan Innovation	Director
Ngapuhi Asset Holding Company Limited and various subsidiaries	Director
Joint NZ Defence Force and Ministry of Defence Capability Governance Board	External Member
Energy Efficiency and Conservation Authority (EECA)	Chair
Low Emission Vehicles Contestable Fund (a fund from EECA budget)*	Chair
Harrison Grierson Holdings Limited and various subsidiaries	Director
Motiti Investments Limited	Director
Ara Ake Limited	Director
Interim Establishment Board for the Construction and Infrastructure Workforce Development Council	Chair

* Fund expired mid-2021.

Dame Therese Walsh

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

*Will become Chair effective 1 September 2021.

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 2021

Director	Ordinary shares	Bonds
Robert McDonald	34,602	35,000
Victoria Crone	21,533	
Jon Macdonald	23,068	
David Smol	20,550	
Elena Trout	21,186	
Dame Therese Walsh	17,225	

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
Robert McDonald	12/03/21	Acquisition under retail equity offer	$6.74	4,602
Victoria Crone	12/03/21	Acquisition under retail equity offer	$6.74	1,483
Whaimutu Dewes	12/03/21	Acquisition under retail equity offer	$6.74	3,070
Jon Macdonald	12/03/21	Acquisition under retail equity offer	$6.74	3,068
David Smol	12/03/21	Acquisition under retail equity offer	$6.74	2,316
	29/03/21	On-market purchase	$6.85	3,134
Elena Trout	12/03/21	Acquisition under retail equity offer	$6.74	1,186
Dame Therese Walsh	12/03/21	Acquisition under retail equity offer	$6.74	2,225

Shareholder statistics

Twenty largest shareholders at 30 June 2021

	Number of ordinary shares	% of ordinary shares
HSBC Nominees (New Zealand) Limited	60,890,712	7.85
HSBC Nominees (New Zealand) Limited	53,969,790	6.95
Citibank Nominees (NZ) Limited	51,298,979	6.61
National Nominees New Zealand Limited	49,101,052	6.33
JP Morgan Chase Bank	40,784,092	5.25
Accident Compensation Corporation	30,073,733	3.87
Tea Custodians Limited	27,606,067	3.56
FNZ Custodians Limited	27,273,298	3.51
Forsyth Barr Custodians Limited	23,511,944	3.03
New Zealand Superannuation Fund Nominees Limited	19,942,072	2.57
BNP Paribas Nominees NZ Limited	18,000,856	2.32
JB Were (NZ) Nominees Limited	17,431,762	2.25
Cogent Nominees Limited	15,694,541	2.02
Custodial Services Limited	15,047,438	1.94
BNP Paribas Nominees NZ Limited	13,240,049	1.71
New Zealand Depository Nominee	10,896,540	1.40
Custodial Services Limited	10,514,072	1.35
JP Morgan Nominees Australia Pty Limited	9,987,014	1.29
Premier Nominees Limited	9,372,306	1.21
Private Nominees Limited	7,942,624	1.02
Total for top 20	**512,578,941**	**66.04**

Distribution of ordinary shares and shareholders at 30 June 2021

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1–1,000	28,166	44.63	18,095,094	2.33
1,001–5,000	28,633	45.37	53,154,526	6.85
5,001–10,000	3,559	5.64	25,127,742	3.24
10,001–50,000	2,428	3.85	46,704,015	6.02
50,001–100,000	203	0.32	14,084,931	1.81
100,001 and over	127	0.20	618,955,762	79.75
Total	**63,116**	**100.00**	**776,122,070**	**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 2021:

Substantial product holder	Number of ordinary shares in which relevant interest is held	Date of notice
The Vanguard Group, Inc.	38,806,275	18 June 2021
BlackRock Inc. and related bodies corporate	38,912,275	4 May 2021

The total number of voting securities of Contact at 30 June 2021 was 776,122,070 fully paid ordinary shares.

Bondholder statistics

Twenty largest CEN030 bondholders at 30 June 2021

	Number of CEN030 bonds	% of CEN030 bonds
FNZ Custodians Limited	16,440,000	10.96
Forsyth Barr Custodians Limited	15,249,000	10.17
Hobson Wealth Custodian Limited	14,439,000	9.63
Citibank Nominees (NZ) Limited	10,622,000	7.08
Commonwealth Bank of Australia	7,859,000	5.24
NZ Permanent Trustees Limited	7,439,000	4.96
Custodial Services Limited	4,565,000	3.04
Tea Custodians Limited	4,097,000	2.73
Cogent Nominees Limited	4,096,000	2.73
Custodial Services Limited	3,779,500	2.52
National Nominees New Zealand Limited	3,624,000	2.42
Southern Cross Medical Care Society	3,400,000	2.27
Custodial Services Limited	3,159,500	2.11
ANZ National Bank Limited	3,034,000	2.02
Custodial Services Limited	2,748,000	1.83
Private Nominees Limited	2,638,000	1.76
Pin Twenty Limited	2,500,000	1.67
Forsyth Barr Custodians Limited	2,350,000	1.57
Investment Custodial Services Limited	2,109,000	1.41
University Of Otago Foundation Trust	1,985,000	1.32
Total for top 20	**116,133,000**	**77.44**

Distribution of CEN030 bonds and bondholders at 30 June 2021

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	53	9.76	265,000	0.18
5,001–10,000	120	22.10	1,128,500	0.75
10,001–50,000	292	53.78	7,886,500	5.26
50,001–100,000	28	5.16	2,341,000	1.56
100,001 and over	50	9.21	138,379,000	92.25
Total	**543**	**100.00**	**150,000,000**	**100.00**

Twenty largest CEN040 bondholders at 30 June 2021

	Number of CEN040 bonds	% of CEN040 bonds
Citibank Nominees (NZ) Limited	20,738,000	20.74
FNZ Custodians Limited	12,007,000	12.01
Cogent Nominees Limited	7,585,000	7.59
HSBC Nominees (New Zealand) Limited	7,038,000	7.04
Custodial Services Limited	4,073,000	4.07
Forsyth Barr Custodians Limited	3,909,000	3.91
Westpac Banking Corporation	3,250,000	3.25
Private Nominees Limited	3,159,000	3.16
Southern Cross Medical Care Society	3,000,000	3.00
Custodial Services Limited	2,681,000	2.68
Custodial Services Limited	2,612,000	2.61
Custodial Services Limited	2,394,000	2.39
BNP Paribas Nominees NZ Limited	2,330,000	2.33
Investment Custodial Services Limited	2,313,000	2.31
Forsyth Barr Custodians Limited	1,444,000	1.44
Hobson Wealth Custodian Limited	1,375,000	1.38
FNZ Custodians Limited	1,129,000	1.13
Custodial Services Limited	1,075,000	1.08
Forsyth Barr Custodians Limited	936,000	0.94
JB Were (NZ) Nominees Limited	850,000	0.85
Total for top 20	**83,898,000**	**83.91**

Distribution of CEN040 bonds and bondholders at 30 June 2021

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	34	10.73	170,000	0.17
5,001–10,000	70	22.08	675,000	0.68
10,001–50,000	161	50.79	4,285,000	4.29
50,001–100,000	17	5.36	1,286,000	1.29
100,001 and over	35	11.04	93,584,000	93.58
Total	**317**	**100.00**	**100,000,000**	**100.00**

Twenty largest CEN050 bondholders at 30 June 2021

	Number of CEN050 bonds	% of CEN050 bonds
HSBC Nominees (New Zealand) Limited	11,800,000	11.80
FNZ Custodians Limited	9,895,000	9.90
Citibank Nominees (NZ) Limited	9,330,000	9.33
BNP Paribas Nominees NZ Limited	7,550,000	7.55
Custodial Services Limited	6,324,000	6.32
HSBC Nominees (New Zealand) Limited	4,730,000	4.73
Cogent Nominees Limited	4,576,000	4.58
Tea Custodians Limited	4,550,000	4.55
New Zealand Permanent Trustees Limited	4,540,000	4.54
Custodial Services Limited	4,264,000	4.26
Forsyth Barr Custodians Limited	3,953,000	3.95
JB Were (NZ) Nominees Limited	3,302,000	3.30
Custodial Services Limited	3,173,000	3.17
Custodial Services Limited	2,556,000	2.56
Custodial Services Limited	1,297,000	1.30
Mt Nominees Limited	1,241,000	1.24
Investment Custodial Services Limited	1,175,000	1.18
Private Nominees Limited	1,000,000	1.00
Woolf Fisher Trust Inc	950,000	0.95
FNZ Custodians Limited	906,000	0.91
Total for top 20	**87,112,000**	**87.12**

Distribution of CEN050 bonds and bondholders at 30 June 2021

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	6	2.87	30,000	0.03
5,001–10,000	44	21.05	426,000	0.43
10,001–50,000	104	49.76	2,824,000	2.82
50,001–100,000	23	11.00	1,702,000	1.70
100,001 and over	32	15.31	95,018,000	95.02
Total	**209**	**100.00**	**100,000,000**	**100.00**

Directors of Contact Energy Limited and subsidiaries

The following people held office as directors of Contact Energy Limited as at 30 June 2021: Robert McDonald, Victoria Crone, Jon Macdonald, Rukumoana Schaafhausen, David Smol, Elena Trout and Dame Therese Walsh. Whaimutu Dewes held office as a director during the reporting period until 31 March 2021.

The following people held office as directors of Contact's subsidiaries as at 30 June 2021:

Simply Energy Limited
Dorian Devers
Murray Dyer
James Kilty
Stephen Peterson
Chris Seel
Catherine Thompson*

*Appointed 28 April 2021.

Western Energy Services Limited
Dane Coppell
Dorian Devers*
Mike Dunstall*
James Kilty*
Catherine Thompson*

*Appointed 31 March 2021.

NZX waivers

There were no waivers granted by NZX or relied on by Contact in the 12 months preceding 30 June 2021.

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 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 FY21.

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 FY21 was $541,000. The fees for other services undertaken by KPMG during FY21 totalled $57,250. These related to other assurance activities: reviews of Contact's green borrowing programme, greenhouse gas emissions and GRI (sustainability), and supervisor reporting.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Contact records that it donated $36,642 in FY21 including charitable donations, provision of free energy and where we have given a koha. Donations are made on the basis that the recipient is not obliged to provide any service such as promoting Contact's brand and are separate from Contact's sponsorship activity. 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
Electricity Retailers' Association of New Zealand (ERANZ)
Gas Industry Company
Participates in projects or committees
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
Aotearoa Circle

External commitments

Organisation/Group	Date of adoption	Commitment
Climate Leaders Coalition	July 2019	• To measure our greenhouse gas emissions, have them independently verified and publicly report on them. • 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. • Assessing our climate change risks and publicly disclosing them. • Proactively support our people to reduce their emissions. • Proactively support our suppliers to reduce their emissions. • Committed to the Paris Agreement Target to keep warming below 2°C and to further pursue efforts to limit temperature increases to 1.5°C.
Science Based Targets initiative – Committed	March 2018	We commit to progressing emission reduction in line with verified target.

Climate-related risks and opportunities

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

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 used 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 regulation, stakeholder expectations and market dynamics, 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, who have formal oversight of climate-related issues, also review the climate-related risks. The full Board, when setting strategy, also considers a wide range of risks and environmental factors, and the work that our teams do to understand issues such as climate change contributes to their decision-making.

	Short term (now–2023)	Medium term (2023–2035)	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 customers and investors on environmental, social, governance (ESG) performance of businesses. • Rising gas and carbon costs.	• National imperative to reduce carbon emissions through policy and other means. • Heightened scrutiny of emissions from geothermal energy generation. • Leadership of decarbonisation initiatives including delivering on science-based targets.	• 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. • Increased opportunity for renewable developments. • 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 electricity demand. • Increased demand for green energy products/ certification.	• 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.	• Opportunity to develop Thermal Co. • Ensuring an orderly transition to a low-emissions energy sector.	• Potential for significant 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. • Opportunity for smart-solutions for customers to assist decarbonisation.	• Customer adoption of new technologies and/or energy efficient solutions impacts on demand for grid connected electricity. • Opportunity for innovative new energy sources e.g. hydrogen. • Increase in demand due to changing industry energy requirements.	• 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 offset or reduce emissions faster than planned.	• New Zealand's costs become higher relative to globe which results in production moving offshore and reduced demand.

	Short term (now–2023)	Medium term (2023–2035)	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.*
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. • Consent renewal required for Wairākei in 2026. • Changes in regulation may impact on access to water, consent conditions and/or costs.	• Increased demand and competition for natural resources, including fresh water, impacts on access to natural resources for generation. • Drilling programme requires access to significant volumes of water. • Consents required for new developments.	• 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. • Stormwater 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.

Group Scope 1 emissions

	Emissions (tCO_2e)		Thermal Generation Emission Intensity (tCO_2e per MWh)		Total Generation Emission Intensity (tCO_2e per MWh)	
	FY21	FY20	FY21	FY20	FY21	FY20
Fuel used for thermal generation	866,013	722,834[1]				
Fuel used for geothermal generation	178,524	199,965[1]				
Total fuel used for generation	**1,044,536**	**922,798[1]**	**0.544**	**0.532**	**0.124**	**0.109**
Fuel used in vehicles	178	270				
Fugitive emissions – SF6	29	4				
Total Scope 1	**1,044,744**	**923,072[1]**				

1. FY20 figure updated due to finalised data becoming available (estimates were used previously).

Group Scope 2 and 3 emissions

Scope	Category	FY21 tCO_2e	FY20 tCO_2e
Indirect Emissions (Scope 2)	Electricity Consumption	1,300	1,258
	Simply Energy – electricity consumption (location based)	3	N/A
	Subtotal	**1,303**	**1,258**
Indirect Emissions (Scope 3)	Purchased Goods and Services	16,699	11,915[1]
	Capital Goods	41,726	18,052
	Fuel and Energy	330,207	91,857
	Upstream Transportation	27	14
	Waste	149	123
	Business Travel	263	719
	Employee Commuting	306	606
	Use of Sold Products	165,259	166,310
	Downstream Leased Assets	399	306
	Subtotal	**555,036**	**277,987**
Total (Scope 1, 2 and 3)		**1,601,083**	**1,202,317**

1. Figure restated due to methodology correction.

For more details on our emissions please refer to our GHG inventory on our website.

KPMG have provided an unmodified limited assurance opinion as to whether anything has come to their attention to indicate that Contact Energy's Greenhouse Gas emissions inventory report has not been prepared in accordance with the Greenhouse Gas Protocol's Corporate Standard requirements for the period 1 July 2020 – 30 June 2021.

Supply chain impacts

Number of suppliers assessed for environmental and social impacts.	5
Number of suppliers identified as having significant actual and potential negative environmental and social impacts.	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%

Our supplier reviews identified one supplier that had potential negative environmental and social impacts. These potential impacts were effects on marine life, effects on ecology and fisheries resource, and cultural and community concerns. Our review found that these impacts were appropriately managed by the supplier through their resource consenting and consultation processes.

Safety data at 30 June 2021

	Employees		Non-employees	
	Number	Rate	Number	Rate
Fatalities	0	0	0	0
High-consequence work-related	0	0	0	0
Recordable work-related injuries	1	0.52	4	8.59
Number of hours worked	1,914,213	N/A	465,707	N/A
The main types of work-related injuries	Foreign body in eye		Strains and sprains	
Work-related hazards that pose a risk of high-consequence injury	Energy sources, hazardous substances, working at height, working in confined spaces, lifting heavy loads, working with mobile plant, working around water, excavations, fitness for work, staying safe while driving, scope of work change.			

The hazards listed above have been determined through identification of critical tasks and based on consequences of injuries that happen in these areas.
Our hazard ID processes cover actions taken to eliminate these hazards and minimise risks.
Rates have been calculated based on 1,000,000 hours worked.
Monitored contractors are excluded because the work is contracted and takes place off sites.

Contact 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 V3.0 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 V3.0 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 1.45. 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 V3.0.

Geothermal assets data as at 30 June 2021	Book value $m	Generation (GWh)	Emissions (tCO_2e)	Emissions intensity (gCO_2e/KWh)	Compliance with CBI standards (< 100 gCO_2e/KWh)
Poihipi	147	339	12,830	38	Yes
Tauhara	223	–	–	N/A	Yes
Te Mihi	496	1,240	47,248	38	Yes
Te Huka	109	155	8,109	52	Yes
Wairākei	758	1,081	19,812	18	Yes
Tenon and Nature's Flame[1]	9	198	1,597	8	Yes
Ohaaki[2]	105	299	88,930	298	No
Geothermal portfolio total/average	**1,847**	**3,312**	**178,526**	**54**	**Yes**
Eligible Green Asset total/average	**1,742**	**3,013**	**89,595**	**30**	**Yes**
Total Green Debt Instruments	**1,203**				
Green Asset Ratio	**1.45**				

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	Women	Men	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**

FY21	Total headcount	Women	Men	Undisclosed	Fixed term	Permanent	Part time	Full time
Officers[2]	9	3	6	0	0	9	0	9
Corporate	72	46	26	0	5	67	15	57
Customer	505	309	195	1	23	482	70	435
Development	55	18	37	0	3	52	2	53
Generation and trading	304	50	254	0	11	293	24	280
Total	**945**	**426**	**518**	**1**	**42**	**903**	**111**	**834**

Employment contract and type by gender

FY20	Women	Men	Total
Permanent employees	417	476	893
Fixed-term employees	22	19	41
Total			**934**
Full-time employees	352	469	821
Part-time employees	87	26	113
Total			**934**

FY21	Women	Men	Undisclosed	Total
Permanent employees	405	497	1	903
Fixed-term employees	21	21	0	42
Total				**945**
Full-time employees	339	494	1	834
Part-time employees	87	24	0	111
Total				**945**

Board diversity at 30 June

	Men	Women	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 FY21	3	4	7	0	4	3	7	6	1	1	7
	43%	57%	100%	0	57%	43%	100%				

1 Gender is recorded by self-identification.
2 'Officers' means the CEO and members of Contact's Leadership Team.

Employee diversity at 30 June, by business unit[1]

FY20	Women	Men	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%	39%	35%	1%	25%
Total	**47%**	**53%**	**20%**	**47%**	**32%**	**1%**	**8%**	**2%**	**7%**	**37%**	**29%**	**1%**	**29%**

FY21	Women	Men	Under 30	30–50	Over 50	Undisclosed	Māori	Pasifika	Asian	European	Other	AMELA	Undisclosed
Officers	33%	67%	0%	33%	67%	0%	0%	0%	0%	44%	33%	11%	11%
Corporate	64%	36%	11%	67%	21%	1%	7%	0%	10%	35%	26%	0%	32%
Customer	61%	39%	27%	49%	23%	1%	11%	3%	10%	39%	24%	1%	28%
Development	33%	67%	9%	58%	33%	0%	5%	4%	4%	45%	31%	2%	24%
Generation and trading	16%	84%	9%	40%	50%	1%	6%	1%	6%	39%	35%	1%	24%
Total	**45%**	**55%**	**19%**	**48%**	**33%**	**1%**	**9%**	**2%**	**8%**	**39%**	**28%**	**1%**	**26%**

Employee diversity at 30 June, by employee category

FY21	Women	Men	Under 30	30–50	Over 50	Undisclosed	Māori	Pasifika	Asian	European	Other	AMELA	Undisclosed
KMP[2]	33%	67%	0%	33%	67%	0%	0%	0%	0%	44%	33%	11%	11%
Other Execs/ GMs	33%	67%	0%	83%	17%	0%	0%	0%	0%	33%	25%	0%	42%
Senior Management	42%	58%	0%	70%	30%	0%	3%	0%	3%	48%	45%	0%	18%
Other Managers	32%	68%	2%	47%	50%	1%	6%	1%	6%	45%	32%	0%	21%
Non-Managers	47%	53%	22%	47%	30%	1%	9%	2%	9%	38%	27%	1%	27%
Total	**45%**	**55%**	**19%**	**48%**	**33%**	**1%**	**9%**	**2%**	**8%**	**39%**	**28%**	**1%**	**26%**

1 Ethnicity total % adds up to more than 100%. This is because individuals can choose to identify multiple ethnicities.
2 Key managerial personnel.

Customer privacy

Number of complaints received from outside parties	1
Number of complaints received from regulatory bodies	0
Total number of identified leaks, thefts, or losses of customer data	28*

* We started recording the number of privacy breaches from 1 December 2020. While the number appears high, most of the privacy breaches were considered minor in nature (for example, affected one or two customers causing little or no harm) and did not require being reported to the Office of the Privacy Commissioner.

The Privacy Act 2020 came into force on 1 December 2020 and introduced, among other things, mandatory privacy breach reporting for notifiable privacy breaches. A notifiable privacy breach is a privacy breach where serious harm has been caused or is likely. One breach met this threshold. We do not expect any further action to be taken in respect of that breach.

Contributions and other spending

Annual total monetary contributions to and spending for political campaigns, political organisations, lobbyists or lobbying organisations, trade associations and other tax-exempt groups:

$NZD	FY18	FY19	FY20	FY21
Lobbying, interest representation or similar	146,642	161,852	169,540	167,986
Local, regional or national political campaigns/organisations/candidates	0	0	0	0
Trade associations or tax-exempt groups	0	0	0	0
Other (e.g. spending related to ballot measures or referendums)	0	0	0	0

Energy consumption

Total energy consumption	FY18	FY19	FY20	FY21
Non-renewable fuels (nuclear fuels, coal, oil, natural gas, etc.) purchased and consumed (MWh)	4,863,611	3,892,222	3,521,375	3,990,948

Total solid waste disposed (i.e. not recycled, reused or incinerated waste for energy recovery)

	FY18	FY19	FY20	FY21
Total waste generated (metric tonnes)	109	126.1	108.6	132
Total waste used/recycled/sold (metric tonnes)	0	3.4	3.6	6.0

We do not track used/recycled/sold waste for all our sites of operation, figures indicate recycled waste where tracked.

Habitat protection and restoration work at 30 June 2021

Habitat protected or restored	Location	Size (ha)	Status	Partnerships
Torepatutahi Wetland, willow wetland restored to natives	Taupō region	36.9	Ongoing weed control and replacement planting	Ngati Tahu – Ngati Whaoa Runanga, Fish and Game, Department of Conservation, landowners
Elliot Lake, farmland replanted in natives	Taupō region	1.6	Planting complete, ongoing maintenance	None
Wairākei Power Station entrance, replanted in natives and fruit trees for community garden	Taupō region	0.5	Planting complete, ongoing maintenance	Greening Taupō
Karapiti Pines, wilding pine removal	Taupō region	8.4	Ongoing maintenance	None
Oruanui Pines, wilding pine removal	Taupō region	4.3	Ongoing maintenance	None
Wai-ora Hill, pest plant control	Taupō region	64.8	Ongoing maintenance	Waikato Regional Council, Ministry for Primary Industries
Oruanui, retired thermo-tolerant vegetation site from pastoral agriculture	Taupō region	3.5	Ongoing maintenance	None
Karapiti, mānuka and native planting	Taupō region	17.5	Ongoing maintenance and pest control	None
Rakaunui and Otumuheke Block, stormwater drain and stream planting	Taupō region	2.0	Planting complete, ongoing maintenance	None
Ohaaki Bund, scrubland replanted in natives	Taupō region	1.2	Ongoing maintenance	None
Waipuwerawera stream restoration, removing pest plants and planting natives	Taupō region	3.2	Ongoing maintenance and pest control	Tuwharetoa Maori Trust Board, Taupō District Council, Department of Conservation
Te Rau o Te Huia stream restoration	Taupō region	6.6	Systematic removal of pest plants and annual planting programme	Ngāti Te Rangiita Ki Oruanui
Huka Quarry block, removal of weeds and planting natives	Taupō region	1.3	Ongoing maintenance and pest control	None
Wairākei Drive strip, aesthetic planting	Taupō region	0.5	Annual Greening Taupō planting, aligned with community desires	None
Ex Keegan Stratford, riparian native planting	Stratford, Taranaki	–	Annual planting programme, ongoing maintenance	Taranaki Regional Council
Gladstone Gap, community plantings	Hawea, Central Otago	0.5	Irrigation of native plants, partially restored area	Hawea Community Association

Independent assurance has been undertaken for the Torepatutahi Wetland restoration work. Other restoration and protection work has not been assured.

TCFD index

Disclosure	Page number
Describe the board's oversight of climate-related risks and opportunities.	p. 53
Describe management's role in assessing and managing climate-related risks and opportunities.	p. 54
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	p. 68
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	p. 41
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario	p. 41
Describe the organisation's processes for identifying and assessing climate-related risks.	p. 41
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	p. 54
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	p. 25
Disclose Scope 1, 2 and if appropriate 3 greenhouse gas (GHG) emissions, and the related risks.	p. 40
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	p. 25

GRI index

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Strategy and analysis			
102–14	Statement from the most senior decision maker	6–10	
Organisational profile			
102–1	Name of the organisation		Contact Energy Limited
102–2	Brands, products, and/or services	15–16	
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102–5	Ownership and legal form	82	
102–6	Markets served	15	
102–7	Scale of the organisation	15–16	
102–8	Employee statistics	73–74	
102–41	Employees covered by collective bargaining agreements		9.8% of total Contact employees were covered by collective bargaining agreements as at 30 June 2021. Contractor data not collected.
102–9	Organisation's supply chain	20	
102–10	Significant changes regarding size, structure, or ownership	86	
102–11	Precautionary approach	54	Not specifically addressed. Potential adverse environmental impacts are addressed through adapative management including official (often publicly notified) resource consent assessments.
102–12	External charters, principles, or other initiatives		ISO 14001
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Description		Page No.	Information
102–47	List of material topics	21–22	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	71	
102–49	Significant changes of aspect boundaries compared to previous years	41	GHG emissions now include Simply Energy and Western Energy.
Stakeholder engagement			
102–40	Stakeholder groups	21–22	
102–42	Stakeholder identification and selection	21	
102–43	Approaches to stakeholder engagement	21	
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Report profile			
102–50	Reporting period	2	
102–51	Date of most recent previous report	2	
102–52	Reporting cycle	2	
102–53	Contact point for questions	111	
102–54	Chosen 'In accordance' option, GRI index		This report has been developed in accordance with the core GRI 2018 guidelines.
102–56	External assurance for the report	106– 110	
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102–16	Organisation's values, principles, standards and norms of behaviour, and codes of ethics	14	
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Financial statements

Financial statements

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About these financial statements

For the year ended 30 June 2021

These financial statements are for Contact, a group made up of Contact Energy Limited, the entities over which it has 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 financial instruments 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)
- provision for future restoration and rehabilitation obligations (note E5).

The financial statements were authorised on behalf of the Contact Energy Limited Board of Directors on 13 August 2021.

Robert McDonald
Chair

Dame Therese Walsh
Chair, Audit and Risk Committee

Statement of comprehensive income

For the year ended 30 June 2021

$m	Note	2021	2020
Revenue and other income	A2	2,573	2,073
Operating expenses	A2	(2,020)	(1,627)
Net interest expense	B5	(50)	(55)
Depreciation and amortisation	C1	(249)	(220)
Change in fair value of financial instruments	D1	7	–
Profit before tax		**261**	**171**
Tax expense	E1	(74)	(46)
Profit		**187**	**125**
Items that may be reclassified to profit/(loss):			
Change in hedge reserves (net of tax)	E7	(2)	(10)
Comprehensive income		**185**	**115**
Profit per share (cents) – basic		25.3	17.5
Profit per share (cents) – diluted		25.3	17.4

Statement of cash flows

For the year ended 30 June 2021

$m	Note	2021	2020
Receipts from customers		2,524	2,058
Payments to suppliers and employees		(1,970)	(1,598)
Interest paid		(43)	(49)
Interest received		–	–
Tax paid		(79)	(70)
Operating cash flows	E6	**432**	**341**
Purchase and construction of assets		(129)	(94)
Capitalised interest		(8)	(6)
Investment in joint venture/associate		(8)	(3)
Acquisition of subsidiaries	E11	(31)	–
Acquisition of Energyclub NZ		(1)	(3)
Investing cash flows		**(177)**	**(106)**
Dividends paid	B3	(274)	(280)
Proceeds from borrowings		356	226
Repayment of borrowings		(623)	(184)
Net proceeds from share issue		392	–
Financing cash flows		**(149)**	**(238)**
Net cash flow		**106**	**(3)**
Add: cash at the beginning of the year		44	47
Cash at the end of the year	B4	**150**	**44**

Statement of financial position

At 30 June 2021

$m	Note	2021	2020
Cash and cash equivalents	B4	150	44
Trade and other receivables	E4	255	191
Inventories	E3	69	56
Intangible assets	C1	24	3
Derivative financial instruments	D1	56	37
Total current assets		**554**	**331**
Property, plant and equipment	C1	3,961	4,026
Intangible assets	C1	213	227
Goodwill	C2	220	179
Investments in joint venture/associate	E11	10	14
Derivative financial instruments	D1	70	119
Total non-current assets		**4,474**	**4,565**
Total assets		**5,028**	**4,896**
Trade and other payables		305	190
Tax payable		39	28
Borrowings	B4	163	220
Derivative financial instruments	D1	92	53
Provisions	E5	23	10
Total current liabilities		**622**	**501**
Borrowings	B4	693	978
Derivative financial instruments	D1	84	74
Provisions	E5	51	58
Deferred tax	E1	635	653
Other non-current liabilities		16	11
Total non-current liabilities		**1,479**	**1,774**
Total liabilities		**2,101**	**2,275**
Net assets		**2,927**	**2,621**
Share capital	B2	1,922	1,528
Retained earnings		1,048	1,134
Hedge reserves	E7	(51)	(49)
Share-based compensation reserve		8	8
Shareholders' equity		**2,927**	**2,621**

Statement of changes in equity

For the year ended 30 June 2021

$m	Note	Share capital	Retained earnings	Other reserves	Shareholders' equity
Balance at 1 July 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**
Profit		–	187	–	187
Change in hedge reserves (net of tax)	E7	–	–	(2)	(2)
Change in share-based compensation reserve	E10	–	–	–	–
Change in share capital	B2	394	–	–	394
Dividends paid	B3	–	(274)	–	(274)
Balance at 30 June 2021		**1,922**	**1,048**	**(43)**	**2,927**

Notes to the financial statements

A. Our performance

A1. Segments

Contact reports activities under the Wholesale segment and the Customer segment.

The Wholesale segment includes revenue from the sale of electricity to the wholesale electricity market, to Commercial and 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 results of Simply Energy Limited and Western Energy Services Limited, following their acquisition on 31 August 2020 and 31 March 2021 respectively, have been included within the Wholesale segment, within the relevant line items. Prior to acquisition date, Contact's share of net earnings of Simply Energy Limited as an associate were included in 'Unallocated' other operating expenses.

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 serve customers.

'Unallocated' includes corporate functions not directly allocated to the operating segments, and Contact's share of earnings from associates and joint ventures.

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, and changes in fair value of financial instruments (EBITDAF) by segment, and a reconciliation from EBITDAF to profit reported under NZ GAAP. EBITDAF is used to monitor performance and is a non-GAAP profit measure.

The significant items category has been removed in the current financial year. The increase in Holidays Act provision recognised in the reporting period ended 30 June 2020 has been reclassified to other operating expenses, reducing EBITDAF by $5 million with no overall impact to profit.

The key revenue categories are:

- **Electricity and gas**

  Electricity and gas revenue (including mass market electricity, C&I electricity and gas) 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 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.
- **Broadband and steam**

  Revenue from the sale of steam is recognised as the steam is delivered. Broadband revenue is recognised as the broadband 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).

Simply Energy Limited revenue for electricity supply and billing services is included in the 'C&I electricity – fixed price', 'C&I electricity – pass through' and 'Wholesale electricity, net of hedging' revenue lines. Revenue is recognised when energy is supplied for customer consumption and as billing services are provided.

$m	2021 Wholesale	2021 Customer	2021 Unallocated	2021 Eliminations	2021 Total	2020 Wholesale	2020 Customer	2020 Unallocated	2020 Eliminations	2020 Total
Mass market electricity	–	839	–	(1)	838	–	861	–	(1)	860
C&I electricity – fixed price	249	–	–	–	249	275	–	–	–	275
C&I electricity – pass through	44	–	–	–	44	16	–	–	–	16
Wholesale electricity, net of hedging	1,285	–	–	–	1,285	791	–	–	–	791
Electricity-related services revenue	8	–	–	–	8	8	–	–	–	8
Inter-segment electricity sales	338	–	–	(338)	–	332	–	–	(332)	–
Gas	2	74	–	–	76	1	74	–	–	75
Steam	28	–	–	–	28	26	–	–	–	26
Geothermal services	3	–	–	–	3	–	–	–	–	–
Broadband	–	32	–	–	32	–	17	–	–	17
Total revenue	**1,957**	**945**	**–**	**(339)**	**2,563**	**1,449**	**952**	**–**	**(333)**	**2,068**
Other income	4	6	–	–	10	–	5	–	–	5
Total revenue and other income	**1,961**	**951**	**–**	**(339)**	**2,573**	**1,449**	**957**	**–**	**(333)**	**2,073**
Electricity purchases, net of hedging	(974)	–	–	–	(974)	(635)	–	–	–	(635)
Electricity purchases – pass through	(30)	–	–	–	(30)	(14)	–	–	–	(14)
Electricity-related services cost	(7)	–	–	–	(7)	(7)	–	–	–	(7)
Inter-segment electricity purchases	–	(338)	–	338	–	–	(332)	–	332	–
Gas and diesel purchases	(126)	(24)	–	–	(150)	(90)	(24)	–	–	(114)
Gas storage costs	(24)	–	–	–	(24)	(22)	–	–	–	(22)
Carbon emissions costs	(41)	(4)	–	–	(45)	(24)	(4)	–	–	(28)
Generation transmission & levies	(28)	–	–	–	(28)	(32)	–	–	–	(32)
Electricity networks, levies & meter costs – fixed price	(82)	(378)	–	–	(460)	(95)	(414)	–	–	(509)
Electricity networks, levies & meter costs – pass through	(13)	–	–	–	(13)	(2)	–	–	–	(2)
Gas networks, transmission & meter costs	(7)	(37)	–	–	(44)	(9)	(37)	–	–	(46)
Geothermal service costs	(1)	–	–	–	(1)	–	–	–	–	–
Broadband costs	–	(33)	–	–	(33)	–	(17)	–	–	(17)
Other operating expenses	(101)	(81)	(30)	1	(211)	(93)	(79)	(30)	1	(201)
Total operating expenses	**(1,434)**	**(895)**	**(30)**	**339**	**(2,020)**	**(1,023)**	**(907)**	**(30)**	**333**	**(1,627)**
EBITDAF	**527**	**56**	**(30)**	**–**	**553**	**426**	**50**	**(30)**	**–**	**446**
Depreciation and amortisation					(249)					(220)
Net interest expense					(50)					(55)
Change in fair value of financial instruments					7					–
Tax expense					(74)					(46)
Profit					**187**					**125**

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	2021	2020
EBITDAF	A2	**553**	**446**
Tax paid		(79)	(70)
Change in working capital net of investing and financing activities		3	7
Non-cash items included in EBITDAF		(2)	7
Net interest paid, excluding capitalised interest		(43)	(49)
Operating cash flows	E6	**432**	**341**
Stay-in-business capital expenditure		(61)	(51)
Operating free cash flow and free cash flow		**371**	**290**
Operating free cash flow per share (cents)	B3	**50.2**	**40.4**

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 an investment grade credit rating and a gearing ratio suitable to our operating environment.

$m	Note	2021	2020
Borrowings	B4	856	1,198
Shareholders' equity		2,927	2,621
Total capital funding		**3,783**	**3,819**
Gearing ratio		**22.6%**	**31.4%**

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.

Contact undertook a $400 million equity raise during the year ended 30 June 2021. Direct, incremental costs associated with the equity raise of $8 million were deducted from share capital.

	Note	Number	$m
Balance at 30 June 2020		**718,131,884**	**1,528**
Share capital issued		57,990,186	394
Balance at 30 June 2021		**776,122,070**	**1,922**
Comprises:			
Ordinary shares		775,854,408	1,923
Contact Share	E10	267,662	(1)

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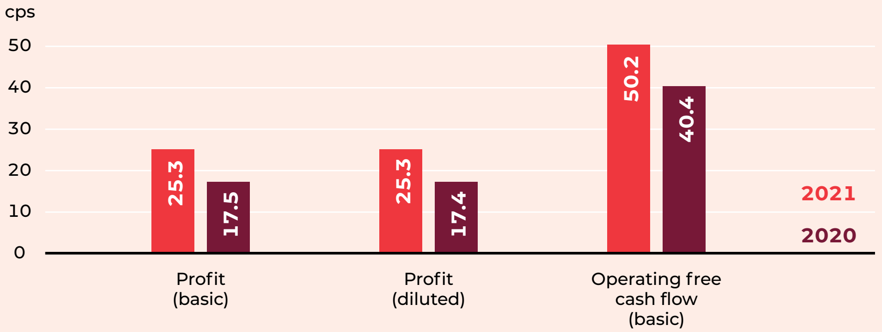
B3. Distributions

Earnings and operating free cash flow per share



Weighted average	2021	2020
Number of shares (basic)	738,614,475	717,652,455
Number of shares (diluted)	739,042,889	718,964,789

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 depending on likelihood of meeting vesting conditions.

Dividends paid

Paid during the year ended	Cents per share	$m
2019 final	23.0	165
2020 interim	16.0	115
30 June 2020		**280**
2020 final	23.0	165
2021 interim	14.0	109
30 June 2021		**274**

On 13 August 2021, the Board resolved to pay a 65% imputed final dividend of 21 cents per share on 15 September 2021. On 13 August 2021, Contact had $27 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 2021 Contact remains compliant with the requirements of the programme. Further information is available on the Sustainability section on Contact's website.

$m	Maturity	Coupon	2021	2020
Bank overdraft	< 3 months	Floating	–	1
* Commercial paper	< 3 months	Floating	–	120
* Drawn bank facilities	Various	Floating	–	64
Lease obligations	Various	Various	21	22
* USPP notes – US$56m	Dec 2020	3.46%	–	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	47	54
* 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			**795**	**1,058**
Deferred financing costs			(3)	(4)
Total borrowings at amortised cost			**792**	**1,054**
Fair value adjustment on hedged borrowings			64	144
Carrying value of borrowings			**856**	**1,198**
Current			163	220
Non-current			693	978

Changes in borrowings

$m	2021	2020
Borrowings at the start of the year	1,198	1,096
Net cash borrowed/(repaid)	(267)	42
Non-cash change in lease obligations	3	1
Non-cash change in deferred financing costs	1	1
Non-cash change in fair value adjustment	(80)	58
Borrowings at the end of the year	**856**	**1,198**

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 have a range of maturities as follows:

Maturity $m	2021	2020
Less than 1 year	–	–
Between 1 and 2 years	–	325
Between 2 and 3 years	50	195
More than 3 years	380	110
	430	**630**

All 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 2021, this collateral was $109 million (2020: $44 million) and is included within cash.

B5. Net interest expense

$m	Note	2021	2020
Interest expense on borrowings		(52)	(53)
Interest expense on finance leases		(1)	(2)
Unwind of discount on provisions	E5	(5)	(5)
Unwind of deferred financing costs		(1)	(1)
Capitalised interest		8	6
Interest income		1	–
Net interest expense		**(50)**	**(55)**

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 carrying value of $169 million (2020: $194 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.

Included within additions for the year ended 30 June 2021 is capitalised interest of $8 million (2020: $6 million) in relation to the build of the Tauhara geothermal plant and steamfield.

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 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**
Additions	7	1	124	3	135
Acquisitions	–	12	1	3	16
Transfers from capital work in progress	53	–	(53)	–	–
Disposals	–	–	(2)	–	(2)
Balance at 30 June 2021	**5,718**	**132**	**267**	**67**	**6,184**
Depreciation and impairment					
Balance at 1 July 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)**
Depreciation charge	(200)	(4)	–	(4)	(208)
Acquisitions	–	(6)	–	–	(6)
Disposals	–	–	–	–	–
Balance at 30 June 2021	**(2,072)**	**(112)**	**(1)**	**(38)**	**(2,223)**
Carrying value					
At 30 June 2020	3,786	17	196	27	4,026
At 30 June 2021	**3,646**	**20**	**266**	**29**	**3,961**

The useful economic life of certain Wairākei plant and steamfield assets was reassessed during the reporting period ended 30 June 2021 to reflect management's current best estimate that the existing Wairākei A&B stations will be replaced around 2026. As a change in accounting estimate, this was applied prospectively from 1 January 2021 and has resulted in a $12.9 million increase in depreciation in the year ended 30 June 2021.

Intangible assets $m	Computer software and capital work in progress	Carbon emission units	Other	Total
Cost				
Balance at 1 July 2019	467	14	–	481
Additions	17	15	1	33
Disposals	(2)	(26)	–	(28)
Balance at 30 June 2020	**482**	**3**	**1**	**486**
Additions	19	68	–	87
Acquisitions	–	–	8	8
Disposals	–	(47)	–	(47)
Balance at 30 June 2021	**501**	**24**	**9**	**534**
Amortisation				
Balance at 1 July 2019	(221)	–	–	(221)
Amortisation charge	(36)	–	–	(36)
Disposals	1	–	–	1
Balance at 30 June 2020	**(256)**	**–**	**–**	**(256)**
Amortisation charge	(40)	–	(1)	(41)
Balance at 30 June 2021	**(296)**	**–**	**(1)**	**(297)**
Carrying value				
At 30 June 2020	226	3	1	230
At 30 June 2021	**205**	**24**	**8**	**237**
Current	–	24	–	24
Non-current	205	–	8	213

Contact is in the process of completing a review of its software assets in light of the IFRIC agenda decision *Configuration or Customisation costs in a Cloud Computing Arrangement* (published in April 2021), which will be concluded within its interim reporting for the six months ended 31 December 2021. Based on the review completed to date, no material changes are expected to arise.

Capital commitments

At 30 June 2021, Contact was committed to $334 million of capital expenditure (2020: $8 million) and $60 million of carbon-forward contracts (2020: $33 million), of which $249 million is due within one year of balance date.

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%**

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C2. Goodwill and asset impairment testing

Contact has two cash-generating units (CGUs): Wholesale and Customer. The Customer CGU includes goodwill of $179 million (2020: $179 million), and the Wholesale CGU includes provisional goodwill of $41 million, following the acquisition of Simply Energy Limited and Western Energy Services Limited in the year. Capital work in progress (CWIP) includes $223 million (2020: $140 million) related to future generation developments not allocated to a CGU.

Further information on the acquisition of Simply Energy Limited and Western Energy Services Limited is provided in note E11.

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 per cent and 7 per cent 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.

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

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 on 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.

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	- 0.5% + 0.5%	+ 822 - 655
Wholesale electricity price path	+ 10% - 10%	+ 364 - 364

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 a fixed-price swaption 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.

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Related to this, Contact is exposed to carbon price risk on its carbon obligations. Spot purchases, forward purchases and auction participation are used to manage the price risk relating to carbon.

Summary of derivative financial instruments

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

$m	Fair value hedge	Cash flow and fair value hedge	Cash flow hedge			No hedge relationship	
2021	**IRS**	**CCIRS**	**IRS**	**Electricity price derivatives**	**Foreign exchange contracts**	**Electricity price derivatives[1]**	**Total**
Notional amount of derivatives	188	376	800	6,160 GWh	179	1,220 GWh	
Maturity years	2021 – 2024	2023 – 2028	2021 – 2027	2021 – 2025	2021 – 2026	2021 – 2024	
Average rate/price[2]	1.7%	2.5%/0.75USD[3]	3.2%	$83/MWh	Various[4]	$128/MWh	
Carrying value of derivatives – asset	5	59	5	32	3	22	**126**
Carrying value of derivatives – liability[5]	–	(5)	(53)	(93)	(2)	(24)	**(176)**
Carrying value of hedged borrowings	192	436	–	–	–	–	**628**
Fair value adjustments to borrowings	(5)	(59)	–	–	–	–	**(64)**
2020							
Notional amount of derivatives	188	447	660	5,247 GWh	9	385 GWh	
Maturity years	2021 – 2024	2020 – 2028	2020 – 2026	2020 – 2024	2020 – 2022	2020 – 2023	
Average rate/price[2]	1.7%	2.4%/0.76USD	3.9%	$70/MWh	0.76USD	$96/MWh	
Carrying value of derivatives – asset	12	131	–	8	–	5	**156**
Carrying value of derivatives – liability[5]	–	(1)	(90)	(33)	–	(3)	**(127)**
Carrying value of hedged borrowings	199	578	–	–	–	–	**777**
Fair value adjustments to borrowings	(12)	(132)	–	–	–	–	**(144)**

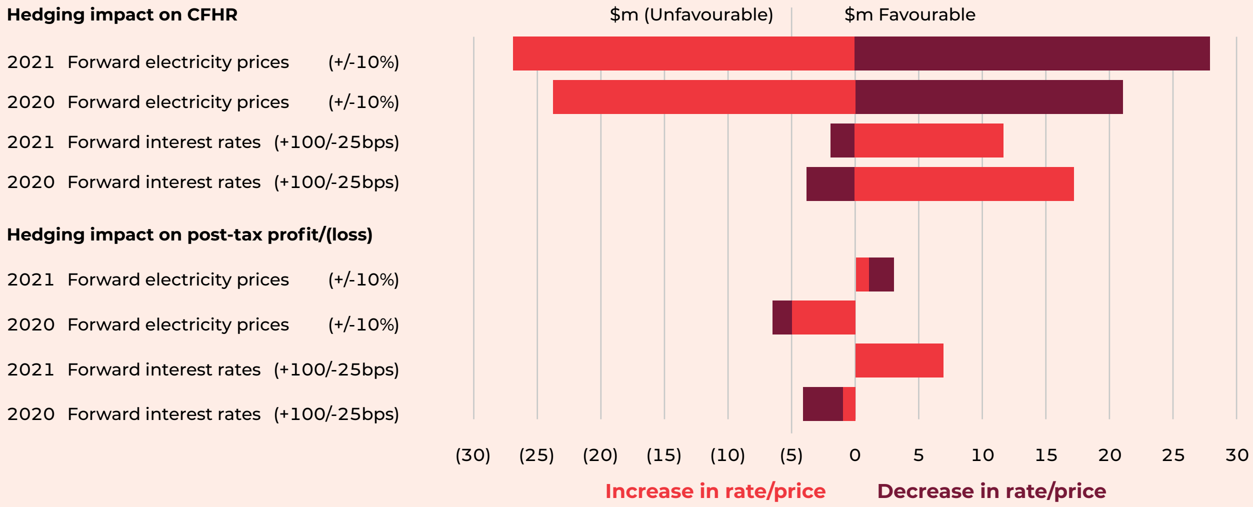
1 Notionals, maturities and average prices for electricity price hedges not in hedge relationships do not include options not yet called.
2 Average interest rates for IRS and CCIRS are based on their pay legs. For pay-float swaps (CCIRS and IRS in fair value hedges), the rate comprises the floating base rate plus the margin.
3 The NZD/USD closing spot rate at 30 June 2021 was 0.70 (2020 – 0.65)
4 Average exchange rates include 0.92 AUD, 0.58 EUR, 0.71 USD and 75.56 JPY.
5 The CCIRS liability arises from the cash flow hedge component.

The change in fair value of derivatives recognised in the Statement of Comprehensive Income is provided below, 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	
2021	**IRS**	**CCIRS**	**IRS**	**Electricity price derivatives**	**Foreign exchange contracts**	**Electricity price derivatives**	**Total**
Change in fair value recognised in profit/(loss)							
• Hedge ineffectiveness	–	–	8	–	–	–	**8**
• Hedge effectiveness	(7)	(73)	–	–	–	–	**(80)**
• Non-hedge movements	–	–	–	–	–	(1)	**(1)**
• Fair value adjustments to hedged borrowings	7	73	–	–	–	–	**80**
Total change in fair value of financial instruments	**–**	**–**	**8**	**–**	**–**	**(1)**	**7**
Hedge effectiveness recognised in OCI	**–**	**(3)**	**27**	**(61)**	**1**		**(37)**
Amounts reclassified to profit/(loss)	**–**	**–**	**7**	**25**	**–**	**–**	**32**
2020							
Change in fair value recognised in profit/(loss)							
• 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 of financial instruments	**–**	**–**	**2**	**–**	**–**	**(2)**	**–**
Hedge effectiveness recognised in OCI	**–**	**2**	**(20)**	**(19)**	**–**	**–**	**(37)**
Amounts reclassified to profit/(loss)	**–**	**–**	**5**	**19**	**–**	**–**	**24**

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.



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 (right). US dollar inflows on the CCIRS offset the US dollar outflows on the USPP notes.

$m	Total contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
2021					
Trade and other payables	(197)	(197)	–	–	–
Borrowings	(911)	(193)	(139)	(463)	(116)
Electricity price derivatives – net settled	(64)	(27)	(23)	(14)	–
IRS – net settled	3	(8)	(3)	13	1
Foreign exchange derivatives – inflow	178	93	74	11	–
Foreign exchange derivatives – outflow	(180)	(93)	(75)	(12)	–
	(1,171)	**(425)**	**(166)**	**(465)**	**(115)**
2020					
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)**

D3. Credit risk

Total credit risk exposure is measured by the financial instruments in an asset position of $476 million (2020: $374 million). To minimise credit risk exposure, Contact has a policy to only transact with creditworthy counterparties and do 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.

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.

$m	2021	2020
Profit before tax	261	171
Tax at 28%	(73)	(48)
Tax effect of adjustments:		
• Prior period adjustments	–	(1)
• Reinstatement of tax depreciation on buildings	–	5
• Other	(1)	(2)
Tax expense – continuing operations	**(74)**	**(46)**
Current	(91)	(67)
Deferred	17	21

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 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)**
Recognised in profit/(loss)	16	(2)	3	17
Recognised in balance sheet	(1)	–	(1)	(2)
Recognised in OCI	–	2	–	2
Recognised in other reserves	–	–	1	1
Balance at 30 June 2021	**(697)**	**34**	**28**	**(635)**

E2. Operating expenses

Other operating expenses (note A2) include total labour costs of $111 million (2020: $99 million). Labour costs include contributions to KiwiSaver of $3 million (2020: $3 million).

Audit fees paid to Contact's auditor (KPMG) amounted to $541,000 for review of the interim, and audit of the year end, financial statements (2020: $560,000). Other fees paid to the auditor were $53,750 for other assurance work (2020: $44,500), and $3,500 for supervisor reporting (2020: $3,500). Other assurance work relates to review of greenhouse gas emissions reporting, Global Reporting Initiative indicators and our Green Borrowing 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 other inventories are stated at cost.

$m	2021	2020
Inventory gas	56	41
Consumables and spare parts	10	11
Diesel fuel	3	4
	69	**56**

E4. Trade and other receivables

$m	2021	2020
Trade receivables	168	102
Unbilled receivables	76	75
Provision for impairment	(2)	(3)
Net trade receivables	**242**	**174**
Contract assets	9	13
Prepayments	4	4
	255	**191**

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 unbilled retail sales at the end of the reporting period. The estimate uses smart meter data to determine the relevant unbilled amount for the period. Consumption history is used if smart meter data is not available.

As a high proportion of the data now reflects actual usage recorded by smart meters, unbilled receivables is no longer considered to be an area of higher estimation or judgement within the financial statements.

Ageing of trade receivables past due but not impaired are:

$m	2021	2020
Less than one month	12	9
Greater than one month	4	2
	16	**11**

When Contact has been unable to collect amounts due from customers those debts are written off. Trade receivables, net of recoveries, of $1 million (2020: $3 million) were written off during the reporting period.

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.

Contents

$m	2021	2020
Opening balance	13	16
Additions	8	8
Amortised to revenue	(10)	(8)
Amortised to operating expenses	(2)	(3)
Closing balance	**9**	**13**

Of the total contract assets balance, $7 million (2020: $9 million) is expected to be amortised within one year of the reporting period end 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 $7 million for remediation of the Holidays Act non-compliance (2020: $5 million) and $8 million for Simply Energy performance payments (2020: nil).

The restoration provision was reduced by $16 million in the year ended 30 June 2021 due to a lower estimated future cost to abandon and restore wells. The lower cost estimate results from the acquisition of Western Energy Services Limited, who provide well abandonment and restoration services.

$m	Restoration/ environmental rehabilitation	Other	Total
Balance at 1 July 2020	(59)	(9)	(68)
Created	(5)	(15)	(20)
Released	16	–	16
Utilised	3	–	3
Unwind of discount	(5)	–	(5)
Balance at 30 June 2021	**(50)**	**(24)**	**(74)**
Current	(4)	(19)	(23)
Non-current	(46)	(5)	(51)

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 per cent and 7 per cent.

E6. Profit to operating cash flows

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

$m	2021	2020
Profit	**187**	**125**
Depreciation and amortisation	249	220
Amortisation of contract assets	11	11
Change in fair value of financial instruments	(7)	–
Movement in provisions	2	10
Deferred finance costs	1	1
Bad debt expense	2	5
Share-based compensation	2	3
Share of profit/loss in joint venture/associate	1	–
Changes in assets and liabilities, net of non-cash, investing and financing activities		
Trade and other receivables	(68)	(8)
Inventories and intangible assets	(35)	(3)
Trade and other payables	92	1
Tax payable	11	(6)
Deferred tax	(16)	(18)
Operating cash flows	**432**	**341**

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.

Contents

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	2021	2020
Opening balance		(49)	(39)
Effective portion of cash flow hedges	D1	(37)	(37)
Transferred to revenue		33	23
Transferred to deferred tax		2	4
Closing balance		**(51)**	**(49)**

Included in the closing balance at 30 June 2021 is $3 million relating to the cost of hedging reserve (2020: $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 and sold as part of a requirement to participate in the ASX futures electricity market, electricity derivatives entered into for profit making, 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

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 and 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 by the source of key valuation inputs:

$m	2021	2020
Sourced from market data	(20)	(15)
Derived from market data	12	55
Electricity price estimates	(42)	(11)
	(50)	**29**

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

$m	2021	2020
Opening balance	(11)	(23)
Gain/(loss) in profit/(loss):		
• wholesale electricity revenue	10	13
Gain/(loss) in OCI	(4)	(3)
Instruments issued	(37)	2
Closing balance	**(42)**	**(11)**

For these derivatives a 10 per cent increase in the electricity price would result in an unfavourable movement in fair value of $20 million (2020: $33 million) and a 10 per cent decrease would result in a favourable movement in fair value of $21 million (2020: $29 million).

Initial recognition difference

An initial recognition difference arises when the fair value of a derivative at inception 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.

The calibration adjustment is applied to future valuations and reflects the estimated future gains or losses yet to be recognised in the Statement of comprehensive income over the remaining life of the agreement.

The change in calibration adjustment is provided in the table below:

$m	2021	2020
Opening difference	6	(1)
Initial differences in new hedges	(5)	7
Volumes expired and amortised	(2)	4
Changes for future prices and time	(1)	(4)
Closing difference	**(2)**	**6**

E9. Financial instruments at amortised cost

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

$m	2021	2020
Cash and cash equivalents	150	44
Trade and other receivables	207	174
Trade and other payables	(197)	(163)
Borrowings	(792)	(1,054)

The fair value of borrowings is $852 million (2020: $1,215 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 below provides a reconciliation of the number of outstanding options and their weighted average exercise price.

	Options	
	Number outstanding	Price
Balance at 1 July 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**
Exercised	–	–
Lapsed	(555,559)	$4.97
Balance at 30 June 2021	**944,095**	**$5.54**

At 30 June 2021, 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 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**
Granted	228,761	301,355
Exercised	–	(434,021)
Lapsed	(151,518)	(33,141)
Balance at 30 June 2021	**663,758**	**504,372**

Share options had a weighted average remaining life of 5 months (2020: 1 year and 1 month), PSRs had 1 year and 11 months (2020: 1 year and 11 months) and DSRs had 11 months (2020: 9 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 2019	319,841
Shares purchased and issued	61,015
Transferred to employees	(102,701)
Balance at 30 June 2020	**278,155**
Shares purchased and issued	87,741
Transferred to employees	(98,234)
Balance at 30 June 2021	**267,662**

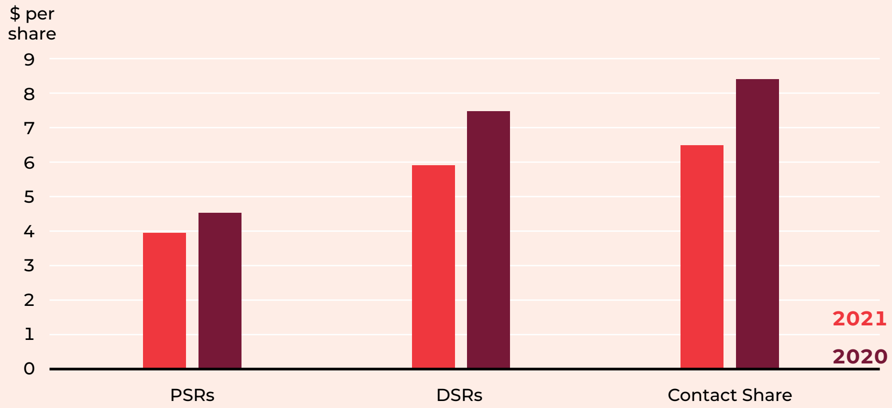
These shares have a weighted average remaining life of 1 year and 4 months (2020: 1 year and 2 months).

Share-based compensation reserve

The movement in the share-based compensation reserve is reconciled below:

$m	Note	2021	2020
Opening balance		8	10
Exercised share scheme awards		(4)	(6)
Share-based compensation expense		3	4
Current tax on share scheme		–	2
Deferred tax on share scheme	E1	1	(2)
Closing balance		**8**	**8**

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 air values of awards granted during the reporting period are:



Key inputs in determining the fair values are:

	2021	2020
Risk-free interest rate	0.1%	1%
Expected dividend yield	6%	7%
Expected share price volatility	25%	18%

E11. Related parties

Simply Energy Limited

Simply Energy Limited (Simply) is based in Wellington, New Zealand and provides energy solutions to independent generators, retailers and commercial energy users.

Contact Energy Limited increased its shareholding in Simply to 100 per cent on 31 August 2020, as part of its efforts to accelerate decarbonisation and provide commercial and industrial customers with valuable, innovative energy solutions. From this date, Simply became a subsidiary of Contact with its results consolidated into the group.

In addition to the remaining $2 million payable for the initial 49.9 per cent shareholding, $7 million is to be paid over the next 18 months. This will be followed by a variable performance-based payment in December 2022 that is linked to decarbonisation and earnings targets. Contact has recorded a provision of $8 million for the performance payment reflecting its fair value (possible range of $nil to $15 million).

Identifiable assets acquired and liabilities assumed

The table below summarises the fair value of the assets acquired and liabilities assumed at the date of acquisition.

$m	2021
Cash and cash equivalents	1
Derivatives – asset	2
Receivables and prepayments	5
Property, plant and equipment	2
Inangible assets	8
Payables and accruals	(5)
Derivatives – liability	(2)
Deferred tax	(2)
Total identifiable net assets acquired	**8**

Goodwill

The fair value of the existing investment and purchase consideration, less the fair value of the net identifiable assets acquired is reconciled below.

$m	2021
Consideration for option to acquire	15
Fair value of existing investment	10
Fair value of identifiable net assets	(8)
Goodwill	**17**

The goodwill is attributable mainly to the capabilities that Simply provides and the synergies expected to be achieved from integrating Contact's C&I business with Simply's innovative technology, data solutions and agile customer engagement platform. None of the goodwill recognised is expected to be deductible for tax purposes.

Western Energy Services Limited

On 31 March 2021, Contact Energy Limited acquired a 100 per cent shareholding in Western Energy Services Limited (Western) for a purchase price of $32 million. On that date, Western became a subsidiary as Contact gained a controlling interest in the company.

Western is based in Taupō, New Zealand and provides geothermal well services domestically and internationally. Working closely with Western allows Contact to add to our geothermal capability and continue to be innovative in geothermal technology development.

Identifiable assets acquired and liabilities assumed

The table below summarises the provisional fair value of the assets acquired and liabilities assumed at the date of acquisition.

$m	2021
Receivables and prepayments	3
Property, plant and equipment	8
Payables and accruals	(2)
Total identifiable net assets acquired	**8**

Goodwill

The fair value of the purchase consideration less the fair value of the net identifiable assets acquired has been provisionally recorded below.

$m	2021
Consideration	32
Fair value of identifiable net assets	(8)
Provisional goodwill	**24**

The goodwill is attributable mainly to synergies expected to be achieved from integrating Western's innovative geothermal technology and service techniques, along with conventional well services, into Contact's existing steamfield operations. None of the goodwill recognised is expected to be deductible for tax purposes.

The purchase price allocation for Western will be finalised within 12 months of the acquisition date, which may result in the allocation of a proportion of provisional Goodwill to identifiable intangible assets such as brand and intellectual property.

Drylandcarbon One Limited Partnership

Contact owns a 16.5 per cent share of Drylandcarbon One Limited Partnership (Drylandcarbon) and at 30 June 2021 is committed to invest up to $9 million over the next three 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 investment in Drylandcarbon. The initial investments are recognised at cost and are subsequently adjusted for Contact's share of the entity's profits or losses.

Related party transactions

Contact's related parties also include its directors and leadership team (LT). Transactions with Simply up until acquisition date are disclosed below.

Received/(paid) $m	2021	2020
Simply Energy Limited		
Electricity contracts	1	2
Drylandcarbon One Limited Partnership		
Capital contributions	(7)	(4)
Key management personnel		
Directors' fees	(1)	(1)
LT – salary and other short-term benefits	(5)	(5)
LT – share-based compensation expense	(1)	(2)
Balances payable at end of the year		
Key management personnel	(2)	–

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. New accounting standards

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

Contents

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Combined Independent Auditor's and Limited Assurance Report

General

Our assurance procedures consisted of the audit of the Consolidated Financial Statements of Contact Energy Limited and limited assurance procedures in relation to Contact Energy Limited's selected Global Reporting Initiative ('GRI') indicators within Contact Energy Limited's Annual Report.

Our scope can be summarised as follows:

Consolidated Financial Statements **Audit Scope** Reasonable assurance	Selected GRI Indicators **Assurance Scope** Limited assurance
Other Information in Contact Energy Limited's Annual Report **Consider consistency with Consolidated Financial Statements** No assurance	

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 and its investment in associate (the 'group') on pages 81 to 105:

- present fairly in all material respects the Group's financial position as at 30 June 2021 and its financial performance and cash flows for the year ended on that date; and
- 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 2021;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Please refer to the section of our report entitled "Our independence and quality control" below for detail of the other services we have provided to 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 being wholesale electricity generation and an electricity retailer in the financial year ended 30 June 2021.

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 $10 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.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Future 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 which is currently in development. 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.	We satisfied ourselves that the recoverability of Tauhara related capital work in progress was supported by appropriate project plans, construction contracts and modelled future 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 data; • Future generation volumes, operating costs and asset renewal costs to budgets and signed construction contracts; and • 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.

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. In terms of the Wholesale CGU we focus on the generation assets due to the significance of the assets relative to the Group's financial position and goodwill related to recent acquisitions. Our focus for the customer CGU is the valuation of goodwill of $179 million. The key judgements in determining the CGUs' value in use are: forward electricity prices, future generation volumes, customer transfer price and margin, forecast operating and asset costs, the terminal growth rate and the discount rate applied to the future cash flows.	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; • future generation volumes to historical volumes; • Customer transfer price and margin to budget and historic data; • operating costs and asset renewal costs to historical levels and budgets; and • the modelled 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 key assumptions are within acceptable ranges and in line with current market view. As an overall test we compared the market-based enterprise value of $7.2 billion to the Group's carrying value at 30 June 2021 of $4.1 billion.

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, Who we are, Creating value, Strategic themes, Strategic enablers, 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.

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Independent limited assurance report on the selected GRI Indicators included in the Annual Report

To the Directors of Contact Energy Limited

Conclusion

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on our limited assurance engagement, nothing has come to our attention that would lead us to believe that the selected Global Reporting Initiative ('GRI') indicators of Contact Energy Limited (the 'company') within the Annual Report have not, in all material respects, been prepared in accordance with the Global Reporting Initiative Standards ('GRI Standards'), for the period 1 July 2020 to 30 June 2021.

Basis for conclusion

We have performed an engagement to provide limited assurance in relation to whether anything has come to our attention to indicate the selected GRI indicators have not been prepared in all material respects in accordance with the GRI Standards for the year ended 30 June 2021.

The selected GRI indicators covered by this assurance report include:

102-8 Employee statistics (page 73–74)

303-3 Total water withdrawal by source (page 42)

303-4 Total water discharge by destination (page 42)

303-5 Total water consumption (page 42)

304-3 Habitats protected or restored (page 76)

403-9 Work-related injuries (page 71)

405-1 Gender, age and ethnicity statistics (page 73–74)

413-1 Community engagement and development (page 38)

308-2 Negative environmental impacts in the supply chain and actions taken (page 71)

414-2 Negative social impacts in the supply chain and actions taken (page 71)

307-1 Non-compliance with environmental laws and regulations (page 38)

419-1 Non-compliance with laws and regulations in the social and economic area (page 49)

418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data (page 75)

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 (Revised) *Assurance Engagements on Compliance*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the information subject to assurance is free from material non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Use of this limited assurance report

Our report should not be regarded as suitable to be used or relied on by any parties other than Contact Energy Limited for any purpose or in any context. Any party other than Contact Energy Limited who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Contact Energy Limited for our work, for this independent limited assurance report, or for the conclusions we have reached.

Management's responsibility for the GRI indicators

Management of the company are responsible for the preparation and fair presentation of the selected GRI indicators in all material respects in accordance with the GRI standards, and the information and assertions contained within the Annual Report.

This responsibility includes determining the company's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the GRI indicators are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a conclusion to the directors on whether anything has come to our attention that the selected GRI indicators of Contact Energy Limited have not, in all material respects, been prepared in accordance with the GRI standards for the year ending 30 June 2021.

Procedures performed

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of information presented in the selected GRI indicators, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Inquiries of management to gain an understanding of Contact Energy Limited's processes for determining the material issues for Contact Energy Limited's key stakeholder groups;
- Interviews with senior management and relevant staff concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff responsible for providing the information in the selected GRI indicators;
- Comparing the information presented in the selected GRI indicators to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the GRI indicators; and
- Reading the information presented in the selected GRI indicators to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Contact Energy Limited.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the GRI indicators may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the GRI indicators, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has provided services to Contact Energy Limited in relation to statutory audit, trustee reporting and other assurance for Greenhouse Gas Emissions reporting, Green Borrowing Programme reporting and Global Initiative Reporting indicators. Subject to certain restrictions, partners and employees of our firm may also deal with the Contact Energy Limited on normal terms within the ordinary course of trading activities of the business of the Contact Energy Limited. These matters have not impaired our independence as assurance providers of Contact Energy Limited for this engagement. The firm has no other relationship with, or interest in, Contact Energy Limited.

The partner on the engagement resulting in this Combined Independent Auditor's and Limited Assurance Report is Sonia Isaac.

KPMG

Sonia Isaac
KPMG
Wellington
13 August 2021

Corporate directory

Board of Directors

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

Leadership team

Mike Fuge
Chief Executive Officer

Jack Ariel
General Manager Major Projects

Jan Bibby
Chief People Officer

Dorian Devers
Chief Financial Officer

Jacqui Nelson
Chief Generation Officer

Catherine Thompson
Chief Corporate Affairs Officer and General Counsel

Matt Bolton
[acting] Chief Customer Officer

Iain Gauld
Chief Information Officer (acting on LT)

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ABN 68 080 480 477

Auditor

KPMG
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Registry

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

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