



**Investment.  
Transformation.  
Decarbonisation.**

2023 Integrated Report





2023 Integrated Report

# Investment. Transformation. Decarbonisation.

Our Chair Robert McDonald and our directors will host shareholders at the Contact Energy AGM in November 2023. Shareholders will be given notice of the meeting and agenda in October 2023.

We are listed on both the NZX and ASX.

## About this Report

Welcome to our Integrated Report 2023; our annual document that explains how we create value over time and how we're implementing our strategy to lead the decarbonisation of this special place we call home, Aotearoa New Zealand.

This has been a year of real progress, marked by key significant achievements.

Our leadership team has reviewed this report, and our CEO Mike Fuge together with the Board confirms that this is a true and accurate picture of the way Contact has created value for shareholders over the past year to 30 June 2023.

We're proud to share our story and hope that you find it enlightening. For our people, our customers, investors, local communities, tangata whenua, suppliers, business partners, regulators, policymakers and lawmakers, this is for you.

This document follows the principles of the Integrated Reporting Framework and reflects our ongoing quest towards integrated thinking focused on value creation. It is structured around the Contact26 strategy. It uses the Global Reporting Initiative (GRI) standards and the International Integrated Reporting Council <IR> Framework to report on material ESG activities and provide a balanced view of performance.

This report is dated 14 August 2023 and signed on behalf of the Board of Directors of Contact Energy.

A white handwritten signature of Robert McDonald on a dark red background.

**Robert McDonald**  
Chair

A white handwritten signature of Sandra Dodds on a dark red background.

**Sandra Dodds**  
Chair, Audit and Risk Committee



Most Contact Energy shareholders receive digital reports. However, we have printed 1,500 reports using environmentally responsible paper and inks.



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# Our vision

**At Contact, the heart of our strategy is our promise to build a better, cleaner, and sustainable Aotearoa New Zealand by leading the country's decarbonisation.**

Yes, it's ambitious. But as leaders we must challenge ourselves if we are to make a real difference to the world in which we live.

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Contact Chair, Rob McDonald

## Letter from our Chair

Kia ora,

I am pleased to present our 2023 Integrated Report and reflect on the solid financial performance that Contact has achieved in a turbulent environment.

The Integrated Report highlights the growth path that Contact has embarked upon. The year is best characterised by our accelerated investment in renewable generation, a firm commitment to decarbonise our portfolio, and the ongoing transformation of our business that will ensure Contact is well positioned for the future.

I want to take this opportunity to thank my fellow Board members, our CEO Mike Fuge and the entire Contact team who have put in tremendous effort to deliver these results and continue to build our execution capability.

As Chair, I also want to touch on several industry issues that continue to impact our sector.

### The Future is Electric

The independent BCG report, *The Future is Electric*, was released in 2022. We were part of a large stakeholder group, including gentailers and major distribution companies, who commissioned this important analysis.

BCG identifies the significant level of investment across generation,

distribution and transmission required to both decarbonise the electricity sector and support the broader decarbonisation of the economy through electrification.

Prudent investment in new generation requires reasonable investment certainty – certainty of wholesale market and regulatory rules, certainty of government policy, and certainty that the government won't crowd out private sector investment.

It is more important than ever that we have well thought through and long-term policy that supports these collective outcomes.

Pleasingly, the BCG report identifies that current private sector investments, including Contact's \$1.2 billion of generation projects now under construction, alongside investment across the industry, is expected to deliver 98 percent renewable generation by 2030.

However, I remain concerned about the impact of the government's proposed battery project at Lake Onslow – its feasibility, likely cost and its chilling impact on private sector investment. While exploring options to address dry year risk is



sensible, the BCG analysis shows that investment from the private sector will go a long way towards addressing that gap.

The cost of Lake Onslow has recently ballooned from \$4b to a mid-point estimate of \$16.1b based on desktop studies.<sup>1</sup> Recent experience in New Zealand shows that major infrastructure works are often delivered in the upper bound estimate of project cost. Furthermore, once the full business case is delivered, it could be another three and a half years for a decision to go ahead, and another 11 years before it is operational.<sup>2</sup>

The BCG report outlines more cost-effective ways to address this challenge, through significant investment by the private sector that will largely solve the dry year challenge. It also highlights that New Zealand will require the presence of gas for some decades, albeit in a modest way, to provide ongoing security of the energy system as it transitions to an electric future.

As we move to that future, significant investment is also required in

distribution companies. BCG identify that \$22 billion of investment in distribution networks is necessary in the 2020's to support New Zealand's electrification and decarbonisation goals. We need well thought through government policy on critical issues such as distribution and transmission to facilitate the path to decarbonisation, rather than high risk projects such as Lake Onslow.

We have a strong pipeline of investment underway and potential across different generating and storage facilities. To continue on that path requires investment. And it needs certainty.

### Resource Management Reform

The ability for the industry to deliver the required infrastructure at pace to meet New Zealand's climate ambitions is hindered by consenting requirements. The current resource management legislation is simply too slow, uncertain and expensive, and has not always delivered the necessary protection of the environment that was originally intended.



*The year is best characterised by our accelerated investment in renewable generation, a firm commitment to decarbonise our portfolio, and the ongoing transformation of our business that will ensure Contact is well positioned for the future.*

**Rob McDonald**  
Board Chair

If New Zealand is to enjoy world-class infrastructure, and deliver on its climate objectives rapidly, significant reform is required. While we are pleased that intended reform has identified the importance of renewable generation development and prioritisation, the proposed resource management reforms risk transplanting one set of complexity with another – without delivering the certainty, pace or protection intended.

### Tiwai Point

The New Zealand Aluminium Smelter (NZAS) continues to indicate a desire to maintain operations at Tiwai Point beyond December 2024. We are encouraged as we continue to work closely with NZAS to negotiate a new agreement. The smelter is valuable to our country, and our economy, particularly as a significant exporter. It is also highly carbon efficient in its production of premium aluminium, and a major employer and contributor to the Southland economy.

### Conclusion

Finally, the future opportunities for the electricity sector, and Contact in particular, to grow are significant. The strategy we have in place will deliver this. The past year has been one of unprecedented investment and transformation as we remain committed to and focused on leading the decarbonisation of New Zealand.

Ngā mihi nui,



**Rob McDonald**  
Board Chair

<sup>1</sup> <https://www.mbie.govt.nz/dmsdocument/26295-new-zealand-battery-project-indicative-business-case-and-appendices-february-2023>, p80.

<sup>2</sup> The Cabinet paper's p50 estimate of construction time is eight years. The Infrastructure Commission has estimated it will take another three years to fill the reservoir. <https://www.mbie.govt.nz/dmsdocument/26297-new-zealand-battery-project-progressing-to-the-next-phase-proactive-release-pdf>, p14. <https://www.tewaihang.govt.nz/assets/Uploads/Leveraging-our-energy-resources.pdf>, p37.





Contact CEO, Mike Fuge

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## Letter from our CEO

Tēnā koutou,

It's now two years since we set our Contact26 strategy with a vision to build a better Aotearoa New Zealand and lead the decarbonisation of our country. The place we call home.

We are now deep in execution, in what has been a year of significant investment, continued transformation and progress on the path to decarbonisation.

We have delivered a solid financial performance with underlying EBITDAF<sup>1</sup> of \$573 million, a five percent increase from last year. Profit after tax was \$127 million after recognising an onerous contract provision for the Ahuroa Gas Storage facility,<sup>2</sup> and was \$211 million on an underlying basis. This was despite soft short-term wholesale market conditions, the highest hydro inflows in post-market history, and with North Island rainfall the highest on record. While this resulted in depressed spot market prices and saw price separation between the North and South Islands, we responded to these conditions by reducing our thermal generation to the lowest in Contact's history. This decision bore good financial results – and lowered our greenhouse gas emissions.

We have continued to carefully manage existing operations to optimise performance while simultaneously accelerating our investment and decarbonisation. This includes \$1.2 billion of renewable generation currently under construction, a significant pipeline of further potential geothermal, wind, solar and battery investments, the retirement of thermal generation, and investment in digital innovation in retail and generation. As these investments are realised, we anticipate a sustained uplift in earnings, shareholder returns and cash flow in future years.

In FY23 we will deliver investors 35c per share annual dividend, in line with FY22.

### Strategy

We are making excellent progress on delivering the Contact 26 strategy. Our priorities remain to:

- grow demand for renewable electricity,

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

<sup>2</sup> Ahuroa Gas Storage is owned and operated by Flexgas. Contact has a long-term gas storage agreement with AGS. This adjustment follows a review of the estimated available storage capacity of AGS.



- develop new, flexible, renewable electricity generation,
- decarbonise our portfolio, and,
- create outstanding customer experiences.

These are underpinned by our commitment to sustainability with environmental, social and governance (ESG) leadership, unrelenting focus on operational excellence and transforming how we work.

The strategy continues to serve us well and also ensures that we respond to changes in the operating environment, including inflation and cost-of-living pressures, changing stakeholder expectations and global challenges with the natural environment, and reducing greenhouse gas emissions.

On a special note, our ESG leadership was recognised this year with entry into the Dow Jones Sustainability™ Asia Pacific Index and the continued strong support for our green borrowing programme of which there were two retail bond issuances this year totalling \$550 million.

## Renewable energy generation and decarbonising our portfolio

We have \$1.2 billion of renewable generation currently under construction, with a significant pipeline of well-advanced renewable generation projects across geothermal, solar, wind and grid scale battery. We expect Contact's



*We have more than \$1.2 billion of renewable generation currently under construction.*

**Mike Fuge**  
Contact Chief Executive

generation portfolio to be more than 95 percent renewable by FY27.

Tauhara, our world-class geothermal development near Taupō, is expected to come onstream in late 2023 – three years after Final Investment Decision (FID). The generation capacity is expected to be 174MW, up significantly from the 152MW when the investment was announced in early 2021. It will be Contact's sixth geothermal power station in the Taupō area.

Taking advantage of the excellent drilling results and execution lessons learnt in the Tauhara project, in August 2022, we advanced our FID on Te Huka Unit 3 geothermal development. It will come onstream at the end of 2024 and will be one of the world's largest single unit binary power plants at 51.4MW. The project remains on track in terms of cost and schedule.

These investments are key to transforming and significantly increasing the country's renewable electricity supply. In common with all geothermal generation, they will produce clean, low carbon renewable electricity that operates 24/7 and is not reliant on the weather.

We secured resource consent to replace the original Wairākei generation plant, the second-oldest geothermal plant on the planet, that will see us move operations away from the Waikato River and increase the generation capacity from the steamfield. This project, 'GeoFuture', subject to a final investment decision, will stop discharges of geothermal fluids and cooling water into the river, with the new power station built at Te Mihi and delivering approximately 170MW of renewable energy compared to 125MW from the existing plant. Pre-construction drilling will start later this year.

Contact, together with our joint venture partner Lightsource bp (LSbp), was selected by Christchurch Airport to deliver phase one of its renewable energy precinct, Kōwhai Park. The solar farm will have around 300,000 solar panels on 300 hectares of land adjacent to the airport's runways. Building is expected to begin in 2024, subject to FID later in 2023. Our second proposed joint venture solar farm development is in Glorit on the Kaipara Coast, northwest of Auckland.

We are also assessing the Southland Wind Farm Project, a 300MW facility on elevated land east of Wyndham in the South Island which would be Contact's first wind farm, and New Zealand's largest. Alongside our partner Roaring40s, we are engaging with local communities and mana whenua for the 300MW facility. The Minister for the Environment has approved this project as eligible for fast-track consenting.



*We now have a clear path to achieve net zero emissions from our generation operations by 2035.*

**Mike Fuge**  
Contact Chief Executive

## Net zero by 2035

This year, we took the step of accelerating our ambitions to decarbonise our own portfolio.

We now have a clear path to achieve net zero emissions from our generation operations by 2035. Decarbonising our generation portfolio in an orderly manner is well underway, ensuring security of supply and energy affordability to New Zealanders.

As planned, we closed our Te Rapa gas-fired co-generation power station in June 2023. This year, we confirmed that we would not undertake further investment to extend the operating hours of our gas-fired Taranaki Combined Cycle (TCC) power station. We expect the plant to be decommissioned at the end of 2024 and already have sufficient gas to support our planned operation of the plant.

Our thermal peaking generation will continue to support security of supply and we have been focused on ensuring that, over the coming decade, this plant and associated gas storage does indeed provide the resilience needed for New Zealand's electricity system. However, we are



*Investments are key to transforming and significantly increasing the country's renewable electricity supply.*

**Mike Fuge**  
Contact Chief Executive

also focused on an orderly transition over the medium term through investment and innovation in renewable generation, grid-scale batteries, virtual power stations and demand response applications. Decarbonising our portfolio does not rely solely on closures. Geothermal generation is a renewable energy source, however there are naturally

occurring CO<sub>2</sub> emissions in geothermal steam. Through innovative thinking our Taupō team has successfully completed carbon capture at our Te Huka geothermal binary plant and is now exploring the feasibility of capture and reinjection or reuse across all our geothermal operations.

Grid-scale batteries will play an important role in New Zealand's decarbonisation, by storing energy during periods of low demand, and discharging power into the electricity grid during periods of high demand when the alternative is thermal generation. We have an option for a 100MW battery site, subject to consenting, at NZ Steel at Glenbrook. We also have resource consent to build a 100MW battery at our Stratford, Taranaki site.

This focus on an orderly transition, to retire baseload gas generation,

to invest and innovate to support the eventual retirement of peaking plant along with targeted sustainable forestry investments, has given us the confidence – and pathway – to commit to Net Zero for our generation operations by 2035.

### Grow demand

Demand for our renewable energy is strong. In May we announced a pioneering energy agreement with industrial giant New Zealand Steel. We will provide 30MW of energy for its proposed new \$300 million electric arc furnace in a unique arrangement that will enable the industry leader to scale down production in peak demand times, or supply shortages. The flexible off-peak feature is also part of a significant step towards meeting New Zealand's climate change goals and once operational this feature will remove 800,000 tonnes of greenhouse gas emissions annually. The trend continues with accelerating opportunities with several other industrial companies exploring similar opportunities to decarbonise industrial heat processes and cut fossil fuel use.

We've also signed a 10-year renewable Attribute Purchase Agreement (APA) with Microsoft. APAs support investment in new renewable generation. Contact will provide Microsoft with all the renewable energy attributes generated by Te Huka 3 geothermal power station once operational. The purchase of renewable energy attributes is the global standard for customers to demonstrate unequivocally they are

truly using renewable electricity for their operations.

### Customer experience

Our commitment to transform our approach to customer experience has paid off with growth in customer numbers for energy and broadband, and in customer satisfaction. We were pleased to win Energy Retailer of Year 2022 at the Energy Excellence Awards in August, and the NZ Compare Awards Power Provider of the Year in December. We have been selected again as a finalist for Energy Retailer of the Year in 2023.

Customer connections for energy and broadband sit at over 588,000 connections. We continue to be the fastest-growing broadband provider with 86,000 connections. Our plans to launch Contact Mobile are underway.

Our time-of-use plans encouraging customers to use off-peak power and reduce demand on fossil fuels are gaining traction. Our Good Nights Plan offers three hours of free night-time power to 53,000 customers, while Dream Charge, a deal for Electric Vehicle owners to recharge at cheaper rates, has been taken up by 1,300 drivers since its November launch. Fourth Trimester, offering free power for 1,000 families of new-borns attracted a great response in its second year. In the two years since launch we've gifted four million hours of free power to families.

Flooding and the devastating impact of Cyclone Gabrielle affected many of our customers. Our \$250,000 energy and broadband credit fund for customers facing hardship supported



*...we expect to launch more innovative products and are actively exploring opportunities for 'virtual power plants' or demand response options for consumers who want to do right by decarbonising their home too.*

**Mike Fuge**  
Contact Chief Executive

those when they needed it most. Our energy wellbeing team continues to work hard for our most financially vulnerable customers on a wide range of plans, payment options and tailored support to ensure they stay connected and out of debt.

In the year ahead, we expect to launch more innovative products and are actively exploring opportunities for 'virtual power plants' or demand response options for consumers who want to do right by decarbonising their home too.

### Our people

Our vision is to be the most sought-after workplace, and through our transformational ways of working we have a team who come to work knowing they are playing their part in helping to decarbonise the country. The engagement of our people is at an all-time high with our Net Promoter Score increasing to +51 from +49 to put us in the top quartile of energy and utilities businesses

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*Our vision is to be the most sought-after workplace, and through our transformational ways of working we have a team who come to work knowing they are playing their part in helping to decarbonise the country.*

**Mike Fuge**  
Contact Chief Executive

in the world. However, we know we can't stop and we continue to keep evolving and improving.

Last November we launched our Growing Your Whānau Policy, one of the country's most comprehensive and far-reaching parental leave policies, which to date 70 of our staff have benefited from.

Contact University, an online learning portal, continues to be well received with close to 17,000 courses completed by our people. Developing our people is a key focus, as is our talent pipeline among young people and those with specialist expertise. Our graduate intake doubled this year, and we are successfully recruiting engineering experts both internationally and locally to support us in a unique period of growth.

Our leadership team is now well-embedded and focused on delivery of our strategy, much of which is deep into execution mode.

### The future

At Contact our strategy is our promise to build a better place we call home by being a leader in the decarbonisation of the country.

The last year has proved what we can achieve, through investment, leadership and a relentless focus on execution. We are pleased with our FY23 performance, as well as the breadth of our renewable generation pipeline, and the part we play in helping large important industries and New Zealanders to decarbonise.

While we continue to see inflationary pressures, we remain focused and well-positioned to perform strongly as our renewable builds come online and the fruits of our investment in digitisation and transformation come to bear with increased earnings and cash flow.

Our ambitions are well laid out. We now have a clear path to achieve net zero emissions (Scope 1 and Scope 2) by 2035. Our preparation to decarbonise our generation portfolio in an orderly manner is well underway, ensuring security of supply and energy affordability to New Zealanders.

Finally, we would like to thank everyone at Contact for their outstanding work throughout the year. We are proud of you and all that you have delivered.



CEO Mike Fuge, CFO Dorian Devers, Corporate Treasurer Will Thomson celebrate the launch of Contact's green bonds offer by ringing the bell at the NZ Stock Exchange (NZX).

Ngā mihi nui,

**Mike Fuge**  
Chief Executive Officer

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# Our story: This is Contact



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Clyde Dam, Central Otago.



# Our strategy: 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 capital expenditure to deliver value
- Capture economies of scale and further digitise our business.



# Our strategic focus

To deliver on the Contact26 strategy, our focus is to grow demand, grow renewable development, decarbonise our portfolio, and create outstanding customer experiences.

In this section, we set out how we are delivering against these four focus areas, with a summary of our performance against key metrics. We then provide further detail on key activities that underpin our strategy to lead New Zealand's decarbonisation.









# Progress against our strategy

We apply a critical lens when assessing our progress and look to derive value from any learnings along the way.

- Complete/on-track
- Minor delay and/or cost increase
- Major delay and/or cost increase

Strategic priorities	FY23 Achievements/progress	FY27 strategy milestones <sup>1</sup>
<p><b>Grow demand</b></p> 	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> Completed assessment of hydrogen economics.</li> <li><span style="color: orange;">●</span> NZAS negotiations underway.</li> <li><span style="color: green;">●</span> 10-year renewable energy attribute agreement with Microsoft. Growing data centre pipeline.</li> <li><span style="color: green;">●</span> Lock in major industrial electrification. Entered 30MW off-peak supply arrangement with NZ Steel.</li> <li><span style="color: red;">●</span> Commence boiler electrification.</li> <li><span style="color: green;">●</span> Flexible demand more than 80MW.</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate 100MW of new demand.</li> <li>• Reach 100MW total Demand Flex and start pivoting to Demand Response.</li> <li>• New green chemical channel established contributing incremental EBITDAF.<sup>2</sup></li> </ul>
<p><b>Grow renewable development</b></p> 	<ul style="list-style-type: none"> <li><span style="color: orange;">●</span> Build Tauhara. Online Q4 2024.</li> <li><span style="color: green;">●</span> Te Huka 3 investment decision and entered build phase.</li> <li><span style="color: green;">●</span> Wairākei geothermal replacement consented. GeoFuture proceeding to investment decision in FY24.</li> <li><span style="color: green;">●</span> Selected to deliver 150MW solar farm at Kōwhai Park. Proceeding to investment decision in FY24.</li> <li><span style="color: green;">●</span> Secure and consent wind sites. Entering consenting for 0.9–1.2TWh Southland wind project in FY24.</li> <li><span style="color: green;">●</span> Complete battery feasibility. 100MW battery investment proceeding to investment decision in FY24.</li> <li><span style="color: green;">●</span> Roxburgh turbine replacement.</li> </ul>	<ul style="list-style-type: none"> <li>• Grow to 10.3TWh per annum of renewable assets from geothermal new build, solar and wind.</li> <li>• 100MW battery operational.</li> </ul>
<p><b>Decarbonise our portfolio</b></p> 	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> Te Rapa closed in June 2023.</li> <li><span style="color: green;">●</span> Confirmed TCC will run its remaining operating hours or as market needs dictate. Decommissioning expected at end of 2024.</li> <li><span style="color: green;">●</span> On track to meet all carbon reduction commitments.</li> <li><span style="color: green;">●</span> Thermal review complete. Contact to manage its thermal peaking assets through the energy transition, playing a key role in system security.</li> </ul>	<ul style="list-style-type: none"> <li>• Scope 1 and 2 GHG emissions run-rate of ~300ktCO<sub>2</sub>e, working towards our 2035 net zero commitment.</li> <li>• Renewable flexibility strategy to reduce reliance on thermal peaking.</li> </ul>
<p><b>Create outstanding customer experiences</b></p> 	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> Targeted growth in broadband and energy connections. Now more than 588,000, an increase of over 65,000 since FY21.</li> <li><span style="color: green;">●</span> Unlock further cost to serve improvements and increases in Net Promoter Score through digitisation programme. NPS is +41, an improvement from +39 for the same period last year (1 April to 30 June).</li> <li><span style="color: red;">●</span> SAP ERP finance and generation upgrade complete. Customer Relationship Management (CRM) options to be reviewed.</li> <li><span style="color: green;">●</span> Wireless broadband launched along with new targeted EV plan. Pilot launch of mobile offering in August 2023.</li> <li><span style="color: green;">●</span> Energy Retailer of the Year award August 2022.</li> </ul>	<ul style="list-style-type: none"> <li>• Greater than 685,000 connections.</li> <li>• Cost to serve at global benchmark of &lt;\$80/ connection.</li> <li>• Triple EBITDAF<sup>2</sup> contribution from non-energy lines of business.</li> <li>• Top quartile NZ Business for Sustainability survey<sup>3</sup> and most Trusted Energy brand.<sup>4</sup></li> </ul>

1 Set in May 2023.

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

3 As measured by Kantar Better Futures survey.

4 As measured by Contact's independently surveyed brand tracker.





# Grow demand

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## Grow demand

We're moving rapidly towards a future powered almost entirely by renewable electricity.

Contact has an important role to play, both by investing in new renewable generation and by supporting industry to decarbonise. We believe decarbonisation doesn't have to mean deindustrialisation. And we say this because in the past year we've worked hard to enable big business to do their bit for climate change.

We've made significant progress growing demand for renewable electricity with high profile and innovative partnerships with the likes of NZ Steel, Microsoft, Open Country, and Alliance. These partnerships demonstrate the business community's commitment to renewable energy and are a vote of confidence in our \$1.2 billion renewable generation investment. Read more in **Grow Renewable Development**.

And we are not done yet. We are seeing a significant acceleration in opportunities from industrial companies investigating ways to decarbonise industrial heat processes and cut the use of fossil fuels. The interest in long-term Power Purchase Agreements has significantly increased and we are seeing a greater appetite for demand response to be included in supply arrangements.







L to R: NZ Steel CEO, Robin Davies; Rt Hon Prime Minister Chris Hipkins; BlueScope Managing Director, Mark Vassella; Contact CEO Mike Fuge; Minister for Climate Change James Shaw; and Minister for Energy and Resources, Dr Megan Woods.

## Our NZ Steel partnership

### Decarbonisation, demand flexibility and electrification

Our watershed moment came in late May when, with Prime Minister Chris Hipkins present, we announced, alongside our subsidiary Simply Energy, a pioneering and innovative renewable energy agreement with industrial giant NZ Steel.

The flexible off-peak deal is part of a hugely significant step towards meeting New Zealand’s climate change goals. It will see the steel mill in Glenbrook almost halve its carbon emissions – and secure the future of domestic steelmaking in New Zealand.

Contact will provide 30MW of electricity to NZ Steel for its new \$300 million Electric Arc Furnace in a flexible off-peak arrangement that

will enable the industry leader to scale down production in times of peak demand or supply shortages.

By substituting coal and iron sand with electricity and scrap steel, NZ Steel will eliminate 800,000 tonnes of carbon from the time the proposed electric arc furnace is fully operational. This is the same as taking approximately 300,000 cars off the road permanently, or one percent of New Zealand’s total emissions.

“We have invested more than \$1.2 billion in renewable energy builds to displace our baseload thermal generation and now, with NZ Steel, we see proof of demand.”

“This is an outstanding example of how we in industry can, with smart thinking and a partnership mindset, work together for the good of the planet”, says Mike Fuge.

The project is supported by the New Zealand Government which is contributing up to \$140 million towards the Electric Arc Furnace through the Government Investment in Decarbonising Industry (GIDI) fund.

“

*We’re delighted by the pioneering and creative partnership with Contact to provide a competitive and innovative supply agreement. This project is a partnership that would never have happened without the support of the Government and the other key contributor Contact who recognised the potential, and had the commitment, to help make it happen.*

**Robin Davies**  
NZ Steel Chief Executive



## Tiwai Point update

The New Zealand Aluminium Smelter (NZAS) continues to indicate it will maintain operations at Tiwai Point beyond December 2024.

We are encouraged as we continue to work closely with NZAS to negotiate a new agreement.

The smelter is valuable to our country, particularly as a significant exporter. It is also highly carbon efficient in its production of premium aluminium, and a major contributor to the Southland economy.



Progress on build of Te Huka Unit 3 in Taupō.

## Microsoft to power Te Huka investment

In a first for Contact and New Zealand, we signed a 10-year renewable Attribute Purchase Agreement (APA) with Microsoft in September 2022.

The arrangement will see Contact provide Microsoft with all the renewable energy attributes generated by Contact's new 51.4MW Te Huka Unit 3 geothermal power station.

Ownership of renewable energy attributes is the global standard for electricity customers to show they are using a new renewable source. And it's important for encouraging renewable electricity, since electricity consumed on a shared grid cannot be traced back to a specific power station.

It also supported our investment decision to begin construction of the new plant at Te Huka Unit 3 and, is part of delivering decarbonisation leadership.

"By entering into this arrangement with Microsoft, Te Huka Unit 3 got the backing it needed, providing further confidence to develop this project. Microsoft's commitment shows what companies with energy intensive facilities can achieve to support new renewable energy sources." Mike Fuge, Contact Chief Executive.



*Microsoft has big plans in New Zealand. With the construction of the data center region, this agreement aligns our New Zealand activities with Contact Energy's presence and capabilities around geothermal in New Zealand and will further strengthen our transition to 100 percent renewable energy by 2025.*

**Vanessa Sorenson**  
Managing Director  
Microsoft New Zealand



## Helping Open Country make good decisions for the planet

Contact subsidiary Simply Energy has been working alongside the country's largest independent dairy processor Open Country to help the exporter use its electric and coal boilers in the most carbon-efficient way.

Open Country relies on process heat to power its boiler systems that turn millions of litres of milk into high-quality milk powder. To put this in context, process heat, used in a wide variety of industrial and manufacturing processes, accounts for 35 percent of the country's energy consumption – and more than half of this is met by fossil fuels.

With electric boilers operating alongside coal boilers at the dairy processing company, Simply Energy recommended the Simply Flex platform. This lets Open Country switch between its electric and coal boilers – using the electric boiler when the carbon profile of electricity is likely to be low, which typically corresponds with low electricity prices.

Integrating Simply Flex into its operation has helped Open Country benefit from low wholesale market prices, increase their electricity use, and clock up further carbon savings. In the first ten months, Open Country displaced 5,900 tonnes of coal and reduced emissions by 10,000 tCO<sub>2</sub>e.



*With some innovative thinking from Simply Energy, smart technology and an energy supply tariff that supports flexibility, we know we are optimising the use of our electric boiler cost-effectively and making decisions that are good for business and the planet.*

**Steve Koekemoer**  
CEO, Talley's Group on behalf of Open Country







## A flexible alliance

### Decarbonisation, demand flexibility and electrification

Simply Energy has also been working with Alliance Group, a farmer-owned red meat cooperative, to find innovative ways to decarbonise and reduce energy costs, using demand flexibility.

Alliance has a 2MW demand flexibility deal, and can control when selected site equipment uses electricity, by automatically switching it off when the national grid needs extra support. It's like a virtual power plant, able to be called upon when needed as innovative support to help decarbonise industry. For example, cool stores can switch off for periods without impacting performance.

The deal sees Alliance participating in Frequency Response, one type of demand flexibility, joining 50 other participating industrial customers

who are paid to power down equipment to help the grid after a major unplanned loss of power supply. This helps balance electricity supply and demand. These 50 customers contribute around 20MW of dispatchable load to New Zealand's electricity reserves market, reducing the need for coal- and gas-fired plants to compensate for renewable generation shortfalls.

Dispatchable load can be dispatched for any duration, not just at short notice. For Alliance it dispatches at short notice when the grid needs it.

Any business with equipment able to respond within a second and turn off for up to 30 minutes can participate, contributing to a more resilient and sustainable electricity system.

From our engagement with commercial and industrial customers we've learnt that many are willing to participate in demand flexibility once they understand how our control technology works and gain insight into the cost and carbon reductions that flexibility can provide.

## Green hydrogen update

Our 2022 Integrated Report referenced the Southern Green Hydrogen project, a joint venture between Contact and Meridian Energy to build a green hydrogen plant in Bluff for the export market.

After a detailed feasibility study, Contact concluded the best potentials for green hydrogen would come from focusing on the domestic market – further supporting the decarbonisation of the place we call home. As a result, Contact withdrew from the Southern Green Hydrogen feasibility project in November 2022.

## Lake Parime update

While the Lake Parime data centre will not progress, we do anticipate significant new demand to support New Zealand-based data centre growth.

Last year we referenced our renewable electricity supply agreement for the low-emissions data centre near the Clyde Dam with UK-based digital infrastructure company Lake Parime.

On 31 January 2023, we were notified that Lake Parime Limited had gone into administration. Our focus was on minimising the impact to the local community – immediately we ensured local contractors engaged by Lake Parime were not left out of pocket. The planned upgrade to the Aurora network is being completed, delivering benefits to the Clyde community.





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# Grow renewable development





## Grow renewable development

To bring our strategy to life and meet future demand requires unprecedented and prudent investment and a commitment to make transformative decisions.

Investment in our sustainable future, where every dollar spent now growing renewable development will reap future rewards for Aotearoa New Zealand and long-term financial rewards for our shareholders.

Our mission is to protect future generations and create a better home for us all. We have more than \$1.2 billion of renewable generation currently under construction.

In FY23, 93 percent of the energy we generated came from renewable geothermal and hydro sources, with the balance from thermal generation.

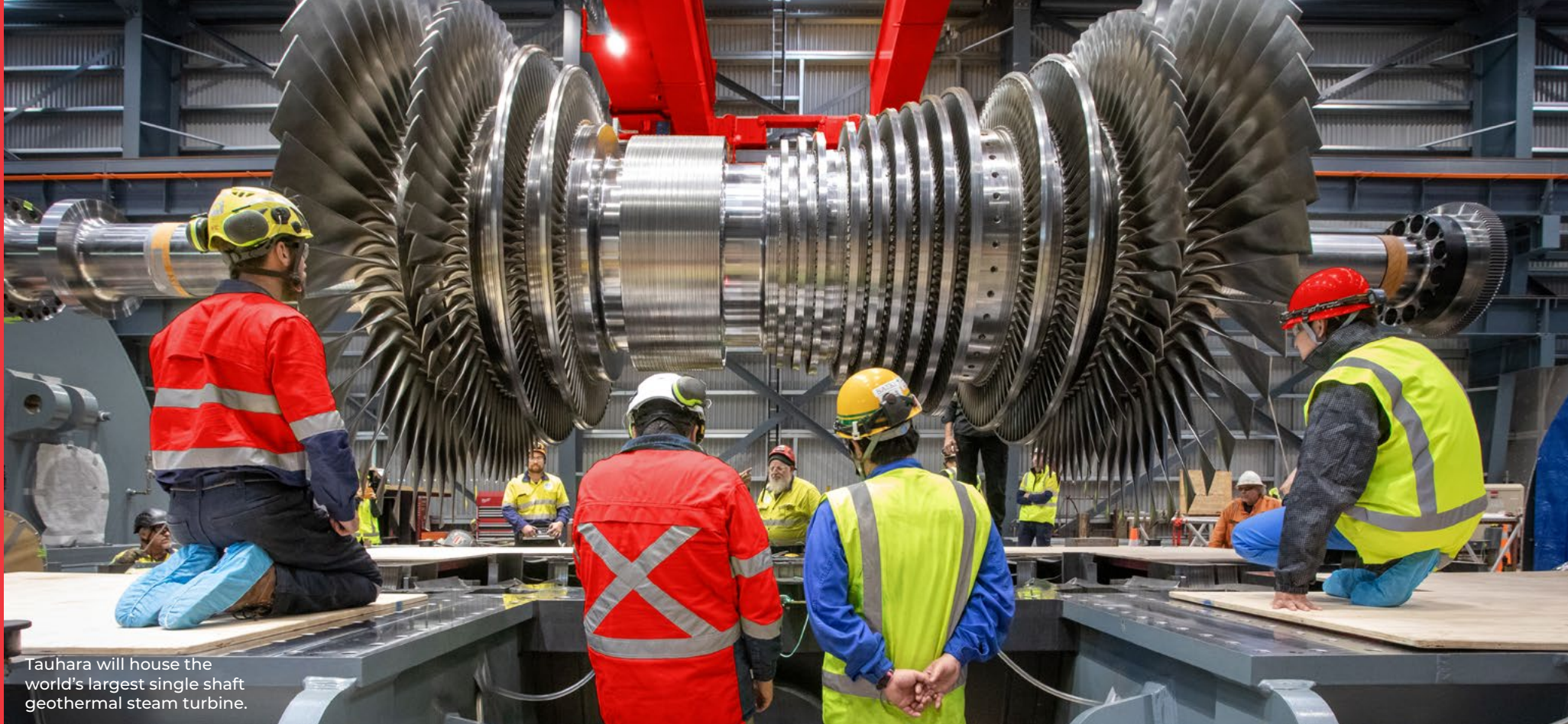
We are continuing to bring new renewable projects to market to support the decarbonisation ambitions of both Contact and New Zealand and to meet demand.

By FY27 we anticipate more than 95 percent of our generation will be renewable. This is due to geothermal investments including Tauhara and Te Huka Unit 3 coming onstream later this year and next year. In addition, we are modernising our assets in the Wairākei steamfield through our GeoFuture development and have solar and wind developments in the pipeline as well as a potential grid-scale battery project. The future is bright.



First steam at our Tauhara Geothermal Power Station in Taupō.





Tauhara will house the world's largest single shaft geothermal steam turbine.

## World-class Tauhara is expected to come onstream this year

It's hard to believe a few years back, Tauhara, our new geothermal power station in Taupō, was in the realm of imagination.

Fast forward, and with a whole lot of hard work and dedication, it will be operational by the end of 2023, after a three-year construction.

Expected to generate 174MW of renewable energy, this geothermal steam turbine power station will be one of the largest of its kind in the world, and Contact's sixth geothermal power station in the area.

Tauhara will produce just over 1.4TWh of electricity per year, which is around 3.5 percent of the country's electricity – enough for 200,000 households. It is expected to displace around 500,000 tonnes per year of greenhouse gas emissions as fossil fuel generation is shut down. This is equivalent to removing over 220,000 cars from New Zealand's roads. As we say at Contact, it's decarbonisation in action.

What's more, this project was largely constructed during the Covid years with resulting tight supply chains and cost pressures.

We are pleased it will be on line by the end of this year and completed within the \$880m budget updated last year. It is a world-class transformational project without peer in New Zealand.





## Doubling down on renewable development with Te Huka 3

In the middle of 2022, we made a bold decision to bring forward our Te Huka Unit 3 geothermal development.

Originally phased as the third cab off the rank (behind Tauhara and our new power station planned for the Wairākei steamfield called GeoFuture), last year we identified an opportunity to release some of our design team from Tauhara to apply their expertise to a new unit at Te Huka.

With the investment decision made in August 2022, and supported through our prioritisation and planning process (see [Mau Taniwha](#) section), we're now well into construction of Te Huka Unit 3, which is next to our existing Te Huka geothermal power station.

Te Huka 3 will be the world's largest single unit binary power plant at 51.4MW, with carbon capture and reinjection capability from day one. Once operational, it will produce clean, renewable electricity that operates 24/7 and, common with all geothermal generation, is not reliant on the weather.

Combined, Tauhara and Te Huka 3 represent a \$1.2 billion investment in new renewable energy generation. The two new power stations will increase Contact's renewable electricity generation by 25 percent on what is produced today and will increase New Zealand's total annual renewable electricity supply by an average of more than five percent.



Artist's impression of new Te Huka Unit 3 build in Taupō.



## Breathing new life into Wairākei with GeoFuture

### Reliable energy supply

### Freshwater system health

The GeoFuture project will see us replace the original Wairākei geothermal plant commissioned in 1958, move existing operations away from the Waikato River, and increase the efficiency and generation capacity from the Wairākei geothermal resource.

In December 2022, following comprehensive engagement with the local community and tangata whenua, we received resource consent to operate for the next 35 years on the Wairākei geothermal steamfield.

Subject to final investment decision, we plan to build a new power station at Te Mihi, providing 160–180MW of renewable energy. This is yet another example of our commitment to sustainably grow our renewable generation.

As part of our commitment to reducing and mitigating the impacts of our operations on the natural environment, we are significantly reducing our impacts on local waterways. Through GeoFuture we will be able to stop all operational

discharges of geothermal and cooling water into the Waikato river.

We engaged with a wide range of local stakeholders through the consenting process, and we are committed to maintaining and building these relationships in an enduring way.

Seven submissions were lodged: all were either in support of, or neutral towards, our application. This reflects the mahi of our team over many years to understand the perspectives of our communities and invest deeply in long-term relationships. By comparison, when we previously reconcentrated operations in Wairākei during the early 2000s, there were 197 submissions against extending our operations on that field.



Te Mihi Geothermal Power Station in Taupō.



## Wairākei Hapū Collective – Contact partnership

Together with the Wairākei Hapū Collective, we have created a unique collaboration called Pūtea Taiao that breathes life into our commitments to consider the cultural and environmental impacts of our operations.

Pūtea Taiao is a fund and governance process which sees three representatives each from the hapū and Contact work together to prioritise projects which will improve cultural, economic and environmental outcomes in the Wairākei rohe.

In operation since 1 February 2023, Pūtea Taiao has already identified several environmental restoration projects (See **Biodiversity** and **Building relationships** for more detail). In addition, Contact is funding a project manager to work with the hapū to build capacity and capability.



Ka Hiko ākonga completing scaffolding training.

## Ka Hiko ai te iwi

We have a long-term and ongoing commitment to the Taupō region, hapū and iwi, which can be seen through Ka Hiko ai te iwi (Ka Hiko) training and employment programme.

Ka Hiko responds to the aspirations of Tauhara hapu to create mahi and ākoranga (training) opportunities for whānau who have a connection to the land.

Through Ka Hiko, ākonga/students train towards health and safety qualifications, gain work experience on our sites, and can enter a trade apprenticeship with our on-site contractors.

Through Ka Hiko:

- 89 ākonga have participated in 15 ākoranga, achieved a total of 1,419 health and safety qualifications, and started full-time mahi on Tauhara
- 31 ākonga have started apprenticeships or further training
- 92 percent are tangata whenua, including 21 wāhine toa
- The average age is 29.





## Cover me in sunshine

### Generation emissions and renewable energy supply

Solar is a part of the Contact26 strategy to grow renewable development – we are targeting the creation of up to 380GWh of grid-scale solar generation by 2026.

That’s enough to power 50,000 homes with clean, renewable energy.

In 2022 we announced a 50/50 joint venture partnership with Lightsource bp, the world’s largest solar developer, to help us realise this goal. Together we are developing a pipeline of solar generation projects across the motu.

In February 2023, Christchurch Airport selected our partnership to deliver phase one of its renewable energy precinct, Kōwhai Park. This solar farm will have around 300,000 solar panels spanning approximately 300 hectares of land just behind the airport’s runways.

Kōwhai Park will connect directly to the local distribution network and generate 0.3TWh per year, or enough to power more than 30,000 homes. And, it will have the same carbon benefit as planting more than 1 million native trees and shrubs.

Subject to final investment decisions, construction would be likely to begin in 2024.

Our second proposed joint venture development is a solar farm in Glorit, on the Kaipara Coast northwest of Auckland. This site has easy access to Transpower’s existing 220V powerlines that pass through the area and is well positioned for sunlight and irradiance (sunlight density).

The proposed site is 220 hectares and is expected to generate approximately 0.3TWh per year – equivalent to the energy needs of more than 30,000 households.

We have been progressing the consenting activity, including consulting with the Glorit community and tangata whenua and assessing the effects of the project, over the last 12 months. This will provide input into the final project design. The joint venture intends to apply for consent in the second half of 2023.



*Grid-scale solar generation is a natural fit for New Zealand’s current generation mix and this partnership sees an experienced and highly regarded New Zealand generator and retailer join forces with our global solar expertise to create cost-competitive and reliable solar power. Our solar farms will create significant jobs and investment into regional New Zealand communities and businesses.*

**Adam Pegg**  
Managing Director, APAC,  
Lightsource bp

## It’s a wind, wind solution

Working with our partner Roaring40s – New Zealand’s leading wind development experts – we are developing a pipeline of wind farm opportunities to meet the growing demand for renewable electricity.

The Southland Wind Project (near Gore) is the first site we plan to develop. Our initial concepts estimate it could have about 50 wind turbines and generate between 240–300MW – which is enough electricity to power all homes in Southland.

We started engagement with mana whenua and local communities earlier this year through a series of community open days. This is just the start. Establishing strong and meaningful relationships with our communities is vitally important to us being the neighbour you want to have, and we will continue conversations as the project progresses.

The Minister for the Environment accepted our application to use the fast-track consenting pathway under the COVID-19 Recovery (Fast Track) Act 2020. Whichever consenting pathway we take, we expect to lodge the application in late 2023. Construction of the Southland Wind Farm is subject to final investment decision.





# Decarbonise our portfolio



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## Decarbonise our portfolio

Can you imagine Aotearoa New Zealand powered almost entirely by renewable electricity? That's our goal; to lead the decarbonisation of this place we call home. A place where this dream becomes reality.

We have made considerable progress in the last few years to decarbonise our portfolio, managing the transition from thermal to renewable electricity in a planned and purposeful way. We know that ensuring reliability and security of supply is essential as we navigate our way to a net zero future.



Rachelle Meijer, Senior Fleet Engineer, visits the Te Rapa site on its final days.



## Our 2035 net zero goal

Decarbonisation, demand flexibility and electrification

Generation emissions and renewable energy supply

This year we took the bold step of accelerating our ambition to decarbonise our generation portfolio. We now have a clear path to achieve net zero emissions from electricity generation by 2035.

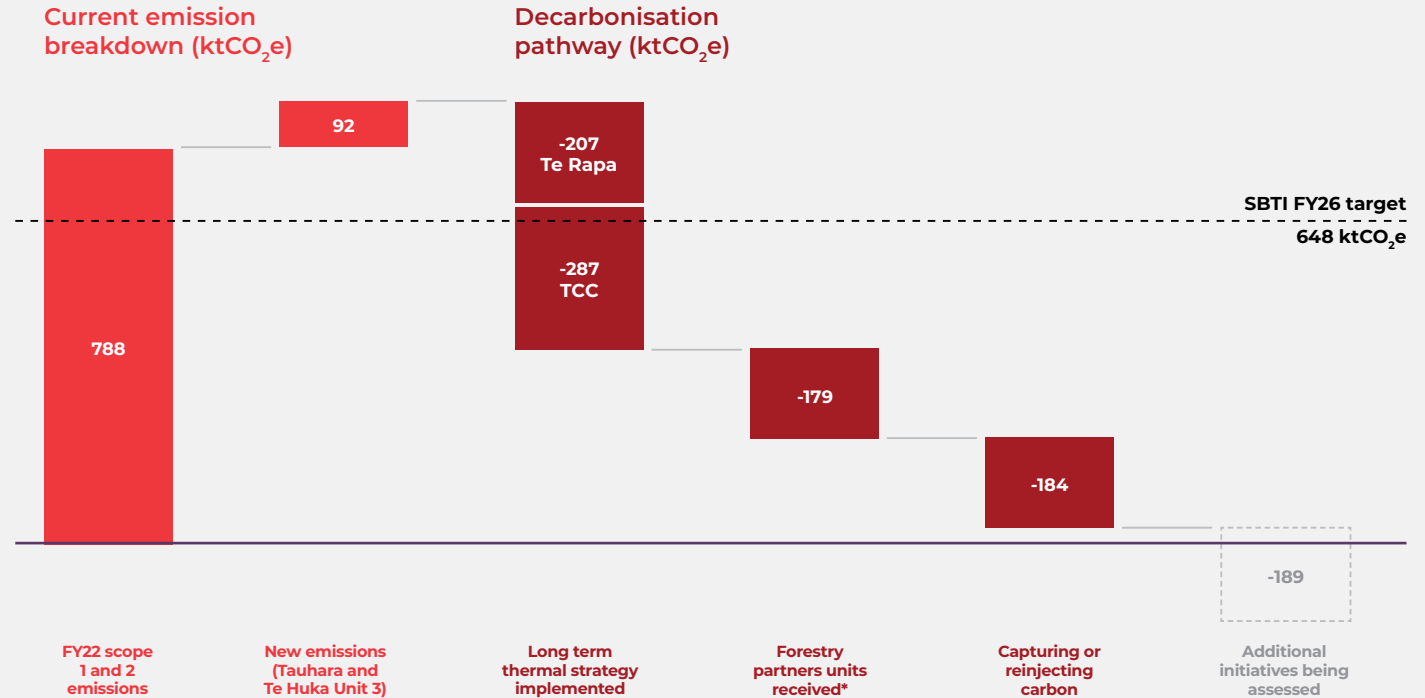
Direct emissions from Contact's power plants (Scope 1), and all emissions from the purchase and use of electricity (Scope 2) will be net zero by 2035. This will be achieved through investment in new renewable generation, the closure of baseload thermal generation, reducing our reliance on thermal peaking generation during periods of peak demand, carbon capture and reinjection, forestry offsets, and demand response innovation.

Over the past several years we have been working through a systematic and planned removal of baseload thermal generation.

Contact's Ōtāhuhu plant closed in 2015 and our Te Rapa co-generation plant was decommissioned in June 2023.

Our Taranaki Combined Cycle (TCC) plant, which provides 370MW of energy when generating, is now

## Our pathway to net zero for Scope 1 and 2 emissions by 2035



Note: Analysis is based on FY22 actual scope 1 and 2 emissions (indicative of mean year generation). Utilisation of the Peakers will vary over future years depending on hydro sequences and new technologies.

\* Includes expected units from Drylandcarbon One Limited Partnership and Forest Partners Limited Partnership. Units are shown per annum and are based on current information and may fluctuate based on climate conditions and/or regulatory updates.

25 years old. It has had five overhauls over that time, and we have decided not to proceed with the sixth. Contact will run the plant to the end of the operating hours or as market needs dictate. We expect the plant to be decommissioned at the end of 2024 and already have sufficient gas to

support our planned operation of the plant.

Together, retiring these three plants represents a 70 percent drop in Contact's generation emissions in a decade. This is equivalent to taking 425,000 cars off the road.





## Our bold new battery plan

As thermal generation decreases – and geothermal generation increases – we are turning our minds to options to reduce the use of thermal peaking plants to meet electricity demand.

Peaking plants can fire up quickly to cover periods of high demand – such as a winter cold snap.

This has seen us progress our plans for large-scale grid-connected batteries to store low-cost electricity off-peak and release during periods of high demand. These will enable us to significantly reduce our reliance on thermal peaking plant.

We have two options for our first 100MW battery site: Stratford in Taranaki where we have secured resource consent; and Glenbrook southwest of Auckland where we have an option to lease land.

The Glenbrook site, owned by NZ Steel, is favoured because of its proximity to the national grid and to Auckland, New Zealand’s largest city.

The investment decision on the Glenbrook site will be made in FY24, and would take around 18 months to construct and be operational by winter 2025.

## Reuse and recycle – a new life for CO<sub>2</sub>

### Generation emissions and renewable energy supply

Geothermal energy is a renewable energy source because heat is continuously produced inside the earth. Geothermal is a low-carbon source of energy, releasing naturally-occurring CO<sub>2</sub> during the power generation process.

In the drive to reduce emissions our team loves a challenge. And the greatest innovations can come from a challenge.

The team at Taupō has been investigating capturing carbon dioxide to either reinject or repurpose, and in the process, contribute to a reduction in our total emissions.

At Te Huka we have successfully removed carbon emissions through reinjection.

And meanwhile, at Ohaaki we are investigating the capture and sale of CO<sub>2</sub> for food grade purposes. There is a current shortage of food grade CO<sub>2</sub> and we see there’s potential for us to help solve the problem with supply and avoid New Zealand importing CO<sub>2</sub> for food grade purposes.

## ThermalCo consultation complete

Last year we worked through a proposal to establish an industry-owned ThermalCo to manage all New Zealand’s thermal assets supporting the country’s ambition of a fully renewable electricity system.

While there was significant interest in ThermalCo, ultimately our proposal has not progressed due to varying degrees of appetite within the industry. As a result, Contact will continue to own and manage its remaining thermal assets while taking active steps to reduce our reliance on them.



## High-quality carbon credits can grow on trees

Our long-term goal is to reduce our gross emissions, most of which will be achieved by investing in new renewable energy and retiring thermal generation.

However, for those remaining emissions that are practically more challenging to remove, Contact has invested in forestry partnerships that support our goal to be net zero by 2035 for our generation activities.

We have two long-term sustainable forestry investment partnerships: Drylandcarbon, which is a partnership between Contact, Air New Zealand, Genesis Energy, and Z Energy; and Forest Partners where we're joined by Genesis Energy, Z Energy and Todd Corporation. These partnerships are designed to provide a long-term supply of high-quality carbon credits for the investors, as well as high-quality timber for the domestic and international market.

This year, we received our first carbon credits distribution from Drylandcarbon, and with Forest Partners made the first of five annual progress payments for planting on land that would otherwise be difficult to farm.

Cyclone Gabrielle had limited impact on the forestry portfolio, thanks to the diversity of planting across the country.

Jo Norrie, our project process controller at Wairākei, joins our planting days with Greening Taupō.







# Create outstanding customer experiences







## Create outstanding customer experiences

We're working hard to ensure it's good to be home for New Zealanders.

That means we're always thinking about how we can make life better for the more than half a million Kiwis who we connect to energy and broadband. We focus on the things that matter, whether that's helping Kiwis save money and do their bit for the planet by using more energy off-peak, being there with practical support during the tough times and the good times, or helping them stay connected with reliable broadband. Keeping our costs as low as possible to help our customers means we have one of the lowest costs to serve in the market.

We aim to be where our customers need us most. Around three quarters of our customer interactions are through digital channels such as our app, online services, and Messenger and WhatsApp messaging channels. This gives customers the flexibility to manage their own account.

And of course, our Contact call centre team are available at the end of the phone in those times that a human touch is needed.

We continue to offer outstanding customer experiences and our brand-tracking research shows that we are second equal for brand trust amongst New Zealand energy providers. Our Net Promoter Score (the number of customers who say they would recommend us, versus those who wouldn't) increased again this year from +39 to +41 and 76 percent of customers say Contact is easy to deal with.

Satisfied and happy customers can be seen in our low electricity switch rate (which measures properties switching away from Contact) of 17 percent, which was two percent below the market average. Contact continues to see a reduction in deadlocked customer complaints to Utilities Disputes. Total deadlocked complaints went from 3.8 percent of industry complaints in 2021/22 to 1 percent in 2022/23. This compares to Contact's market share of 17.3 percent.

Winning Energy Retailer of the Year at the NZ Energy Excellence Awards in August, and NZ Compare Awards Power Provider of the Year in December 2022 showed us we're on the right track, but we know there's more to do.





## Timing is everything

Decarbonisation, demand flexibility and electrification

In 2021, as we started transforming our own business, we asked ourselves how we could help New Zealanders lower their own carbon emissions by making a small change to their everyday behaviour.

That small change is all about using energy at off-peak times.

When most people get home from work in the early evening, they turn up the heating, cook dinner, and put some washing on. Everyone doing this at the same time creates peak demand which requires all our national electricity generation – including that generated by fossil fuels such as gas, diesel, or coal – to keep the lights on.

The more we can shift power use to off-peak times, the greener our electricity becomes.

Good Nights, launched in August 2021, offers free power every night between 9pm and midnight. And it's been a hit with more than 53,000 customers enjoying the benefits.

**53,000** customers now using our Good Nights plan

**1,300** customers are charging their EVs off-peak thanks to Dream Charge



*It has made me think much more positively of Contact – you've been innovative with this plan and helped customers to have more control over their power.*

**Dale, 62, Contact customer, Auckland**

Dream Charge built on that in November 2022, with a deal for electric vehicle (EV) owners to recharge with cheaper rates between 11pm and 7am.

In the year ahead we're looking at variations on these plans. It's all about encouraging Kiwis to change a few habits to shift their usage into off-peak periods, which not only helps New Zealand decarbonise, but also reduces energy costs for our customers – a real win-win.

## Free energy for families in their Fourth Trimester

After a pilot in 2022 with existing customers, in February we launched "Fourth Trimester", designed for families with a new baby.

As a result, over the past two years, we have helped 2,000 Kiwi families when they need it most, giving away three months of free energy to each of these families during their "Fourth Trimester".

As CEO Mike Fuge says, "While Fourth Trimester is not a silver bullet for the financial stress faced by families with a newborn, our hope is that it enables families to spend more time bonding with their new addition and less time worrying about bills."

South Auckland parent, Kimmery Fotuhetule, mum to Ammaron Viamalu (pictured) says that's exactly what Fourth Trimester is enabling her to do.

Fourth Trimester closed for 2023 at the end of March. We are inviting customers to register their details so we can notify them when we re-open Fourth Trimester in FY24.

In 2023, Fourth Trimester gave **1,000** Kiwi families three months of free energy. This equates to two million hours of free power and four million free hours since we launched the programme.



*As a stay-at-home mum, being able to do the washing, run the dishwasher and do the cooking all for free is really helpful. I'm really grateful.*

**Kimmery Fotuhetule**  
Contact customer



## Broadband and Mobile

Home is the centre of every Kiwi's life. Not only is a warm, dry home a place to relax, it's also a place where we work, stream, connect and communicate with the outside world and those we love.

Recognising this, in 2017 Contact entered the broadband market with an ambition of creating a new line of business alongside energy in a market long dominated by a few large, incumbent retailers. Since then, we have grown to 86,000 connections, making us the fastest-growing broadband provider in recent years.<sup>1</sup>

Around half of our broadband sales are from existing Contact customers who tell us they like having one company manage their home broadband and energy needs. Our bundled broadband offer has also attracted new customers to Contact, giving us new broadband as well as new energy connections.

We offer good value to customers who bundle energy and broadband with us, which was recognised in the 2022 NZ Compare Awards where we won the Best Bundled Broadband Plan. Even better, our customers love it – our customer satisfaction is the third best in the market, at 65 percent.

<sup>1</sup> According to global market intelligence company IDC.



We launched Contact's wireless broadband offer in September 2022 to ensure that we could provide connectivity to the nearly one in four Kiwis who chose to connect in this way today. With the roll out of 5G technology we see more Kiwi's choosing to connect with wireless services and we believe we are well placed to support this growth in the future. We work hard to understand how we can help our customers and add value for our shareholders, through the development of new

products and services. Our first mobile offering will be launched to existing customers in August and the rest of New Zealand from September 2023.

**86,000**  
broadband connections

**65%** customer satisfaction

“

*Contact offers cheaper rates on power and internet and it's easy to join. They are friendly, helpful, caring, engaging and reliable. I wish I had joined Contact earlier.*

**Contact customer**



## Being there in the toughest times

### Energy wellbeing and equity

We believe everyone has a right to a warm, dry and safe home, even when times are tough.

As one of the country's largest energy retailers, we take a holistic approach to Energy Wellbeing, where we seek to understand individual customers' needs so we can tailor specific support to best help. We have a dedicated Energy Wellbeing team that, along with the wider customer services team, support customers facing energy hardship.

The Energy Wellbeing team works alongside customers to set up payment plans, offer energy wellbeing credits where appropriate, and make referrals to agencies including Work and Income New Zealand (WINZ), MoneyTalks for budgeting advice, and EnergyMate, ERANZ's in-home coaching and community hui to help whānau get the most of their energy consumption.



*I really care about my customers – they're not just a number for me when they ring. They're a real person with real life experiences and lots of hardship. There are so many things we can do to help them help themselves.*

**Trudi**

Energy Wellbeing team member

Through partnerships such as Women's Refuge and Good Shepherd, we deliver meaningful and targeted support. Women's Refuge clients with a poor credit rating – often due to financial abuse by a partner – can now become Contact customers, regardless of their credit history. We work alongside Women's Refuge and Good Shepherd to make sure we're supporting those women who need it most, and our team walks them through the connection process and supports them through their first few months.

Hand Up, a programme introduced this year, recognises that sometimes customers need help to get through a difficult period, such as following a job loss or relationship breakup. Through Hand Up, our Energy Wellbeing Team works with customers on a plan that suits their circumstances while they get back on track.

Around 5,000 customers choose PrePay, either to help manage their finances, or due to their credit rating. Our PrePay customers are our most vulnerable for disconnection so we pay special attention to their needs:

- PrePay power costs the same as post-pay power
- We don't charge disconnection fees on PrePay

- We allow customers to accumulate debt of up to two day's energy consumption, so they're not disconnected for small overdue amounts

This year we will introduce a community liaison role within the Energy Wellbeing team. This role will allow Contact to build deeper connections with community groups.



*As a customer currently facing a difficult financial time, it is so refreshing to speak to someone who easily shows empathy and tries to make a positive impact. I've remained with Contact because of how you treat customers when they're down as well as when they're up. Thank you, Trudi, for making a difference to our family today. You provided options and solutions for us. And whilst you may have targets and KPIs you never once made our call about these. You've helped us want to become better customers in this relationship.*

**Contact customer**

(name withheld to maintain privacy)

## Cyclone Gabrielle, the ruin and recovery

### Customer wellbeing and trust

The devastation wreaked by Cyclone Gabrielle in early February ranked it the costliest tropical cyclone in the southern hemisphere, with 11 people losing their lives, and one third of the New Zealand population impacted.

Tens of thousands of Kiwis were without power and connectivity as the cyclone ravaged the North Island. Our Whirinaki thermal plant, which supports the grid in periods of high demand, was also impacted.

Our team worked around the clock to reinstate Whirinaki, as well as supporting local lines companies and community partners to restore power, contacting medically dependent customers, and offering assistance.

In the immediate aftermath, Contact announced a \$250,000 energy and broadband credit fund for customers facing real hardship because of the disaster. With credits ranging from \$50 to \$1,500 the fund has now been fully distributed to those who needed it most.

We also donated \$50,000 to the New Zealand Red Cross Disaster Relief Fund which is working with emergency management agencies to deliver vital assistance across the hardest-hit areas.



# Financial performance



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# Financial performance

In FY23 we have delivered a solid financial result for our shareholders, supported by higher realised electricity sales prices and characterised by low thermal generation. Performance was affected by gas supply challenges early in the year and the impacts of extreme hydrology on short term wholesale electricity pricing and price separation between the North and South Islands.

We are close to completing the build of our Tauhara power station and began construction of a new geothermal plant at Te Huka this year. Both are examples of how Contact has made strong progress on delivering to our Contact26 strategy, which is focused on leading New Zealand’s decarbonisation by connecting customers with our renewable development pipeline. Our robust financial position will underpin our delivery of this extensive pipeline and will ensure we are well-positioned to continue to deliver strong results into the future.

In FY23 we recognised an onerous contract provision expense of \$84m after tax (\$113m EBITDAF<sup>1</sup> impact) following a review of the estimated available storage capacity of the Ahuroa Gas Storage facility (AGS). This is a non-cash accounting adjustment to recognise the difference between the expected benefits from access to gas storage and the contracted schedule of payments over the remaining 10 years of the contract.

Reported net profit of \$127m was down \$55m on the prior year, with lower operating earnings (EBITDAF<sup>1</sup>) reflecting the onerous contract provision, higher interest reflecting the higher interest rate environment and unfavourable movements in the fair value of financial instruments as higher losses were realised from unhedged financial instruments. This was partially offset by lower depreciation and amortisation and lower tax on earnings.

Excluding the impact of the AGS provision, underlying net profit was \$211m, up \$29m from the prior year.

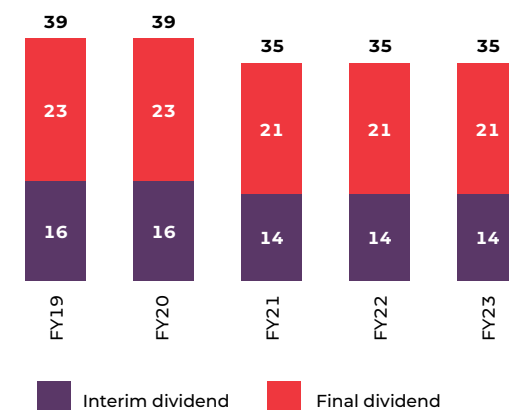
Underlying EBITDAF, which excludes the impact of the AGS provision, increased by \$27m to \$573m, up five percent on the prior year, with higher realised electricity pricing as our sales channels align closer to the wholesale market, and higher other operating income which included a \$7m gain on sale of Te Rapa. This was partially offset by continued higher thermal generation input costs, lower electricity sales volumes and higher fixed costs driven by inflation and the preparation of the business for growth.

Operating free cash flow decreased from \$330m to \$282m, down 15 percent year-on-year with higher operating earnings (cash) offset by higher stay-in-business capital expenditure, higher cash tax paid on strong earnings in prior periods and unfavourable working capital movements. Working capital remained elevated as Contact held more gas and carbon units in inventory on lower thermal generation than the prior year.

An interim ordinary dividend of 14 cents per share was paid in March 2023, and in August 2023 the Board approved a final ordinary dividend of 21 cents per share (imputed by up to 18 cents per share for qualifying shareholders). This will be paid to investors on 26 September 2023. This means we are delivering investors a 35 cents per share annual dividend, consistent with FY22. The dividend policy

targets a pay-out ratio of between 80 percent and 100 percent of the average operating free cash flow of the preceding four financial years. We are focused on executing initiatives for enhanced operational efficiencies and improved profitability. We have a clear strategy and a strong balance sheet enabling us to deliver on opportunities to continue to drive value for our shareholders.

Dividends (cps) – declared



<sup>1</sup> EBITDAF is a non-GAAP measure. Information regarding the usefulness, calculation and reconciliation of this measure is provided within note A2 to the financial statements.



The last five years in review

For the year ended 30 June	Unit	2019*	2020	2021	2022	2023
Revenue	\$m	2,519	2,073	2,573	2,387	2,118
Expenses	\$m	2,001	1,627	2,020	1,820	1,613
EBITDAF	\$m	518	446	553	546	460
Profit/(loss)	\$m	345	125	187	182	127
Profit per share – basic	cps	48.2	17.5	25.3	23.4	16.3
Operating free cash flow	\$m	341	290	371	330	282
Operating free cash flow per share	cps	47.5	40.4	50.2	42.4	36.0
Dividends declared	cps	39	39	35	35	35
Dividends paid	\$m	251	280	274	272	273
Total assets	\$m	4,954	4,896	5,028	5,166	5,808
Total liabilities	\$m	2,172	2,275	2,101	2,326	3,004
Total equity	\$m	2,782	2,621	2,927	2,840	2,804
Gearing ratio	%	28	31	23	28	36

\* Figures reflect the combined result and position for continuing and discontinued operations.



# Enabling our strategy

To realise the Contact26 strategy, our investments are underpinned by three key enablers – environment, social and governance (ESG), transformative ways of working (TWOw) and operational excellence.

In this section, we set out how we are delivering against these three strategic enablers, with a summary of our performance against key metrics. We then provide further detail on key activities that are supporting our strategy to lead New Zealand’s decarbonisation.

Our environment advisor Jenny Bullock, releasing the elver into the Manuherekia River.








# Tracking against our strategic metrics

- Complete/On-track
- Minor delay and/or cost increase
- Major delay and/or cost increase



Two years into execution we continue to make good progress.

Strategic theme	FY23 result	Material theme	Indicator	Targets
<b>Environment</b> 	<span style="color: green;">●</span> Reduction of 649 kt CO <sub>2</sub> e (reduced 55%)	Generation emissions	Emissions from generation	Reduce Scope 1 and 2 GHG emissions by 45% by 2026 compared to a 2018 base year (SBTi target) Achieve net zero Scope 1 and 2 emissions by 2035 <sup>1</sup>
	<span style="color: orange;">●</span> Reduction of 0.066 tCO <sub>2</sub> e/MWh (reduced 49%)		Emissions intensity from generation	Reduce Scope 1 GHG emissions by 37% per MWh by 2030 compared to a 2018 base year
	<span style="color: green;">●</span> 31,293 ML discharged but on track to achieve by 2026 (increased by 532ML from FY22)	Freshwater	Geothermal fluid discharge to rivers	Significantly reduce operational discharges of geothermal fluid to Waikato River by 2026
	<span style="color: green;">●</span> 66,339 trees planted in FY23, 150,613 trees planted in last three years	Biodiversity	Number of trees planted	Plant 100,000 native trees around our generation sites by 2024
<b>Social</b> 	<span style="color: green;">●</span> 73 organisations supported	Community wellbeing	Number of community organisations supported	Support 100 community initiatives and organisations each year
	<span style="color: green;">●</span> 58% reconnected within 24 hours	Energy wellbeing	Percentage reconnected	50% of customers disconnected for debt reconnected within 24 hours
	<span style="color: orange;">●</span> 94% without Prepay, 96% with Prepay in Q4 FY23		Percentage of customers accepted	Sign up 96% of new customers, increasing energy accessibility for those with poor credit history
	<span style="color: orange;">●</span> 53% of discretionary spend reviewed for modern slavery risks	Sustainable procurement	Modern slavery commitment	Committed to understanding and removing modern slavery from our supply chain
	<span style="color: green;">●</span> 96% pay equity for Contact employees		Pay equity is monitored and reported on	Ensure all Contact employees and contractors are paid a fair and equitable wage
<b>Governance</b> 	<span style="color: orange;">●</span> Continue to make progress to embed at all levels	Workforce	Gender split	Minimum of 40:40:20 female:male:open through all levels of our company
	<span style="color: green;">●</span> Maintained our requirement for diverse interview panels and advertising in both Te Reo and English and continued to identify unconscious bias and then seek to eliminate it		Minimise bias in recruiting procedures	
	<span style="color: green;">●</span> Retained Rainbow Tick accreditation	Inclusion	Maintain commitment to Pride at Contact	
	<span style="color: green;">●</span> Launched \$550m of green bonds, 100% of debt certified as green	Percentage green debt	Certify all debt as green	

<sup>1</sup> Target set in May 2023.



<span style="color: green;">●</span> Complete/On-track
<span style="color: orange;">●</span> Minor delay and/or cost increase
<span style="color: red;">●</span> Major delay and/or cost increase

Strategic theme	FY23 result	Material theme	Indicator	Targets
<b>Operational excellence</b> 	<span style="color: green;">●</span> Digital programme accelerated		Digital capability	Continuously improve operations through innovation and digitisation
	<span style="color: orange;">●</span> Peaker engine refurbishment completed and hydro refurbishment underway			
	<span style="color: green;">●</span> Developed and implemented system capturing and reinjecting 100% of CO <sub>2</sub> emissions at Te Huka, 10,000tCO <sub>2</sub> e per annum	Generation emissions	Emissions from generation	
<b>Transformative ways of working</b> 	<span style="color: green;">●</span> All sites reviewed and being remodelled as appropriate, to support Contact's ways of working	Workforce	Creating better workspaces	Create a flexible and high-performing environment for Aotearoa New Zealand's top talent
	<span style="color: green;">●</span> Growing Your Whānau parental leave policy launched and achieved wellbeing tick accreditation		Shaping our Contact Community	
	<span style="color: green;">●</span> 16,739 courses completed		Contact University	



Chris Ramage helps sustain the migration of longfin tuna.



## Environment, social and governance (ESG)

There is no doubt strong ESG credentials are helping us create long-term value, and yet for us it's about a much simpler truth.

We are creating a truly sustainable business, a legacy that our current team can pass to the next generation to continue to build and improve upon. Yes, it is ambitious, but as leaders we must challenge ourselves if we are to make a real difference to transform the world in which we live. That is sustainability.

Woven through our Tikanga, or moral compass, is a deep commitment to care for our people and the natural environment. This commitment is measured through the ESG framework which enables us and others to assess our business practices and performance on sustainability and ethical issues.

Over the past several years we have worked hard to embed best practice ESG into Contact's DNA, which was acknowledged in December 2022, when we joined the Dow Jones Sustainability™ Asia Pacific Index (DJSI Asia-Pacific), achieving the second-highest ranking of any New Zealand company.

In late 2022, Forsyth Barr released its inaugural Carbon & ESG Ratings for New Zealand companies, awarding Contact an "A" rating and ranking us third out of the 57 New Zealand companies covered in the report.

Building a better Aotearoa New Zealand means being good stewards of the environment, helping our communities thrive by being a good neighbour, and creating collaborative respectful partnerships with tangata whenua.

It's about ensuring our customers have access to clean, reliable, affordable electricity, and being there for them in the good times as well as the bad.

For Contact people it's about creating a fair, equitable, caring workplace they're proud to be part of.



*As a company we are an integral part of daily life in New Zealand and we're acutely aware that our every action, good and bad, has a marked impact on the wellbeing of our communities – today and in the future.*

**Mike Fuge**  
CEO of Contact

### Reducing greenhouse gas emissions and measuring our impact

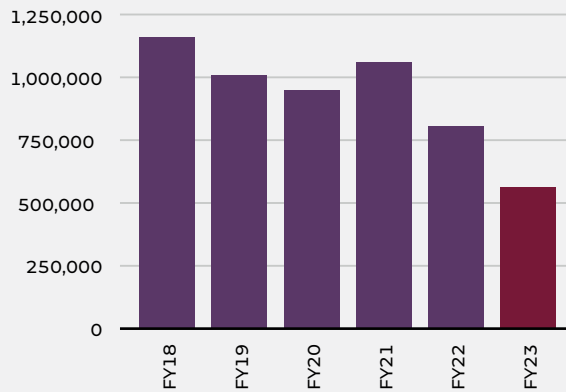
#### Generation emissions and renewable energy supply

Our strategy of leading decarbonisation means cutting greenhouse gas (GHG) emissions from our own operations and helping our customers to cut theirs.

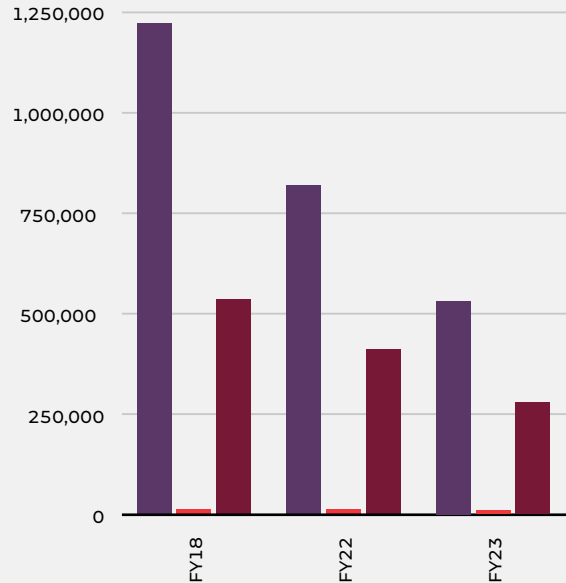
Demonstrating our commitment to science, we use the Greenhouse Gas Protocol to measure and report on our Group emissions. This globally recognised protocol uses standardised frameworks to measure and manage GHG emissions: Scope 1 emissions are direct emissions from our operations,



**Emissions from electricity generation (tCO<sub>2</sub>e)**



**Total greenhouse gas emissions by Scope (tCO<sub>2</sub>e) for Contact, Simply Energy and Western Energy**



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

Scope 2 are from the purchase and use of electricity, and Scope 3 are created throughout our supply chain.

In 2018 we established ambitious science-based targets, which were updated in 2021 to:

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

We are making good progress towards these targets. See **Our 2035 net zero goal**. Compared to our 2018 base year, in FY23:

- our Scope 1 and 2 emissions were 55 percent lower
- our Scope 3 emissions were 47 percent lower.

While there will always be uncertainties due to the complex nature of Scope 3 emissions, we're increasing our focus on opportunities to understand this area which, along with our assurance engagements, will help with continuous improvement and accelerate the reduction of our Scope 3 emissions.

We're also playing our part in the broader New Zealand business community as an active member of the Climate Leaders Coalition, which aims to build momentum towards a zero-carbon future.

Further detail on our **emissions** is on our website.

**Financial implications of climate change**

**Safe and resilient infrastructure**

Last year we completed a detailed analysis to understand the financial implications of climate-related risk on our business. This analysis was based on the recommendation from the Task Force on Climate-related Financial Disclosures to review the resilience of our strategy, taking into consideration three different climate-related scenarios:

- the global temperature increases 1.5°C;
- the global temperature increases between 2°C and 4°C; and
- the global temperature increases beyond 4°C.

The analysis showed Contact's sales, generation and EBITDAF continue to grow under all three scenarios.

We have more in **Climate-related risks and opportunities**.

**A leader in sustainable finance**

We were the first company in the country to establish a green borrowing programme and we continue to be a market leader in sustainable finance.

Earlier this year we invited institutional investors and New Zealand retail investors to participate in an offer of Green Bonds. The six-year fixed rate, unsecured, unsubordinated green bonds opened on 6 April 2023.

At \$300 million, this green bond issue is the largest issue in more than a decade for Contact. The proceeds will be used to finance and refinance renewable generation and other eligible green assets in accordance with our Sustainable Finance Framework. We also issued a \$250m retail bond earlier in the financial year.

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## Managing risks in our supply chain

### Sustainable procurement

We purchase a wide variety of goods and services to help us maintain our power stations, support our customers, and run our offices. We have around 1,600 suppliers, with about 13 percent offshore. Our responsible procurement framework helps us identify and manage risks in our supply chain, including modern slavery, and allows us to work with suppliers to align their practices with our goals. See more information on our [Responsible Procurement webpage](#).

Our [Modern Slavery Statement](#) is in our list of policies on our website.

## Being a good neighbour

### Community wellbeing

We're part of the fabric of communities across New Zealand, so we're involved in local things that matter from the BMX Club in Taupō to Central Otago Riding for the Disabled. And because we're there for the long term we can make multi-year commitments including swimming lessons for children in Taupō and Taranaki, and conservation efforts including Greening Taupō, the Taranaki Kiwi Trust, and the Alexandra Blossom Festival.

Our neighbours (residents and businesses who live near our operations) are some of our most important stakeholders. The main priorities for Contact are supporting communities, building trust and being a 'good neighbour' by avoiding and mitigating adverse impacts and investing back into the communities where Contact's operational assets are situated. The amount of development over the previous year has seen our stakeholder engagement activity increase.

We don't always get it right as communities grow and change. In Lake Dunstan, after being challenged by parts of the community, we have taken a community-led approach, engaging locals to lead a process to improve Old Cromwell Town.

All Contact Energy sites have a community engagement plan.

We follow the Resource Management Act resource consent process and complete an Assessment of Environmental Effects (AEE) which is the New Zealand legislative equivalent of environmental and social impact assessments. More information can be found in our [Environment and Social Impact Assessments overview](#) and results are available on request from relevant local and regional councils.

We do not have formal grievance processes, instead we assess any issues on a case-by-case basis. When there are important updates, we hold regular community meetings to encourage feedback. We also proactively update via emails and letter drops. Where a neighbour may be particularly affected, we meet with them in person.

We've spent \$796,600 on our communities this year and supported 72 organisations through sponsorship, donations, partnerships and staff volunteering.

## Our partnership with Women's Refuge

### Community wellbeing

In June 2022 we partnered with the National Collective of Independent Women's Refuges for a multi-year sponsorship.

Kiwi homes should be warm, connected and most importantly safe. Through this partnership we recognise this is not the reality for all whānau in Aotearoa New Zealand.

Our contribution to Women's Refuge includes:

- Free electricity and broadband for 70 women's refuges and safe houses across Aotearoa New Zealand
- Sponsorship and promotion of women's refuge fundraisers

- Support for on-the-ground research
- Educating and encouraging our customers to support Women's Refuge.

## Women’s Refuge and Contact: a partnership of shared values

When Women’s Refuge CEO Dr Ang Jury first started talking to Contact, she knew she was onto something special – a true partnership based on aligned values and beliefs. This is Dr Jury’s story.

“At Contact there seems to be this really human connection to the world. It’s not just about a return to shareholders, it’s about making a difference to people.”

That desire to make a difference has enabled our two organisations to build a partnership based on mutual respect. Rather than writing a cheque or telling them what we will do, we’ve sought to understand what Ang and her team need so together we can find solutions.

The first initiative was to provide free power and broadband to each of the 70 Women’s Refuge properties.

“When you have three to four women and seven to eight kids in a house, things get chaotic. This takes the pressure off: it means we can keep the heat pump on to keep the house warm all night, we can get the clothes dry in the winter, we don’t have to run around switching off the lights. And our women can use the internet without having to leave the house. Every bit of anxiety we can lift has an exponential effect on these women.”

Our support continues once families have left the refuge to set up their own home. Often women have

poor credit for many reasons – a lot not of their own making. They can now become Contact customers, regardless of their credit history. Women’s Refuge provides the verification that the customer is legitimate, and our team walks them through the connection process and supports them through their first few months.

That’s in addition to supporting the annual Women’s Refuge fundraiser and adding ‘Shielded’ functionality to our website to enable victims of domestic violence to see information about how they can get help without leaving a trail for an abusive partner to see.

And we’re working together on longer-term initiatives. Contact’s research team is working with Women’s Refuge to build a research programme to get a deeper understanding of family violence and safety, so we can work to change the conversation in Aotearoa New Zealand.

“This partnership is genuine, it’s real, and it’s authentic. It’s not a big corporate coming in over the top. We are proud to be part of something special like this.”



Mike Fuge, CEO of Contact and Dr Ang Jury, CEO of the National Collective of Independent Women’s Refuges.



*At Contact there seems to be this really human connection to the world. It’s not just about a return to shareholders, it’s about making a difference to people.*

**Dr Ang Jury**, CEO of the National Collective of Independent Women’s Refuges.



## Biodiversity

### Protecting and restoring biodiversity and other natural treasures

Given our reliance on natural resources, we take seriously our responsibility to do the right thing. That means minimising any direct impacts our operations may have on biodiversity, and to protect, enhance, and restore areas of indigenous biodiversity in and around our sites. We have identified nine IUCN Red List species that reside in areas where we operate. Our focus is to understand if, and how, we impact these species. Impacts on biodiversity endure over the life of our consents and are somewhat irreversible unless we cease our operations. We focus on the mitigation hierarchy under the resource management act to avoid, minimise, remedy or offset our impact. We will work with stakeholders to develop options to help improve those species' chance of survival for future generations to enjoy.

Level of extinction risk	Total number of IUCN Red List species
Critically endangered	2
Endangered	4
Vulnerable	2
Near threatened	1
Least concern	>10

Note: The breakdown of extinction risk levels has been adapted from the NZTCS categories which are in line with DOC's conservation status and the methodology we categorise by. See our [NZTCS breakdown](#) on our website.

We also look for opportunities to engage and support other landowners, tangata whenua and community groups to further protect biodiversity on land surrounding our operations that Contact does not own.

To guide our ongoing mahi in this area, this year we updated our biodiversity statement of intent which outlines our approach to biodiversity initiatives,

mitigations, risk and impact assessments, site specific management plans, metrics and targets, and protected areas. This **statement** can be viewed on our website.



*As a company whose success relies on thriving New Zealand ecosystems, Contact has made a commitment to take care of our natural resources so that future generations of New Zealanders can enjoy them too.*

**Mike Fuge**  
CEO of Contact

In regards to protecting and planting, this year we caught 3,148 pests and planted 66,339 native trees across all our sites. We work with several environmental contractors across our operational sites, who provide us a breakdown of the native species planted, and pest animals are eradicated, at each location.

A good example of our holistic approach to biodiversity is Pūtea Taiao – our collaboration with the Wairākei Hapū Collective. This is further detailed in [Building relationships](#).

## Restoration of the Kawarau Arm of Lake Dunstan

### Freshwater system health

We are part of the Central Otago community through our management and guardianship of the Clyde Dam, a role taken seriously, both in meeting community expectations and our resource consent obligations.

In July 2022 Contact received an abatement notice from the Central Otago District Council about the Landscape and Visual Amenity Management Plan

(LVAMP) for the Kawarau Arm of Lake Dunstan. After extensive stakeholder engagement we incorporated feedback into a revised LVAMP. As a result, we will eradicate wilding trees and woody weeds, enhance the Old Cromwell area, and review sedimentation and lakeweed effects.

This plan was approved by Council in May 2023 and the abatement notice lifted. We are now implementing the LVAMP and working hard to strengthen our relationships with the Central Otago community.

We have also worked with Otago Regional Council on the five-yearly review of our Clyde Dam resource consent. As a result of this review, we will remove driftwood and terrestrial weeds, and undertake planting and sediment excavation.

## Using water resources sustainably

### Freshwater system health

Generating renewable electricity relies on our natural resources, such as water, but it can also interrupt what nature intended. For example, a hydro dam can block the natural migration path of native freshwater fish such as tuna (eels) and kanakana (lamprey).

That's why we run initiatives as part of our Native Fish Management Programme, like the annual trap and transfer programme on the Clutha Mata-Au river in the South Island.

Young tuna, or elver, make their way up the purpose-built ramps at the Roxburgh dam, where we relocate them above the dam throughout the upper Clutha Mata-Au. We also give the adult tuna the helping hand they need to migrate out to the Pacific Ocean (often as far as Tonga).

We collaborate with the Department of Conservation (DoC) and NIWA to develop and continually improve these passage systems. In 2023, 180kg of elver were successfully trapped and transferred above the Roxburgh dam.

Although our geothermal sites rely on water for cooling and drilling, we avoid impacts on biodiversity where possible. As an example, our **GeoFuture project** at the Wairākei geothermal steamfield, consented in early 2023, will enable us to stop discharging water into Waikato River. We will stop discharging cooling water no later than 2031, and separated water by July 2026. If we can accelerate these timelines, we will.

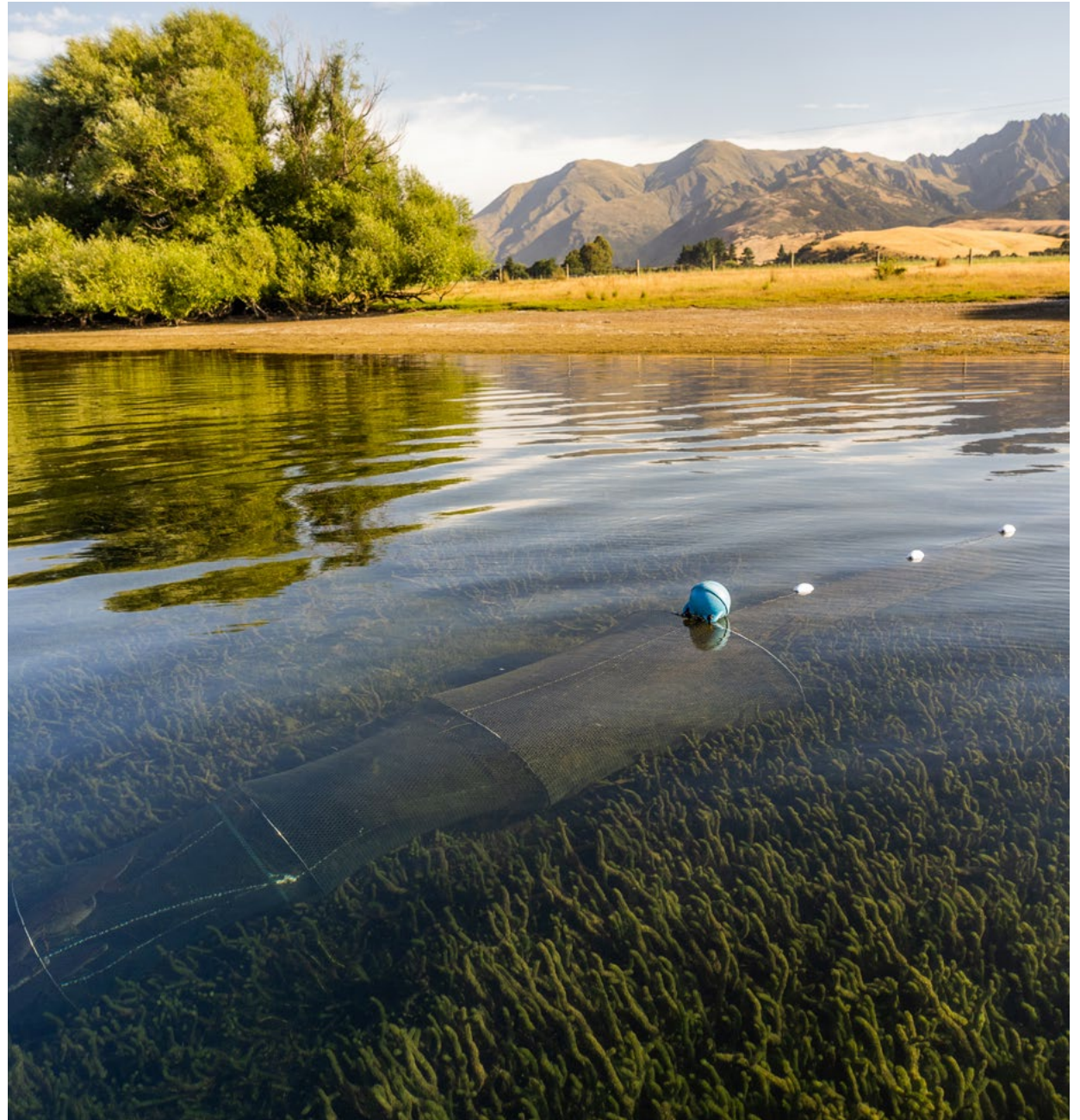
Our water-related targets are based on reducing our operational environmental impacts, with consideration to the needs of our local communities and Te Mana o Te Wai.

This year we introduced a new Water Commitment, which documents our approach to water and the processes behind the mahi on water. This **commitment** is on our website.

Water use increased largely due to higher-than-normal natural inflows from heavy rainfall levels.

We engage suitably qualified and experienced experts to undertake the appropriate environmental assessments relating to our discharges and the impacts these may have on the environment. Controls (or consent conditions) are imposed on Contact, including ongoing monitoring and sampling, to ensure we manage our discharges to an appropriate level. In FY23, we had no instances of breaching our discharge limits.

Our areas of operation across Aotearoa New Zealand, according to the World Wildlife Fund (WWF) Water Risk Filter, are considered as 'very low risk'. WWF Water Risk Filter is a screening tool used by corporate and portfolio-level companies, and investors, to help identify, prioritise, understand and take action in water-stressed areas.





## Building relationships

### Meaningful relationships with tangata whenua

Acknowledging the role that iwi play in the guardianship of land, people and place, and the values that iwi hold, we listen to understand, and seek to build genuine partnerships based on trust.

It's been a year of growth as we deliver our existing tangata whenua commitments and build new relationships alongside new wind and solar projects.

We are proactively seeking to strengthen our relationships beyond mitigation to being a partner of choice.

Iwi aspirations are intergenerational and multi-dimensional, crossing environment, culture, social and economic matters. Projects and initiatives are becoming more diverse, including environmental and cultural restoration, internships, and training to commercial opportunities.

At Ohaaki, we are working closely with the Landowner Collective to develop options to address the adverse environmental impacts of subsidence from the Ohaaki Geothermal System on Ngāti Tahu whenua.

Existing relationships are being enhanced to pursue commercial opportunities with Māori Trusts such as Te Pae o Waimihia, Tauhara No 2, around geothermal operations.

In Taranaki, following the completion of a Cultural Impact Assessment (CIA) with Ngāti Maru and Ngāti Ruanui in 2022 we are working to develop partnerships related to Contact's activities and to 're-set' a comprehensive relationship with iwi representatives in the region.

In the South Island, a review of relationships is underway with Ngāi Tahu, kaitiaki for the catchment, to accelerate work of the Mata-Au Mitigation Trust established in 2018 for the six Papatipu Rūnaka connected to the Clutha River.

A relationship agreement with Ngāi Tahu ki Murihiku signed in 2022, originally focused on green hydrogen, has expanded to consider other development opportunities in the region. New relationships with tangata whenua are being developed as we seek resource consents for new wind and solar development projects. This is expanding into new relationships with Ngai Tūāhuriri in Kōwhai Park, Christchurch and with Waihōpai, Te Ao Marama and Hokonui in Murihiku, Invercargill.

In Taupō we worked closely with the Wairākei Hapū to create a comprehensive agreement covering the cultural, spiritual, and economic impacts of GeoFuture with the four hapū with mana whenua status over the Wairākei Geothermal Field.

A primary focus has been working together on joint Taiao (environment) plans for the Wairākei field, establishing a long-term Wairākei Relationship Group, and engaging an Iwi Project Manager to support hapū over the next two years.

The initial areas identified for restoration in the Taiao plan include Te Rau O te Huia stream, Te Kiri o Hine Kai stream, and Wairākei Geyser Valley. Restoration work will include pest animal and plant control, planting native trees, and enhancing access to these areas through boardwalks and storyboards.

This is a multi-year collaboration which we will report on every year.



*My decision to become involved with the GeoFuture consenting process on behalf of my hapū Ngati Ruingarangi was primarily made for me by my mother Rose Stebbing who said, "Of course you have to do it!" Anyone who knows 92-year-old Rose is well aware of the consequences of saying no. It's not a wise move.*

*The hapū consultation process that started in July 2021 and finished in December 2022 was an enjoyable and highly educational experience. Contact's operations make our practice of kaitiakitanga (guardianship) at Wairākei difficult, and the loss of land and geothermal resources has created long-standing pain.*

*Unlike the 2007 consenting process, during this 18-month process we were treated with a high level of respect by all Contact staff, from the local team, senior leadership, and the Board. So, well done Contact, you should be proud of the progress you have made in interacting with the tangata whenua.*

**Greg Stebbing**

Wairākei Hapū Collective, Chair



# Operational excellence

## Asset management

### Safe and resilient infrastructure

Over the past 10 years we have worked hard to establish robust asset management systems and annual planning processes to ensure the long-term health of our \$4.6 billion in fixed assets, which is essential to deliver on our commitment to lead the decarbonisation of our country.

This year, we gained ISO 55000 certification for our corporate systems and Stratford sites. We are now working towards certification for our Whirinaki and hydro sites in FY24, with other sites to follow.



*Continuing to apply the principles of ISO 55000 adds value to our shareholders and gives protection to our communities because of our outstanding asset management.*

**Mike Fuge**  
CEO of Contact

## Investing in asset resilience and sustainability

### Reliable energy supply

### Safe and resilient infrastructure

Contact's infrastructure remaining safe and resilient is critical for our environment, local communities and wider New Zealand.

Through robust safety processes, we work to understand how incidents can test our infrastructure and we work to put in place barriers to prevent harm. Changing climate and weather patterns will continue to test our infrastructure as we experience increased extreme temperatures, higher wind loads and increased probability of flooding. An example of this was earlier in 2023, when our Whirinaki power station faced an outage due to flooding and silt inundation caused by Cyclone Gabrielle. Weather events such as the cyclone, may become more frequent due to climate change. Contact has a rolling programme of technical risk assessments which considers climate change and society's reduction in the acceptance of risk.

Wholesale electricity price volatility is expected to increase as New Zealand builds more intermittent electricity generation.

In response, we have prioritised upgrades to our existing generation assets to ensure optimal operation and secure supply across all trading periods. We are two years into a five-year programme of accelerated stay-in-business capital expenditure designed to provide enhanced reliability and resilience of our generation assets.

We have continued our programme of hydro station renewal with two transformers replaced at Clyde and two more to be installed over the next three years. We will also replace two of the transformers at Roxburgh in FY24, because the originals are reaching end of life.

The turbine replacement project at the Roxburgh hydro station (which will see four of the eight units replaced) continues and will see a 45GWh uplift in hydro generation (under mean hydro conditions). Component manufacturing is underway. The first unit outage is scheduled from April 2024, with the full complement expected to be in operation by the end of FY26.

Our gas peaking plant at Stratford remains a key component of the New Zealand electricity system, providing fast-start electricity supply in the periods



of highest demand. After sustaining engine damage to one of our peaking units in February 2022, we replaced the power turbine and returned the unit to service in November. This investment ensures that these assets are reliable and can be used when needed most.

Investing in spare components is a critical part of ensuring generation asset reliability and resilience. We are investing in a spare rotor at our Te Mihi geothermal plant. We continue to closely monitor global supply chains and the potential constraints that may come from increased international renewable development activity. We aim, always, to have the right strategic spares in place to mitigate the risk of unplanned outages.

This year we have also undertaken investment to enhance the sustainability of our geothermal operations. We now have carbon capture and reinjection technology fully operational at our Te Huka plant and are developing a roadmap for further carbon capture and reinjection applications across the geothermal portfolio. Attention has turned to applying this technology at the Poihipi plant and to the development of a commercial opportunity for the domestic supply of food grade CO<sub>2</sub>.

## Digitalisation

Digital technologies give our retail customers greater control and enable us to streamline and improve our business.

In Retail we have made strong progress, with more than 75 percent of all customer interactions taking place via a digital channel (the MyContact app, website, automated Interactive Voice Response (IVR), Facebook Messenger and WhatsApp). As a result, we have one of the lowest costs to serve in our category in New Zealand.

This year we looked to how we can use digital technologies to improve trading and generation. Our traders have access to a suite of digital tools and information to help make the best trading

decisions. We'll continue to develop these tools so they become even more useful. We are investing in a trade deal capture system to ensure that we have a robust system and controls in place in our trading operations. This new state-of-the-art system will also facilitate our purchase of intermittent PPAs from our solar development joint venture with Lightsource bp, enabling our strategy to grow renewables development.

In generation, digital tools are helping us use our assets more efficiently and increase production from our geothermal wells. We will continue to fine-tune these tools and algorithms for our geothermal business this year, before looking at how similar tools could help other parts of our generation business.

At our Te Mihi power station, we have built a 'digital twin' – a virtual (or online) 3D version of the power station. The digital twin shows how the power station physically looks and also displays key performance and maintenance data, allowing engineers to test scenarios before implementing them in the power station itself. The digital twin is a significant step forward for safety and efficiency.

Next, we will create digital twins for our Tauhara and Te Huka 3 stations, and we plan to build a digital twin as part of our new GeoFuture development.

## Supporting our digital transformation with SAP

In May we completed a major upgrade of our business-wide software application system SAP. SAP allows us to manage sales, marketing, procurement, people data, learning and development, and finance in a single platform. It is also supporting our generation business particularly through plant maintenance processes. The upgrade will help us make business decisions informed by real-time insights, machine learning, advanced analytics, and predictive computing.

## Securing sensitive information

### Customer wellbeing and trust

We carefully protect the sensitive information with which we are entrusted. Our information security team continuously monitors for suspicious activity, responds to potential issues, and assesses projects for any new security risks.

This year, as part of our annual work programme to identify and reduce Contact's highest risks, we focused on improving our tools and capabilities to quickly detect, prevent or respond to suspected security incidents. We audited systems and ran training on the classification, storage, and removal of confidential and sensitive information. And, following extensive testing of our attack surface (which is where a system is vulnerable to cyberattack), we implemented recommendations to reduce any vulnerabilities.

## Protecting privacy

### Customer wellbeing and trust

We take seriously our responsibility to protect and respect all the personal information we manage. Our privacy frameworks were comprehensively reviewed in 2021 following changes to the Privacy Act.

A Privacy Committee ensures we have a coordinated approach to governing and managing privacy across the business. Led by Chief Corporate Affairs Officer Chris Abbott, the committee comprises senior leaders from People Experience, Retail, ICT, and Legal. It meets every two months to review privacy, drive a privacy-focused culture, and convenes immediately to plan a response for any breaches deemed moderate or greater.



Senior project engineer  
Emma Faulkner and  
daughter Ava.

## Transformative ways of working

Our people are the heart of our organisation, and we want Contact to be the most sought-after workplace. Through our Transformative ways of working (TWOw) we're creating an organisation filled with capable, engaged, productive people excited about the challenge before us.

We know TWOw is making a difference, thanks to our quarterly employee experience surveys. In June 2023 our employee Net Promoter Score (a measure of those who would recommend working at Contact) increased to +51 from +49. This score puts us in the top quartile of all energy and utilities businesses around the world.

We're not resting on our laurels though; this year we have launched a raft of new policies to cement our position as a workplace of choice.

### Growing your whānau

#### A thriving workforce

In November 2022 we announced one of the country's most comprehensive and far-reaching parental leave policies. Growing Your Whānau offers financial security and flexibility for Contact team members who are starting or adding to their whānau.

Supporting anyone who is the primary caregiver for a child under six – from mums and dads, to uncles, aunts, cousins and grandparents, Growing Your Whānau is about helping from the early days right through the return to work.

“

*Once our daughter arrived our family life priorities completely changed for the better. The new policy makes me feel supported to continue in my career that I love.*

**Emma Faulkner**

We know how important partners are, which is why we offer four weeks paid partner's leave which can be taken flexibly over 13 months, access to Fourth Trimester (three months free electricity), and pre-prepared meals delivered on the arrival of baby.

In the tightest global labour market for decades, Growing Your Whānau will help us attract and retain the best talent. Quite simply, it's also the right thing to do as we deliver on our promise to build a better Aotearoa New Zealand.

Our latest Peakon survey results in June 2023 show the impact it's having as employee engagement increased from 8.2/10 to 8.3/10 and satisfaction with health and wellbeing benefits increased from 8.4/10 to 8.5/10.

As of 30 June 2023, 70 Contact team members have benefited from our Growing Your Whānau Policy. We're proud to have shown that it is indeed good to be home as part of the wider Contact whānau.

“

*If we see more businesses continue to embed systems like this that support employees to show up as their best selves both at work and at home, it will have a positive impact on the economic future of Aotearoa New Zealand.*

**Agnes Naera**

Global Women Chief Executive



## Benefits of Growing Your Whānau Policy

### Primary Carer

- **Salary Top-Up** – to full salary for the 26-week Government paid parental leave period
- **KiwiSaver Employer contributions** – 3% employer contribution for the duration of parental leave
- **6 Months Flexible Working** – returning employees can choose to work 80% of their normal weekly hours and still receive 100% of their normal weekly pay for the first 6 months
- **Childcare Koha** – \$5,000 (before tax) as a contribution towards childcare
- **10 Days Paid Special Leave** – pregnant employees will receive 10 days paid special leave for pregnancy-related appointments
- **Annual Leave** – paid at normal pay when employees return from parental leave
- **Fourth Trimester** – 3 months free electricity for employees with a new baby who are Contact customers
- **Food Package** – pre-prepared meals on the arrival of baby

### Partner Benefits (over and above legislation)

- **Partner's Leave** – four weeks paid leave which can be taken flexibly over 13 months
- **Fourth Trimester** – 3 months free electricity for employees who are Contact customers on eligible plans
- **Food Package** – pre-prepared meals on the arrival of baby

## The Wellbeing Tick

### A thriving workforce

This year we were accredited with the Wellbeing Tick. Our team focus groups throughout 2022 found 42 percent of those who responded were at risk of burnout.

“As a company working at pace, we know we ask a lot of our people and wanted to ensure that all their hard mahi does not have a negative effect on them,” says Jan Bibby, Chief People Experience Officer.

“Getting everything out in the open and having honest conversations with our people was key to us becoming accredited.”

A year on, those at risk of burnout has decreased eight percent and we've seen an increase in the number of people who feel they can take a day off when they need to focus on their mental and physical wellbeing.

### Our wellbeing programme includes

- A 'Flexible Mahi' guide
- A 'Good to be Home' annual payment of \$400
- Our 'Growing Your Whānau Policy'
- **Access to Clearhead** – free counselling sessions for our people and their whānau
- **Free skin checks** – which have found five early malignant melanoma in-situ (literally saving lives)
- Access to wellbeing resources and information, including webinars and courses
- A Wellbeing Network to be the voice of Contact people for all things wellbeing.



*Contact has committed to the wellbeing of its people by investing time, money and resources in them and the results are showing. Yes, there is still work to do because cultural change takes time, but Contact is paving the way.*

### Philly Powell

Wellbeing Tick founder

## Our commitment to developing our people

Now in its second year, our online learning portal Contact University continues to exceed expectations. In the last 12 months our team members have completed close to 17,000 courses, which are also now available to our subsidiaries Western Energy and Simply Energy.

Our new two-day leadership development programme, Welcome Leaders, launched in May 2023 for leaders new to Contact or new to leadership. This is part of our ongoing focus on growing leadership.

## Building our talent pipeline

As well as focusing on growing the skills and capability of our existing team, we're also making sure we have a pipeline of new talent among youth and those with specialist expertise.

We're creating opportunities for young people to join Contact, particularly in generation and trading where we have an aging workforce. Our graduate intake doubled this year to 10, and we had 16 summer interns join our team between November and February. We joined 20 other employers in an international campaign run by recruitment agency HainesAttract. Targeting highly skilled, hard-to-find talent, we enticed several engineers from offshore markets to join our team.

## Girls with Hi-Vis

Girls with Hi-Vis is an industry partnership providing young female students with the chance to get hands-on experience, hear from inspirational women in industry and learn what a career in the civil, energy, telco and water industries can offer.

Contact's Hydro, Geothermal and Thermal teams came together to organise events in Clyde and Wairākei in June, making each one memorable for our special guests, operating the main powerhouse crane, driving an underwater drone and conducting sampling of fluids from our innovative bioreactor

for chemical analysis. As Ellie Lock, Senior Engineer Drilling and Projects at Wairākei, said: 'The best way to decarbonise the world is to be right in there with us.'

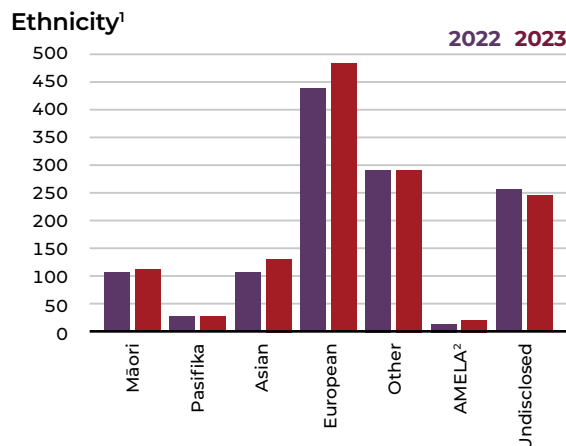
## Diversity and inclusion

### A thriving workforce

Our **Inclusion and Diversity Policy** and related strategy is underpinned by our vision to build a better Aotearoa New Zealand – by reflecting the diversity of our customers and communities, and creating a culture where inclusion is deeply embedded as part of our Tikanga and our people are able to truly be themselves.

Our diversity statistics suggest our workforce may be lacking diverse voices, and some of our communities may be under represented. We're making targeted improvements to build a diverse and inclusive team to better represent our communities. Our mahi has included:

- The creation of the Māori and Pasifika Network and the Women's Network. These networks support members as well as finding ways of making Contact more attractive to these groups.



1 Individuals can choose to identify multiple ethnicities. Data is for Contact only, Western Energy and Simply Energy do not track ethnicity data.  
2 African, Middle Eastern & Latin American.

- Redesigning our recruitment process to help us attract diverse talent. As a result of this review, we have changed the way we advertise jobs, we have diverse interview panels for all roles and offer Unconscious Bias training to hiring managers and people leaders.

For the fifth year running, we have retained our Rainbow Tick accreditation. We relaunched our Pride Network this year, giving the Network the authority and funding to design initiatives that will drive a more inclusive culture at Contact.

## Gender balance

### A thriving workforce

We partner with Global Women on the Champions for Change reporting initiative which monitors the progress of participating organisations towards our shared goal of gender balance which is 40:40:20 (representing the percentage of men:women:open).

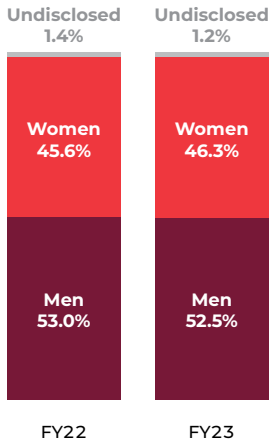
We achieved gender balance across over half of our workforce categories. Of our seven-strong Board, four are women. But we still have improvements to make. We have 20 percent women on our leadership team, 26 percent women in senior management roles, and 46 percent women in our overall workforce.

**Mind the Gap**, which measures the median pay gap between men and women, has found we – along with the rest of the energy industry – face a long-term challenge. At Contact our median pay gap is 49 percent. This reflects the composition of our workforce which is predominantly female in our contact centre and predominantly male in our power station sites with many highly skilled, highly paid roles. We are focusing our diversity and inclusion initiatives to help close this gap and collaborating across the industry to try and address the challenge together.



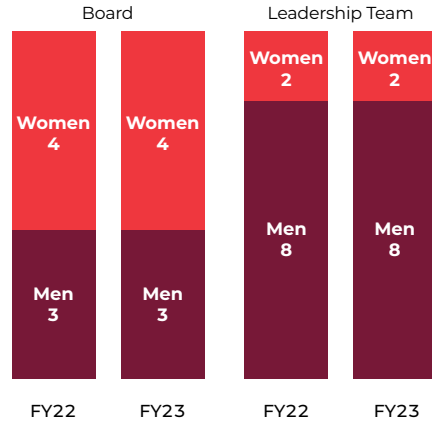
Gender

(Contact, Simply Energy and Western Energy)



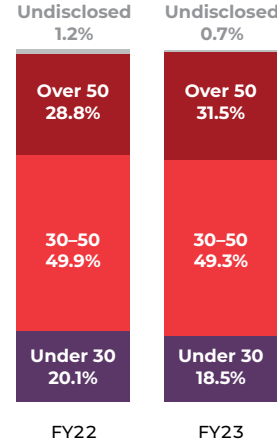
Gender

Board and Leadership Team



Age diversity

(Contact, Simply Energy and Western Energy)



Health and safety

A thriving workforce

We have a strong safety culture at Contact. In line with our continuous improvement mindset, we've started a three-year development programme for all leaders and team members in our generation and trading teams.

A pilot programme in March and April 2023 was highly successful with 98 percent of participants saying they would apply what they learned immediately to their work. A leadership programme for frontline supervisors, managers and leaders from Contact and our contractors was completed by the end of July 2023. From July 2023, 250 frontline team members in small groups will attend a two-day Safety Citizenship programme.

"The most important reason for staying safe at work, is so you can return home to all those things that are important to you." Contact team member, following the Safety Leadership pilot.

Other initiatives include upgrading our health and safety risk management software and introducing a mobile app; re-designing how we learn from work, decluttering our document systems; and introducing the StayLive Electricity Industry card and app for all staff in generation, distribution, and contractors.

We measure our performance using Total Incident Severity Rate (TISR). This assesses the potential severity of our events and near misses. It helps us focus on the most important safety critical events and ensures we learn from these to help us prevent recurrence. TISR was 2,421 within controlled activity (work done under our health and safety management system) in FY23.

Ngā Kawenga Whakaruruhau o Contact outlines our Health and Safety Management System Commitments and our H&S Policy. This covers all Contact staff, contractors and visitors to our sites. All activities at Contact are included in our H&S Management System. Western Energy and Simply Energy are excluded as both operate their own H&S management systems that are aligned to the scope of their operations.

We take a partnership approach, treating contractors as part of our team, and we operate a no blame culture. Our people are encouraged to stop or pause a job at any time to surface concerns. Daily Toolbox meetings are another opportunity to speak up.

A Health and Safety committee at each of our sites, comprising representatives from front line to site management and contractors meet monthly, to gather health and safety insights.



Ken Middleton, from the Clyde dam safety team.

Get Home Safe

Ken Middleton works in the dam safety team at our Clyde hydro plant. He and his colleagues spend most of their days in remote areas – in tunnels around the dam, or up on the hills monitoring for landslides. Yet the system for checking on lone workers was manual, glitchy, and often error prone – Ken thought there had to be a better way.

After doing some research in his own time, Ken found a local Queenstown company who had developed an app for this exact purpose. He shared it with the local health and safety committee and a successful pilot quickly followed in 2022. Now, Get Home Safe is being rolled out to all lone workers across Contact.



*The Get Home Safe app allows us to say where we're going and what time we expect to be back. The automated notification gives me and other lone workers confidence that should something go wrong, the required people will know where we are and get to us in a timely fashion.*

**Ken Middleton**  
Contact Dam Safety Technician

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Our investment in role-specific health and safety training – from first aid to confined space entry and hazardous substance handling, together with ongoing mentoring – ensures work is carried out safely. In addition, health and safety content is available through our Learning Management System for all Contact team members.

Several partners help us offer specialist services to our people: Proactive (occupational health), Clearhead (Employee Assistance Programme), Southern Cross (health insurance), Skin Aware (skin cancer checks), Waikato Occupational Health Consultancy (workstation assessments), and NZ Provide (asbestos health monitoring for anyone who has had past exposure).

To ensure the quality of our health service providers, we procure services via a tender process. We have standing monthly meetings to discuss feedback and KPIs. Our workers are notified of these services through regular communications and can gain access to these services through our intranet pages.

Through personal gas monitors, we monitor exposure to H<sub>2</sub>S gas, and carry out noise monitoring and asbestos surveying on a regular basis.

## Process Safety

### Safe and resilient infrastructure

At Contact, process safety is about ensuring our people, environment, and community are safe while we operate our generation plants.

Our Safe to Run programme continuously evaluates the potential for major accidents or hazards and analyses the effectiveness of the barriers we have in place. This year we have completed the process hazard analysis for our Te Mihi plant and now engineering work is underway to install additional equipment to reduce the likelihood of a major accident.

We're also deeply involved with the new developments underway at Tauhara, Te Huka Unit 3, and GeoFuture. Using 'safety by design', we're

building process safety into the design of the plants so from the start potential issues are minimised.



*Our risk tolerance, and the way we apply these techniques, are designed to move the needle on what's acceptable for the management of major hazards. Our aim is not just to meet the industry standard; we're trying to move the needle.*

**Robert Ochtman-Corfe**

Contact Engineering Authority

### Process safety

	FY20	FY21	FY22	FY23
Tier 1	0	0	0	0
Tier 2	2	2	3	0
Tier 3	24	49	40	28

**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.

## Our Mau Taniwha transformation

A year into implementing our Contact26 strategy we had to face facts: we were trying to do a lot more with the same resource, in the same way. We were at risk of being unable to deliver on our promises, and our people were burning out. We embarked on an initiative to improve our prioritisation and execution, and as a result,

we have made significant progress.

Launched in mid-2022, our transformation programme Mau Taniwha, Mauri Ora, which broadly translates to Harness Energy, Create Wellbeing. It's about ensuring we have the capacity and capability to deliver on our strategy for sustained growth through focused execution.

Through the second half of FY22 we examined all ongoing activity at Contact and ran workshops across the whole company to find new ideas. We aligned each of these to our strategic goals and prioritised them.

Now we can look 15 months ahead to agree the initiatives we're committing to, with the flexibility each quarter to downsize or upsize the plan based on new demands or to seize new opportunities. Through Mau Taniwha we stop initiatives unaligned to our strategy or if the cost is better realised in a different initiative.

Mau Taniwha gives us a high degree of accountability. Every initiative is aligned with our strategic goals, sponsored by a leadership team member, with allocated budget and resource to ensure it can be delivered. We track milestones and benefits by initiative.

Examples of benefits of Mau Taniwha so far:

- We have prioritised CO<sub>2</sub> reinjection for Te Huka, enabling us to remove 10,000 tonnes of CO<sub>2</sub> from the environment every year.
- We fast-tracked our Growing Your Whānau policy – a new leading family leave policy giving us a point of differentiation in a very tight market for talent.
- It helped us win the bid to develop one of New Zealand's largest solar farms – Christchurch Airport's renewable energy precinct, Kōwhai Park.

Non-financial benefits are closely monitored too. Our KPIs include targets for diversity, creating the most-loved workplace, decarbonisation, and more.

Mau Taniwha is now embedded into the way we prioritise and plan and is enabling us to accelerate our delivery of Contact26.



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# 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  
Chair, Development  
Committee\*  
Member, Safety  
and Sustainability  
Committee

**Sandra Dodds**

**INDEPENDENT  
NON-EXECUTIVE DIRECTOR**

Appointed Sep 2021  
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\*

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 our stakeholders.

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

\*The Development Committee was disestablished in March 2023.



# Our leadership team



**Mike Fuge**  
CHIEF EXECUTIVE OFFICER  
Joined 2020



**Chris Abbott**  
CHIEF CORPORATE AFFAIRS OFFICER  
Joined 2019  
Joined leadership team Dec 2021



**Jack Ariel**  
MAJOR PROJECTS DIRECTOR  
Joined Apr 2021



**Jan Bibby**  
CHIEF PEOPLE EXPERIENCE OFFICER  
Joined 2019



**Matt Bolton**  
CHIEF RETAIL OFFICER  
Joined 2009  
Joined leadership team Mar 2021



**John Clark**  
CHIEF GENERATION OFFICER  
Joined 2018  
Joined leadership team Feb 2022



**Dorian Devers**  
CHIEF FINANCIAL OFFICER  
Joined 2018



**Iain Gauld**  
CHIEF INFORMATION OFFICER  
Joined 2017  
Joined leadership team Sep 2021



**Jacqui Nelson**  
CHIEF DEVELOPMENT OFFICER  
Joined 2004  
Joined leadership team Jul 2020



**Tighe Wall**  
CHIEF DIGITAL OFFICER  
Joined 2020  
Joined leadership team Sep 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 demonstrate strong and clear leadership inside Contact and to our external stakeholders. They manage the day-to-day operations of our people and our resources to ensure we operate effectively and efficiently. They demonstrate strong and clear leadership inside Contact and to our external stakeholders.

You can find [full profiles of our leadership team](#) on our website.

# Our operations

**1,242**  
employees  
FY22 1,179

**58k**  
shareholders  
FY22 61k

**\$797k**  
spent in communities  
(Contact only)  
FY22 714k

**0**  
tier 1 process safety incidents  
(Contact only)  
FY22 0

**8TWh**  
contracted electricity sales  
FY22 8TWh

**\$2.8b**  
net assets  
FY22 \$2.8b

**35c**  
per share dividend  
FY22 35c

**93%**  
renewable generation  
FY22 87%

**\$105m**  
tax paid  
FY22 \$89m

**+41**  
Net Promoter Score  
(Contact only)  
FY22 +39

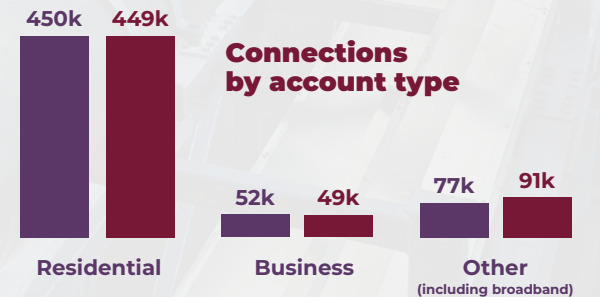
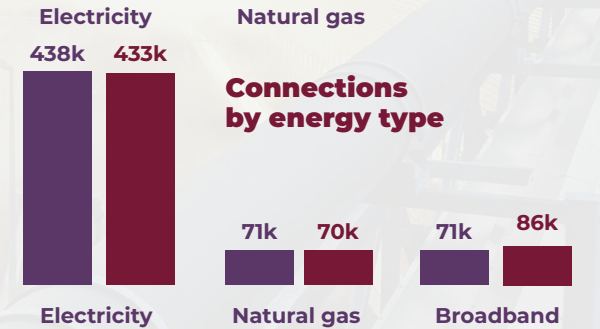
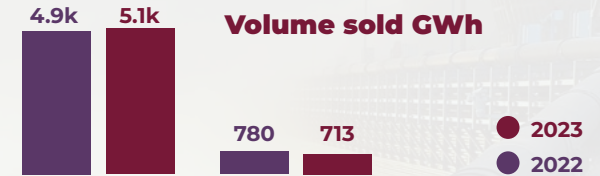
**96%**  
gender pay equity  
FY22 95%

**527k**  
tCO<sub>2</sub>e Scope 1 Group emissions  
FY22 787k

## Our connections

**589k**

total customer connections at 30 June 2023  
At 30 June 2022 578k



These connection figures include Simply Energy connections.



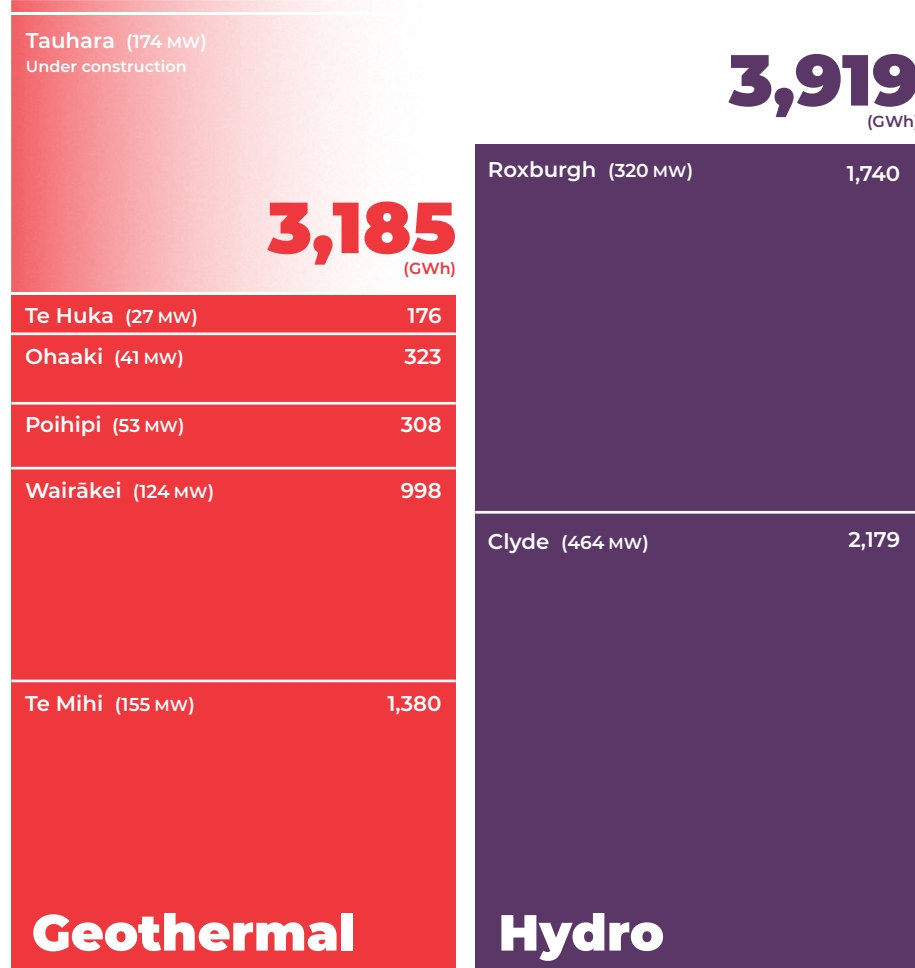
## 2023 generation output by station and type\*

This graph shows the relative size of generation output from each station during the FY23 year.

**7.6TWh**  
total generated

■ Total renewable generation **7,104GWh**  
■ Total non-renewable generation **517GWh**

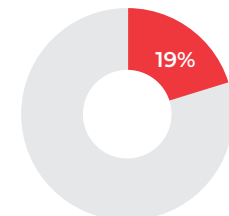
Te Huka 3 (51 MW) Under construction



## Where we are



Contact delivers **19 percent** of the country's electricity generation.



**Thermal 517** (GWh)

Whirinaki (158 MW)	2
Te Rapa (41 MW)**	203
Stratford – Peakers (202 MW)	148
Stratford – CCGT (377 MW)	164

\* Our capacity numbers are net capacity. \*\* Total generation at Te Rapa includes both spot and direct sales.

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# External influences

Our ability to create value for shareholders is affected by the world around us, such as the regulatory environment, the pressure created by inflation and the rising cost of living, changing stakeholder expectations, and environmental impacts such as climate change.

## The energy trilemma

Informing our view of the environment in which we operate is The World Energy Council's energy trilemma. This three-dimensional problem looks at the security of energy supply alongside environmental sustainability and affordability. Contact uses the trilemma framework to ensure we're putting our energy into creating sustainable value for New Zealanders by improving accessibility, demonstrating reliability, and caring for the environment.

In the Contact context that means:

- **Accessibility** – focused on customer wellbeing by tailoring our products and services to meet customer needs
- **Reliability** – focused on the resilience of our supply chain, the impact of regulation, financial stability, reliable energy supply, and the safety and wellbeing of our people.
- **Environmental sustainability** – focused on community wellbeing, climate change and greenhouse gas emissions, renewable energy, water and biodiversity.

The trilemma also shows competing demands and trade-offs, meaning a strong push on one dimension may have a negative impact on others. For example, requiring energy production to be 100 percent renewable would likely be prohibitively expensive, but a focus on electrification of industrial heat and a target of 95 percent renewable energy would still deliver excellent environmental outcomes.

“Time is running out to implement the actions required to meet the Paris agreement goals. If the world community is serious about limiting global warming to 1.5° C, we need to move at pace and scale to transform our energy systems.”

## Regulatory environment

### Resource management reform

The New Zealand Government is looking to reform the Resource Management Act (RMA), to improve environmental and development outcomes.

The draft Natural and Built Environments Bill, which will replace the RMA, was released in December 2021. Contact's submission to the Select Committee in early 2023 emphasised the importance of renewable generation and recommended the Bill include a pathway for renewable development. The Government has indicated the Bill will be enacted before the election, and we will continue to actively participate in the process.

### Government's Energy Strategy

The Ministry of Business, Innovation and Employment (MBIE) is leading the development of the New Zealand Energy Strategy, which is due for completion by the end of 2024. The purpose of this strategy is to address strategic challenges in the energy sector and signal pathways away from fossil fuels. The strategy will focus on:

- energy affordability and energy equity for consumers
- transitioning the energy system at the pace and scale required to support a net-zero 2050
- secure and reliable energy supply, including as we adapt to the effects of climate change and in the face of global shocks
- energy's role in economic development and productivity growth aligned with the transition.

Contact will continue to actively engage with MBIE on this strategy, which we expect to ramp up over the next financial year.

### The Future is Electric

In October 2022, Boston Consulting Group (BCG) released **The Future is Electric** report outlining a pathway to achieving New Zealand's decarbonisation objectives through more renewable generation and the electrification of transport and heating.

Commissioned by the Chairs of the energy industry, the report looks at how the industry can support Aotearoa's decarbonisation pathway, and the policy settings required.

The report is intended to be a resource for current and future governments, as well as the industry, to support the move to a net zero future.

The industry is now working with government on the actions needed to implement the plan set out by BCG. We are also undertaking a further stage of work with BCG to develop a set of transparent indicators to show how we are progressing towards a highly renewable electricity system.

### Other regulation

We continue to stay engaged with the government and regulators on topics with a longer-term horizon, including the New Zealand Battery Project under consideration, potential adjustments to the emissions trading scheme, and the Climate Change Commission's proposal to change the way trees as carbon sinks are valued.



# Creating value

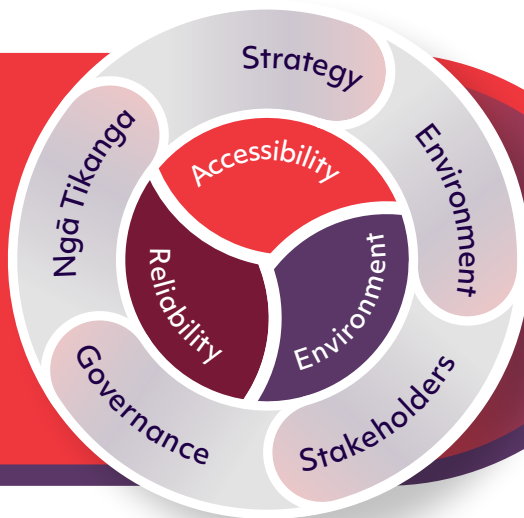
We're putting our energy where it matters most; to create a better Aotearoa New Zealand.

## At Contact, we create value by:

- Using resources (or 'capitals') including natural, people, relationship, financial, and asset
- Factoring in external environmental influences
- Running our business activities in a way that is true to our Tikanga (or principles), vision and strategy, and overseen by good governance
- Delivering outcomes that align with our strategy.

## Capitals

- Nature >
- People >
- Relationship >
- Finance >
- Asset >



## Contact26 – Building a better Aotearoa New Zealand

- > 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

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.

### Nature

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

### People

The expertise, competence and passion of everyone from our Board and Leadership Team through to those in our offices and sites underpin our operations. Our approach is embodied in our Tikanga. This includes how we work together, manage risks, look for improvements and treat each other with respect.

### Relationships

Our social licence to operate relies on myriad relationships within and between our communities, stakeholders and networks. It relies on building goodwill and earning trust with all our stakeholders including tangata whenua, customers, communities, investors, regulators, media, suppliers and our own people.

### Finance

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 through our business activities, investors and debt arrangements, and relies on us delivering on our strategy.

### Assets

We use many physical and intellectual assets to deliver reliable, affordable and environmentally sustainable electricity. These include power stations, offices, vehicles, transmission/distribution connectivity, and our reputation, website and application software, IT systems, customer databases, brands, licences and internal 'know-how'.

## Identifying what matters most

We use the **Global Reporting Initiative (GRI)** standards and the **Integrated Reporting Framework** to report on material environmental, social and governance activities, and provide a balanced view of our performance. We also report our climate-related risks using the **Task Force for Climate-related Financial Disclosures (TCFD)** framework. From next year we will be reporting our climate-related risks using the **Aotearoa New Zealand Climate Standards**.

In 2022 we followed the GRI 3: Material Topics 2021 process, worked with independent consultants Proxima to determine high and medium impacts, and reported these in our **2022 Integrated Report** (pages 18 to 22).

This year Proxima supported us once again, running interviews with external experts with experience in infrastructure resiliency, renewable energy transition, biodiversity and energy hardship, from both government and private institutions. Workshops were also held with people from across the business, including the retail, generation, development and corporate teams.

The external interviews canvassed four key impact areas – climate change, biodiversity, energy wellbeing, and renewable energy trends. Our internal workshops reviewed changes in context and significance to all our impact areas. Each workshop focused on one of four areas: climate change and renewables, biodiversity and broader environment impacts, socio-economic impacts, and tangata whenua.

## What we heard

Key themes from these external and internal conversations included:

- Contact can take a leadership role to help address energy hardship
- Trust is growing in Contact's ability to lead and innovate, and stakeholders are hungry for more
- Contact's community presence can be better aligned with community expectations

- Risks from climate change impacts on energy supply should be top of mind
- Expectations are growing for Contact to act on broader biodiversity impacts

Contact's leadership team has reviewed this work and approved the changes to our material topics outlined below.

Material topics 2022	Material topics 2023
Renewable energy supply	Generation emissions and renewable energy supply
Generation emissions	
Decarbonisation and electrification	Decarbonisation, demand flexibility and electrification
Demand flexibility	
Freshwater system health	Freshwater systems health
Tangata whenua partnerships	Meaningful relationships with tangata whenua
Community wellbeing	Community wellbeing
Energy hardship and affordability	Energy wellbeing and equity
Reliable energy supply	Reliable energy supply
Biodiversity protection and restoration	Protecting and restoring biodiversity and other natural treasures
Natural resources protection	
Environmental pollution	
Climate change impacts on assets	Safe and resilient infrastructure
Infrastructure safety	
Team culture	A thriving workforce
Diversity and inclusion	
Workforce health and wellbeing	
Privacy and cybersecurity	Customer wellbeing and trust
Customer trust	
Sustainable procurement	Sustainable procurement



*Contact has a moral obligation to enable more innovation to help address energy hardship in communities.*

**External stakeholder** energy wellbeing sector



*As for NZ Steel, things don't happen overnight, so appreciate that innovation thinking, and work would have started a long time ago. It is the sort of initiative that makes sense with Contact to be invited to the table and it shows that this type of innovation is possible.*

**External stakeholder** renewable energy trends sector

## Material topics

This report covers high and medium impact, or material topics, which means we have used the feedback from our external and internal stakeholders to consider:

- How harmful or beneficial the impact is for the stakeholders affected
- How widespread the impact is – how many places or people are affected
- How long the effects last and how easily can they be remediated
- How likely and severe are potential impacts

Based on our stakeholder feedback we have made some changes to our material topics and combined a number of impacts to remove duplication. These changes do not alter the substance of the topics.

We have also raised two impacts from medium to high: reliable energy supply; and safe and resilient infrastructure.



# Our supply chain

## 1. We generate

We own and operate **10 power stations** and produce the majority 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 **1,600 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 individuals and businesses to meet their energy and broadband needs. We have around **585,000 connections**.



## Our impacts

### Generation

- Generation emissions and renewable energy supply
- Protecting and restoring biodiversity and other natural treasures
- Freshwater systems health
- Decarbonisation, demand flexibility and electrification
- Safe and resilient infrastructure

### Corporate activities

- Meaningful relationships with tangata whenua
- Generation emissions and renewable energy supply
- Decarbonisation, demand flexibility and electrification
- Community wellbeing
- Energy wellbeing and equity
- Safe and resilient infrastructure

### Operational presence

- Freshwater systems health
- Protecting and restoring biodiversity and other natural treasures
- Community wellbeing
- Safe and resilient infrastructure

### Customer service

- Decarbonisation, demand flexibility and electrification
- Energy wellbeing and equity
- Reliable energy supply

HIGH

MEDIUM

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# Governance matters



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# 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. Contact has chosen to report against the latest version of the NZX Corporate Governance Code (1 April 2023) and as at 30 June 2023, we comply with the recommendations of the Code in all material respects. You can see our full reporting in our **Corporate Governance Statement** on our website.

## Our board

### The Boards role and responsibilities

The Board is responsible for Contact’s governance, direction 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
- Identifying and controlling significant risks
- Ensuring appropriate systems to manage risk are in place along with approving Contact’s risk capacity and tolerance
- 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

Contact’s Board comprises seven directors, with a wide variety of skills, experience and points of view. More information on the Contact Board, including appointment dates and committee memberships, and short biographies setting out **skills and experience of each director** is available on our website.

The Board considers all of the current directors, including the Chair, to be independent in that they are not executives of the company and do not have a direct or indirect interest, position, association or relationship that could reasonably influence in a material way, their decisions in relation to Contact. In making this assessment, the Board has considered the NZX Listing Rules and the factors in the NZX Corporate Governance Code that may affect director independence.

To assist with succession planning and ensure the appropriate skills and experience are represented on the Board, the Board has developed a **director skills matrix**. The matrix shows the areas in which the Board considers director capability is required to enable Contact’s success, and the expertise held by current directors.

The matrix reflects the directors’ assessment of the current skills held by the Board. It’s not expected that every director will be an expert in every area, but all skills in the matrix should be represented on the Board as a whole. The matrix shows a good spread of expertise and secondary skills among current directors. In addition to these skills, all seven Contact directors have strong governance expertise.

### Board performance

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

In FY23 the directors went on an international study tour to more learn about developments in the renewable energy sector. We regularly review the performance of the Board to ensure the Board as a whole, and individual directors, perform to a high standard. We plan to undertake a full independent Board performance review again in FY24.

### Board committees

The Board has three core 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.











The Audit and Risk Committee 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 Health, Safety and Environment Committee supports the Board in relation to health, safety and wellbeing (HSW) objectives and monitoring HSW performance, and provides governance oversight of environmental sustainability matters.

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## Director skills matrix

 Primary  Secondary

Strategic Focus	Director Expertise	Governance Capabilities
<b>Brand value and customer experience</b>		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.
<b>Energy sector including generation, renewables, and wholesale energy markets</b>		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.
<b>Asset infrastructure</b>		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.
<b>Portfolio efficiency</b>		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.
<b>Capital markets, investment community and ESG</b>		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.
<b>Government and regulation</b>		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.
<b>Iwi connection and relationships</b>		Iwi connection and relationships to develop shared understanding of kaitiakitanga and collaborative investment into resources.
<b>Executive experience</b>		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.
<b>Financial expertise</b>		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.
<b>IT, digital and new technologies</b>		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'.

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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.

From time to time, the Board may create ad-hoc committees to oversee specific areas on its behalf.

Contact does not have a Nominations Committee. Instead, this responsibility is held by the full Board. This reflects the importance all directors place on ensuring the Board is performing well and has the necessary skills.

The current members of the committees are:

Committee	Members
Audit and Risk	Sandra Dodds (Chair) Victoria Crone Rukumoana Schaafhausen
Health, Safety and Environment	Elena Trout (Chair) David Smol Rukumoana Schaafhausen
People	Jon Macdonald (Chair) Robert McDonald Sandra Dodds

### 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. Our corporate policies 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.

We have a **Whistleblowing Policy** which offers protections for employees who disclose serious wrongdoing in accordance with the process in the policy. Our online whistleblower portal helps to ensure we’re aware of any breaches of the Code of Conduct or our policies, or any other illegal or unethical activity. The 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. Whistleblower disclosures are reported to the General Counsel and CEO and where appropriate, to the Chair of the Board to investigate and take appropriate action.

Our third **Modern Slavery Statement** 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 also have a Supplier Code of Conduct, updated during 2023, which outlines the behaviours we expect from suppliers, particularly regarding ethical, social and environmental business practices as well as expectations for information security and privacy.

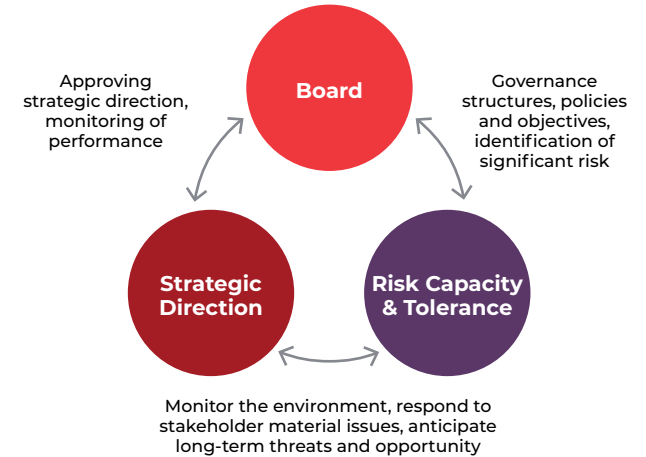
### Risk management and assurance

#### Risk Management

Our risk management framework enables the Board to set an appropriate risk strategy and ensure that risk is managed throughout the organisation in accordance with the Board’s risk appetite statements. The framework ensures we have appropriate systems in place to identify, assess, treat, monitor and report on 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.

Contact’s enterprise risk management framework is supported by a range of systems and tools that help assess and report all risk types including environmental, social and governance risks across the organisation.

The Contact26 Strategy has a strong focus on ESG commitments to create long-term value. A wide range of risks and environmental factors are considered by the Board during the strategy setting process including the analysis into how actions to limit the impacts of climate change could affect the demand for our products and services.



Our corporate governance model is vertically integrated to ensure an appropriate level of support and oversight of our key climate-rated risks.

- The full Board considers a wide range of risks (including economic, environment, social and governance risks) when reviewing the business strategy alongside a market update. The reports our teams produce ensure the Board understand the key risks and issues (such as climate change) that contribute to their decision-making.
- Top risks are reported to the Board Audit and Risk Committee on a quarterly basis and are actively monitored by the Leadership Team.
- The Board Health, Safety and Environment Committee has formal oversight of climate-related issues.
- Risks rated high and above are regularly monitored for active management by the Leadership Team.
- There is regular engagement with stakeholders (including local communities and tangata whenua as we aim to maintain our positive relationships) to assess and communicate the impacts of the changing environment.

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- People at all levels of the organisation are encouraged to identify and manage potential risks to Contact.

There were no significant instances of non-compliance with laws and regulations, no fines were paid during the reporting period and there were no critical concerns.

The integrated nature of our operations means that climate-related risks are regularly assessed as part of our strategic, operational and emerging risk assessments. Mitigation plans for material risks are implemented to proactively manage the impact to Contact.

**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 Board Audit and Risk Committee, 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. EY commenced its appointment as the Group’s external auditor on 1 July 2022. 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, the external auditor confirms its continuing independent status to the Board every six months.



The Chair of the Audit and Risk Committee approved EY to perform additional engagements this year including assuring our green borrowing programme, greenhouse gas emissions and Global Reporting Initiative (GRI) indicators.

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

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# Remuneration report

Dear fellow shareholders,

I am pleased to present Contact's remuneration report for FY23 on behalf of the Board's People Committee.

## FY23 Financial results and remuneration

Contact has delivered a solid financial result for shareholders this year with profit of \$127 million, underlying EBITDAF\* of \$573 million, and operating free cash flow of \$282 million. Operating costs and capital expenditure have been managed well, while contending with inflationary pressures.

Our discretionary short-term incentive pool reflects Contact's performance in FY23 and any payments under these arrangements to eligible participants will be made in September 2023. Given the company's performance over the past year, we consider executive remuneration to be appropriate.

We believe that the structure and components of Contact's remuneration are serving the company well, and therefore we haven't made any changes to that structure over the past year.

A detailed overview of employee remuneration is set out in [Contact employee remuneration](#).

## Details of Contact's Short Term Incentive

Each year we consider how we might further improve our reporting on Contact's remuneration. Last year we added information on the make-up of corporate element of the Short Term Incentive for executives. This year we've extended on that with the addition of a table [Corporate scorecard results](#) that provides more information on the targets and results that made up the corporate part of the Short Term Incentive for executives.

## Gender pay equity

We've provided comprehensive information on Contact Energy's gender pay gap and pay equity in [Gender pay reporting](#). We appreciate that we have work to do, on Contact's pay gap in particular. We have made good progress in our most recent pay round, which will move our overall pay equity from 96 percent at the end of our last financial year to 98 percent as of 1 September 2024. I look forward to being able to give more detail on our progress in our Integrated Report next year.

We know our people are key to our success and we are continuously looking for ways to improve as part of our commitment to being a good employer. We have made good progress and launched some market leading initiatives this year and we look forward to continuing to make progress through FY24 and beyond.

You can read more about our overall employee value proposition in our strategic enablers section [Transformative ways of working](#).



**Jon Macdonald**  
Chair, People Committee



\* EBITDAF is a non-GAAP measure. Information regarding the usefulness, calculation and reconciliation of this measure is provided within note [A2](#) to the financial statements.



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## Directors' remuneration

The total directors' fee pool is \$1,500,000 per year. It has not been increased since it was approved by shareholders in 2008. Actual fees paid to directors are determined by the Board on the recommendation of the People Committee. Between FY22 and FY23, fees for the Board and Committee fees increased by around 2 percent.

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.

Contact employees appointed as directors of Contact subsidiaries do not receive any director fees. Dane Coppell is a non-executive director of Western Energy Services Limited and was paid \$24,750 in director fees during FY23.

FY23	Chair per annum	Member per annum
Board of Directors	\$300,000*	142,800
Audit and Risk Committee	\$47,430	\$23,715
Health, Safety and Environment Committee	\$27,030	\$13,515
People Committee	\$27,030	\$13,515
Development Committee (disestablished effective March 2023)	\$27,030	\$13,515
Overseas director travelling allowance		\$15,300
Ad hoc committee fee related to major projects		\$1,200 per half day

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

Details of the total remuneration paid to each Contact director for FY23 are as follows:

Directors	Board fees	Audit and Risk Committee	Health, Safety and Environment Committee	People Committee	Development Committee*	Overseas travelling allowance	Ad hoc committee fee related to major projects	Total Remuneration
Robert McDonald	\$300,000							\$300,000
Victoria Crone	\$142,800	\$23,715						\$166,515
Sandra Dodds	\$142,800	\$47,430		\$13,515		\$15,300	\$600	\$219,645
Jon Macdonald	\$142,800			\$27,030	\$9,010			\$178,840
Rukumoana Schaafhausen	\$142,800	\$23,715	\$13,515					\$180,030
David Smol	\$142,800		\$13,515		\$18,020		\$1,200	\$175,535
Elena Trout	\$142,800		\$27,030		\$9,010		\$1,200	\$180,040
<b>Total</b>	<b>\$1,156,800</b>	<b>\$94,860</b>	<b>\$54,060</b>	<b>\$40,545</b>	<b>\$36,040</b>	<b>\$15,300</b>	<b>\$3,000</b>	<b>\$1,400,605</b>

\* The Development Committee was disestablished effective March 2023.



## 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 senior 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 role 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 2023 there were 78 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, including 'Growing Your Whānau', a new policy to support primary caregivers, and 'Good to Be Home', a \$400 after-tax payment for setting up a home office or putting towards wellbeing. Some of our other benefits 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 E11 in financial statements for more detail); and additional benefits and offers from retailers and service providers.

## 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 CEO and Executive Team variable remuneration for FY23 was structured as follows:

Scheme	Description	Performance measures	Potential
Cash STI	Cash STI is a discretionary scheme based on achievement of KPIs.	<p>70% based on corporate shared KPIs (results on next page):</p> <ul style="list-style-type: none"> <li>• 40% financial results (operating free cash flow, EBITDAF*, OPEX)</li> <li>• 15% safety targets</li> <li>• 45% strategy delivery and key operational milestone targets</li> </ul> <p>30% based on individual KPIs.</p> <p>Executive Team individual KPIs are a mix of shared objectives and goals specific to each individual.</p> <p>The CEO individual KPIs for the year ending 30 June 2023 including leadership performance of Contact's key strategic initiatives, leadership of the executive team and stakeholder engagement.</p>	<p>Executive Team maximum potential 35% of base salary.</p> <p>CEO maximum potential 50% of base salary.</p>
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.	<p>The participant's performance rating influences the Equity STI awarded by the Board.</p> <p>The exercise hurdle to receive these is to remain employed by Contact 2 years from the grant date.</p>	<p>Executive Team maximum potential 30% of base salary.</p> <p>CEO maximum potential 30% of base salary.</p>
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.	<p>The exercise hurdles to receive these are:</p> <ul style="list-style-type: none"> <li>• 50% Contact's relative total shareholder return (TSR) ranking within an energy industry peer group of other New Zealand NZX50 listed utilities companies.</li> <li>• 50% internal hurdle related to our strategic priority of decarbonisation. For FY23 this included renewable generation development, stimulation of electricity demand flexibility, and delivery of our Te Huka 3 power station.</li> </ul> <p>Tested once, at year 3.</p>	<p>Executive Team set at 20% of base salary.</p> <p>CEO set at 35% of base salary.</p>

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

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## FY23 corporate scorecard results

The table below outlines corporate performance metrics and outcomes for FY23. These are used to determine the payout for the corporate component of the STI for the CEO and leadership team.

Measure	Components	Result	Potential award	Actual award
Financial	EBITDAF	Achieved	40%	Partially achieved
	Cash conversion	Not achieved		
	Opex	Achieved		
Health and safety	Implementation of safety transformation programme	Achieved	15%	Partially achieved
	TISR (described in <b>Health and safety</b> ) of controlled activities	Not achieved		
	TISR of monitored activities	Not achieved		
Strategic initiatives	On-time delivery of Tauhara steam field	Not achieved	45%	Achieved
	On-time delivery of SAP for finance and generation	Achieved/Exceeded		
	Renewable generation development pipeline	Max achievement		
	Generation asset operational uptime	Achieved		
	Growth of multi-product retail customers	Not achieved		

\* EBITDAF is measured prior to impact of AGS onerous contract movements and accounting guidance changes for ASX Market Making Treatment.

At the beginning of the year, each component of the STI is allocated a weighting, along with levels that constitute meeting target (Good), exceeding target (Great) and maximum achievement (Outstanding). For each component, failure to reach target results in zero payout. A result at or above target results in payment between 50% and 100% of the award available for that component, based on the result relative to the pre-agreed range between target and maximum achievement.

## CEO remuneration

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

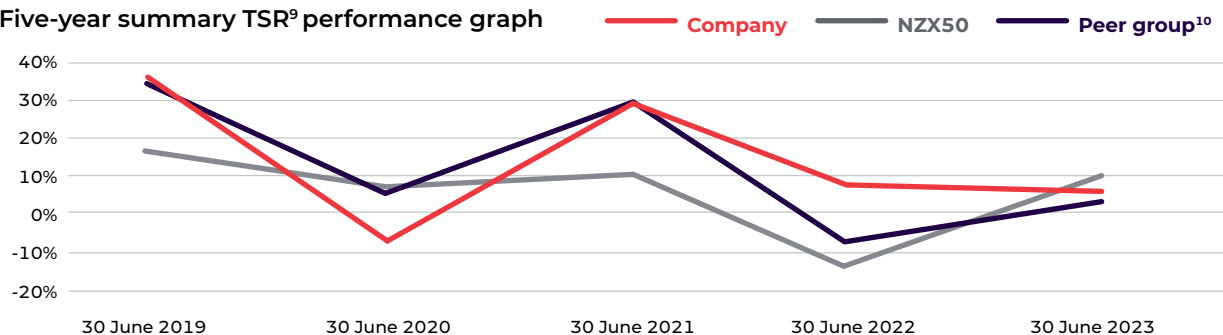
### CEO remuneration for the period ended 30 June 2023

Position	Fixed remuneration			Pay-for-performance remuneration				Total remuneration
	Salary paid \$	Benefits \$	Subtotal \$	Cash STI \$	Equity STI \$	Equity LTI \$	Subtotal \$	
FY23	1,195,779	47,037 <sup>1</sup>	1,242,815	291,292 <sup>2</sup>	174,584 <sup>3</sup>	418,523 <sup>4</sup>	884,399	2,127,214

### Five-year CEO remuneration summary

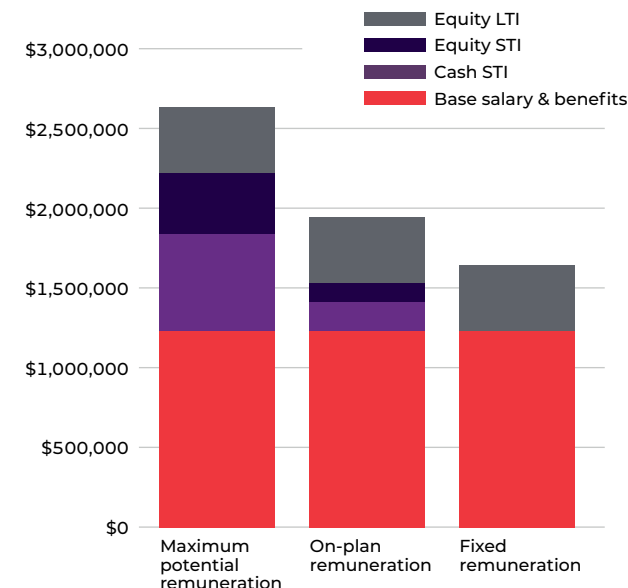
Financial year	Total remuneration paid <sup>5</sup>	Percentage Cash STI awarded against maximum	Percentage vested Equity STI against maximum	Span of Equity STI performance period	Percentage vested Equity LTI against maximum	Span of Equity LTI performance period
<b>Mike Fuge</b>						
FY23	\$2,127,214	49%	50%	2020–2022	0%	n/a
FY22	\$2,128,603	57%	0%	n/a	0%	n/a
FY21	\$2,280,840	75%	0%	n/a	0%	n/a
FY20 <sup>6</sup>	\$669,641	40%	0%	n/a	0%	n/a
<b>Dennis Barnes</b>						
FY20 <sup>7</sup>	\$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% <sup>8</sup> 2014 Options 100%	2013–2018 2014–2019

### Five-year summary TSR<sup>9</sup> performance graph



## Scenario chart

The scenario chart below demonstrates the elements of Mike Fuge's CEO remuneration design for FY23.



- Benefits include 3% Kiwisaver contribution calculated on remuneration amounts including cash STI, and health insurance.
- Cash STI for FY23 period 49% of maximum potential, paid in FY24 (September 2023).
- Equity STI, 49% of maximum potential, based on fair value allocation. To be granted October 2023 and tested October 2025.
- Equity LTI is based on fair value allocation. To be granted October 2023 and tested October 2026.
- Total remuneration paid includes salary, benefits, Cash STI, and value of STI and LTI Equity (paid in shares).
- 24 February 2020 – 30 June 2020.
- July 2019 – 28 February 2020.
- 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.
- TSR calculated using the volume-weighted average price for the 3 months prior to year end.
- Peer group is a simple average of Meridian, Genesis, Mercury, Vector and Manawa, with Manawa only in the group from FY18.



### Group<sup>1</sup> 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 FY23 of at least \$100,000 for the year ended 30 June 2023.

The value of remuneration benefits analysed includes:

- fixed remuneration including allowance/overtime payments
- employer superannuation contributions
- short-term cash incentives relating to FY22 performance but paid in FY23 (Contact and Simply Energy)
- the value of equity-based incentives at fair value allocation received during FY23 (Contact)
- the value of Contact Share received during FY23 (Contact)
- redundancy and other payments made on termination of employment.

The figures do not include; amounts paid after 30 June 2023 that relate to the year ended 30 June 2023, 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	Remuneration band	Number of employees
\$100,001-\$110,000	60	\$360,001-\$370,000	3
\$110,001-\$120,000	48	\$370,001-\$380,000	3
\$120,001-\$130,000	71	\$400,001-\$410,000	3
\$130,001-\$140,000	72	\$410,001-\$420,000	1
\$140,001-\$150,000	61	\$420,001-\$430,000	1
\$150,001-\$160,000	63	\$440,001-\$450,000	1
\$160,001-\$170,000	62	\$460,001-\$470,000	1
\$170,001-\$180,000	40	\$470,001-\$480,000	1
\$180,001-\$190,000	25	\$490,001-\$500,000	1
\$190,001-\$200,000	20	\$560,001-\$570,000	1
\$200,001-\$210,000	17	\$580,001-\$590,000	1
\$210,001-\$220,000	13	\$620,001-\$630,000	1
\$220,001-\$230,000	19	\$680,001-\$690,000	1
\$230,001-\$240,000	8	\$700,001-\$710,000	1
\$240,001-\$250,000	10	\$710,001-\$720,000	1
\$250,001-\$260,000	3	\$720,001-\$730,000	1
\$260,001-\$270,000	9	\$730,001-\$740,000	1
\$270,001-\$280,000	1	\$750,001-\$760,000	1
\$280,001-\$290,000	2	\$850,001-\$860,000	1
\$290,001-\$300,000	3	\$990,001-\$1,000,000	1
\$300,001-\$310,000	2	<b>Grand Total</b>	<b>703<sup>2</sup></b>
\$310,001-\$320,000	3		
\$320,001-\$330,000	2		
\$330,001-\$340,000	3		
\$340,001-\$350,000	3		
\$350,001-\$360,000	1		

1 Excludes Drylandcarbon and Forest Partners.

2 Excludes 42 former employees across the group (excluding Drylandcarbon and Forest Partners).

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## Gender pay reporting

### Contact's commitment

One of the principles of our Tikanga (our moral compass) is to put our energy into things that matter. Being inclusive, encouraging diversity and expressions of ideas and opinions is a key focus of that. We are committed to building a workforce that reflects, and is inclusive of, the diverse communities of Aotearoa.

### Understanding our pay reporting

Pay reporting is broadly defined as:

**Gender parity** – when men and women are equally represented at all levels at Contact.

**Gender pay gap** – the gap between the pay of women and the pay of men.

Pay gap calculation:

$$\frac{\text{average male hourly rate} - \text{average female hourly rate}}{\text{average male hourly rate}}$$

Closing the gender pay gap typically relies on addressing all of these elements. Pay equity (equal pay for equal work) will typically not close the overall gender gap especially if genders are not equally represented at each level of the organisation.

**Gender pay equity** – equal pay for equal work – that is people undertaking the same work (roles requiring a similar level of skills, knowledge, and accountabilities) being paid the same regardless of gender. (Note, Equal pay is a legal requirement in New Zealand. We have processes and monitoring in place to ensure our people are treated and paid fairly, meeting both our legal and moral obligations.)

Pay equity calculation:

$$\frac{\text{average female (fixed remuneration/midpoint of salary range)}}{\text{average male (fixed remuneration/midpoint of salary range)}}$$

### Contact's pay reporting

We recognise and respect that gender is not binary. For this reporting we have calculated our gender pay equity and pay gap only as the difference between those who identify as Women and Men (around one percent of our people identify as gender diverse).

Contact's average pay gap is 34.1% (median 47.3%). There are two key drivers of our gender pay gap. The first is a higher proportion of our women in our customer channels and the second is a lower proportion of woman in highly skilled energy roles. Closing our gaps requires us to improve the gender balance with these areas.

Contact's pay equity sits at 96%. We assess all roles at Contact based on the skills, capability and experience required for the role. We then use market data to apply an appropriate remuneration range for each role. Roles are then grouped into pay bands, which cluster similar-sized roles together.

The bands contain different roles that may be filled by people with a range of experience. This can include people recently promoted into higher roles or bands, and who sit at the lower end of the range.

Each year, as part of our annual salary review, we review all our data to ensure that we are maintaining our commitment to gender pay equity, and make adjustments if required.

We remain committed to achieving more balance of gender across all levels at Contact.

We're implementing a number of initiatives to drive improvement, including working with external partners to improve female participation in some historically male-dominated fields, applying gender recruitment targets where appropriate to increase the representation of women, and a continued focus to promote women internally into more senior-level roles.

We recognise that these activities will take time to have an impact.

## Additional Contact remuneration disclosures

- CEO-to-employee pay ratio, 24:1. The ratio between the total annual compensation of the CEO and the median employee compensation.
- CEO-to-employee pay increase ratio, -0.7:1. The ratio of the percentage increase in annual total compensation for the CEO to the median percentage increase.
- Contact does not implement any clawback practices on employee remuneration other than in situations permitted by Aotearoa New Zealand legislation (e.g. for correction of overpayments).
- 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.

Career level	% Women population	% Men population	Pay equity	Pay gap (hourly rate average)
Executive	0.2%	0.7%	N/A	11.6%
Strategic Senior Management	1.4%	3.3%	99.4%	7.1%
Operational Management/National Specialist	5.5%	11.7%	98.4%	4.4%
Team Leader/Technical Specialist	16.1%	29.4%	96.8%	14.7%
Team Member	23.8%	7.9%	99.2%	2.5%
<b>Overall</b>	<b>47%</b>	<b>53%</b>	<b>96%</b>	<b>33.7%</b>

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# Statutory disclosures



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# Statutory disclosures

## Disclosures of interests by directors

The table below lists the general disclosures of interest by directors of Contact Energy Limited as at 30 June 2023 in accordance with section 140 of the Companies Act 1993.

### Robert McDonald

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

### Victoria Crone

Statistics New Zealand	Chair
Figure.NZ	Co-Chair
ASB Bank Limited	Director
Variety – the Children’s Charity	Chair

### Sandra Dodds

Beca Group Limited	Director
Snowy Hydro Limited (Australian Government owned entity)	Director
OceanaGold Limited (listed TSX & ASX)	Director

### 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
Summer of Technology Limited	Director
My Food Bag Group Limited	Director

### Rukumoana Schaafhausen

Department of Internal Affairs Strategic Advisory Committee	Member
Te Rau o te Korimako	Director
Kiwi Group Capital Limited	Director
Alvarium Investments (NZ) Limited	Director

Ministry of Housing and Urban Development’s Strategic Advisory Committee	Member
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

Department of Internal Affairs’ External Advisory Committee	Chair
Ministry of Social Development’s Risk and Audit Committee	Chair
New Zealand Transport Agency	Board Member
The Co-operative Bank Limited	Director
Victoria Link Limited	Chair
Ministry of Housing and Urban Development’s Strategic Advisory Committee	Member
GNS Science, Te Pū Ao (Institute of Geological and Nuclear Sciences Limited)	Chair

### Elena Trout

Worksafe’s Audit, Risk & Finance Committee	Independent Chair
Opuha Water Limited	Independent Director
Spencer Henshaw Limited	Independent Director
Te Rāhui Herenga Waka Whakatāne Limited	Independent Director
Citycare Limited	Independent Director
Hapaitia Limited	Independent Director
Ara Ake Limited	Independent Director
Waihanga Ara Rau (Construction and Infrastructure) Workforce Development Council	Co-Chair
Callaghan Innovation	Independent Director
Ngapuhi Asset Holding Company Limited and various subsidiaries	Independent Director
Energy Efficiency and Conservation Authority (EECA)	Chair
Harrison Grierson Holdings Limited and various subsidiaries	Independent Director
Motiti Investments Limited	Director

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### 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.

### Director's security participation

The Board encourages directors to hold a minimum of 20,000 Contact shares within three years of appointment, subject to personal circumstances, to further align the interests of directors with the interests of shareholders.

### Securities of the company in which each director has a relevant interest at 30 June 2023

Director	Ordinary shares	Bonds	Capital Bonds
Robert McDonald	34,602	100,000	
Victoria Crone*	22,389*		
Sandra Dodds	15,852		
Jon Macdonald	24,916	13,000	20,000
Rukumoana Schaafhausen	–		
David Smol	21,945		
Elena Trout	22,883		

\* In addition, Victoria Crone has an interest in 4,401 ordinary shares as a trustee of a family trust.

### Securities dealings of directors

During the year, Contact directors acquired/redeemed a relevant interest in securities as follows. Consideration per share/bond is stated in NZD unless otherwise specified.

Director	Date of transaction	Nature of transaction	Consideration per share/bond	Number of shares/bonds
Robert McDonald	11/10/22	Acquisition of Bonds (CEN070) upon allotment	\$1.00	100,000
	15/11/22	Redemption of Bonds (CEN040) on maturity	\$1.00	35,000
Victoria Crone	27/9/22	Acquisition of ordinary shares under DRP	\$7.8677	529
Sandra Dodds	27/9/22	Acquisition of ordinary shares under DRP	\$7.8677	399
	30/3/23	Acquisition of ordinary shares under DRP	\$7.5189	283
Jon Macdonald	27/9/22	Acquisition of ordinary shares under DRP	\$7.8677	579
	11/10/22	Acquisition of Bonds (CEN070) upon allotment	\$1.00	13,000
	30/3/23	Acquisition of ordinary shares under DRP	\$7.5189	407
	27/9/22	Acquisition of ordinary shares under DRP	\$7.8677	436
David Smol	30/3/23	Acquisition of ordinary shares under DRP	\$7.5189	308
	27/9/22	Acquisition of ordinary shares under DRP	\$7.8677	531
Elena Trout	30/3/23	Acquisition of ordinary shares under DRP	\$7.5189	374

## Shareholder statistics

### Twenty largest shareholders at 30 June 2023

	Number of ordinary shares	% of ordinary shares
National Nominees New Zealand Limited	61,460,012	7.83
HSBC Nominees (New Zealand) Limited	54,091,710	6.89
HSBC Nominees (New Zealand) Limited	49,691,597	6.33
Custodial Services Limited	48,491,155	6.18
Bnp Paribas Nominees NZ Limited Bpss40	46,236,689	5.89
JPMORGAN Chase Bank	36,937,421	4.71
Citibank Nominees (Nz) Ltd	36,745,230	4.68
Accident Compensation Corporation	31,553,908	4.02
FNZ Custodians Limited	29,240,091	3.73
New Zealand Superannuation Fund Nominees Limited	22,993,188	2.93
Tea Custodians Limited	22,317,406	2.84
JBWERE (Nz) Nominees Limited	19,735,306	2.51
Forsyth Barr Custodians Limited	17,872,728	2.28
Premier Nominees Limited	14,042,562	1.79
New Zealand Depository Nominee	12,796,894	1.63
New Zealand Permanent Trustees Limited	12,653,816	1.61
Cogent Nominees Limited	9,097,090	1.16
Private Nominees Limited	7,491,577	0.95
J P Morgan Nominees Australia Pty Limited	7,035,989	0.9
Public Trust	6,831,475	0.87
<b>Total for top 20</b>	<b>547,315,844</b>	<b>69.73</b>

### Distribution of ordinary shares and shareholders at 30 June 2023

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1–1,000	25,143	42.9	16,646,601	2.12
1,001–5,000	27,444	46.82	50,919,737	6.49
5,001–10,000	3,399	5.8	24,078,365	3.07
10,001–50,000	2,319	3.96	44,519,092	5.67
50,001–100,000	188	0.32	12,899,980	1.64
100,001 and over	120	0.2	635,899,679	81.01
<b>Total</b>	<b>58,613</b>	<b>100.00</b>	<b>784,963,454</b>	<b>100.00</b>

### 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 2023:

Substantial product holder	Number of ordinary shares in which relevant interest is held	Date of notice
Milford Asset Management Limited	47,603,648	26 January 2022

The total number of voting securities of Contact at 30 June 2023 was 784,963,454 fully paid ordinary shares.



## Bondholder statistics

### Twenty largest CEN050 bondholders at 30 June 2023

	Number of CEN050 bonds	% of CEN050 bonds
Custodial Services Limited	23,081,000	23.08
FNZ Custodians Limited	12,191,000	12.19
Bnp Paribas Nominees (Nz) Limited	10,500,000	10.50
Bnp Paribas Nominees NZ Limited Bpss40	8,469,000	8.47
Forsyth Barr Custodians Limited	5,436,000	5.44
Citibank Nominees (Nz) Ltd	5,106,000	5.11
HSBC Nominees (New Zealand) Limited	4,530,000	4.53
Tea Custodians Limited	3,375,000	3.38
Forsyth Barr Custodians Limited	2,935,000	2.94
Investment Custodial Services Limited	2,812,000	2.81
University Of Otago Foundation Trust	1,750,000	1.75
JBWERE (Nz) Nominees Limited	1,667,000	1.67
FNZ Custodians Limited	1,509,000	1.51
HSBC Nominees (New Zealand) Limited	1,300,000	1.30
Mt Nominees Limited	1,241,000	1.24
NZ Permanent Trustees Ltd Grp Invstmnt Fund No 20	998,000	1
Woolf Fisher Trust Inc	950,000	0.95
Cogent Nominees Limited	820,000	0.82
Dunedin City Council	750,000	0.75
Hobson Wealth Custodian Limited	737,000	0.74
<b>Total for top 20</b>	<b>90,157,000</b>	<b>90.18</b>

### Distribution of CEN050 bonds and bondholders at 30 June 2023

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	5	2.56	25,000	0.03
5,001–10,000	41	21.03	401,000	0.40
10,001–50,000	105	53.85	2,797,000	2.80
50,001–100,000	19	9.74	1,463,000	1.46
100,001 and over	25	12.82	95,314,000	95.31
<b>Total</b>	<b>195</b>	<b>100.00</b>	<b>100,000,000</b>	<b>100.00</b>

### Twenty largest CEN060 bondholders at 30 June 2023

	Number of CEN060 bonds	% of CEN060 bonds
Forsyth Barr Custodians Limited	53,668,000	23.85
JBWERE (Nz) Nominees Limited	35,764,000	15.90
Custodial Services Limited	31,104,000	13.82
New Zealand Permanent Trustees Limited	17,909,000	7.96
Hobson Wealth Custodian Limited	15,548,000	6.91
National Nominees New Zealand Limited	14,480,000	6.44
FNZ Custodians Limited	11,403,000	5.07
Forsyth Barr Custodians Limited	4,294,000	1.91
Adminis Custodial Nominees Limited	2,007,000	0.89
Tea Custodians Limited	1,857,000	0.83
Mmc Limited	1,800,000	0.80
Francis Horton Tuck	1,640,000	0.73
Investment Custodial Services Limited	1,489,000	0.66
Bnp Paribas Nominees NZ Limited Bpss40	1,047,000	0.47
University Of Otago Foundation Trust	1,000,000	0.44
Fletcher Building Educational Fund	900,000	0.40
Hobson Wealth Custodian Limited	864,000	0.38
Custodial Services Limited	713,000	0.32
FNZ Custodians Limited	706,000	0.31
Jml Capital Limited	650,000	0.29
<b>Total for top 20</b>	<b>198,843,000</b>	<b>88.38</b>

### Distribution of CEN060 bonds and bondholders at 30 June 2023

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	79	9.88	395,000	0.18
5,001–10,000	222	27.75	2,176,000	0.97
10,001–50,000	398	49.75	10,298,000	4.58
50,001–100,000	46	5.75	3,742,000	1.66
100,001 and over	55	6.88	208,389,000	92.62
<b>Total</b>	<b>800</b>	<b>100.00</b>	<b>225,000,000</b>	<b>100.00</b>

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### Twenty largest CEN070 bondholders at 30 June 2023

	Number of CEN070 bonds	% of CEN070 bonds
Custodial Services Limited	81,241,000	32.5
Forsyth Barr Custodians Limited	36,368,000	14.55
FNZ Custodians Limited	23,057,000	9.22
JBWERE (Nz) Nominees Limited	20,195,000	8.08
Investment Custodial Services Limited	11,078,000	4.43
HSBC Nominees (New Zealand) Limited	5,760,000	2.30
Hobson Wealth Custodian Limited	5,573,000	2.23
Forsyth Barr Custodians Limited	4,821,000	1.93
Citibank Nominees (Nz) Ltd	4,040,000	1.62
HSBC Nominees (New Zealand) Limited	3,240,000	1.30
New Zealand Permanent Trustees Limited	2,948,000	1.18
Pt (Booster Investments) Nominees Limited	2,880,000	1.15
FNZ Custodians Limited	2,100,000	0.84
ANZ Wholesale NZ Fixed Interest Fund	2,050,000	0.82
Dunedin City Council	1,900,000	0.76
Cogent Nominees Limited	1,270,000	0.51
Fletcher Building Educational Fund	1,100,000	0.44
Tea Custodians Limited	950,000	0.38
Mmc Limited	915,000	0.37
FNZ Custodians Limited	849,000	0.34
<b>Total for top 20</b>	<b>212,335,000</b>	<b>84.95</b>

### Distribution of CEN070 bonds and bondholders at 30 June 2023

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	74	8.14	370,000	0.15
5,001–10,000	162	17.82	1,542,000	0.62
10,001–50,000	517	56.88	13,598,000	5.44
50,001–100,000	80	8.8	6,109,000	2.44
100,001 and over	76	8.36	228,381,000	91.35
<b>Total</b>	<b>909</b>	<b>100.00</b>	<b>250,000,000</b>	<b>100.00</b>

### Twenty largest CEN080 bondholders at 30 June 2023

	Number of CEN080 bonds	% of CEN080 bonds
Custodial Services Limited	64,745,000	21.58
National Nominees New Zealand Limited	47,650,000	15.88
Forsyth Barr Custodians Limited	44,927,000	14.98
FNZ Custodians Limited	20,611,000	6.87
New Zealand Permanent Trustees Limited	10,900,000	3.63
Mmc Limited	10,800,000	3.6
Tea Custodians Limited	7,474,000	2.49
Hobson Wealth Custodian Limited	7,275,000	2.42
HSBC Nominees (New Zealand) Limited	7,050,000	2.35
Westpac Banking Corporation	7,013,000	2.34
Forsyth Barr Custodians Limited	6,122,000	2.04
Bank Of New Zealand Wellington Treasury Operations	5,925,000	1.98
Bnp Paribas Nominees NZ Limited Bpss40	5,600,000	1.87
Premier Nominees Ltd Armstrong Jones Secure Income Fund	4,700,000	1.57
Investment Custodial Services Limited	4,120,000	1.37
NZ Permanent Trustees Ltd Grp Invstmnt Fund No 20	4,051,000	1.35
JBWERE (Nz) Nominees Limited	4,035,000	1.35
ANZ Wholesale NZ Fixed Interest Fund	3,600,000	1.2
Citibank Nominees (Nz) Ltd	2,500,000	0.83
Rodney Keith Deppe & Marianne Caroline Deppe	1,896,000	0.63
<b>Total for top 20</b>	<b>270,994,000</b>	<b>90.33</b>

### Distribution of CEN080 bonds and bondholders at 30 June 2023

Size of holding	Number of bondholders	% of bondholders	Number of bonds	% of bonds
1,001–5,000	17	3.91	85,000	0.03
5,001–10,000	71	16.32	694,000	0.23
10,001–50,000	242	55.63	7,278,000	2.43
50,001–100,000	53	12.18	4,306,000	1.44
100,001 and over	52	11.95	287,637,000	95.88
<b>Total</b>	<b>435</b>	<b>100.00</b>	<b>300,000,000</b>	<b>100.00</b>

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## Other disclosures

### Directors of Contact Energy Limited and subsidiaries

The following people held office as directors of Contact Energy Limited as at 30 June 2023: Robert McDonald, Victoria Crone, Sandra Dodds, Jon Macdonald, Rukumoana Schaafhausen, David Smol and Elena Trout.

The below table lists the subsidiaries of Contact Energy Limited during FY23 and any changes to those subsidiaries and among the people who held office as directors.

Company name	Directors	Further information
Simply Energy Limited	Dorian Devers James Flannery Jacqui Nelson	Murray Dyer and Stephen Peterson ceased to be directors on 1 July 2022.
Western Energy Services Limited	Dane Coppell Dorian Devers Michael Dunstall Jacqui Nelson	There have been no changes among the people who hold office as directors during FY23.
Contact Energy Trustee Company Limited	Jan Bibby Kirsten Clayton	There have been no changes among the people who hold office as directors during FY23.
Contact Energy Risk Limited	Antony Balfour Will Dorian Devers Mike Fuge	There have been no changes among the people who hold office as directors during FY23.
Contact Energy Solar Limited	Kirsten Clayton Saralaya Frost Jacqui Nelson	Incorporated on 19 April 2023 with all directors appointed on the same date.
Contact Energy Solar Holdings GP Limited	Kirsten Clayton Saralaya Frost Jacqui Nelson	Incorporated on 19 April 2023 with all directors appointed on the same date.

### NZX Waivers

There were no waivers granted by NZX or relied on by Contact in the 12 months preceding 30 June 2023.

### 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 tranches of green retail bonds listed and quoted on the NZX Debt Market under the company codes CEN050, CEN070 and CEN080, and one tranche of green capital bonds listed and quoted on the NZX Debt Market under the company code 'CEN060'. 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 FY23.

### Auditor fees

See note E2 of the financial statements.

### Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Contact records that it donated \$76,872 in FY23 including charitable donations, 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. Find out more about our other community contributions in **Being a good neighbour**.

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

The \$225 million subordinated, unsecured, redeemable, fixed rate capital bonds issued in November 2021 are rated BB+ by Standard & Poor's.

The \$250 million unsubordinated, unsecured fixed rate bonds issued in October 2022 are rated BBB by Standard & Poor's.

The \$300 million unsubordinated, unsecured fixed rate bonds issued in April 2023 are rated BBB by Standard & Poor's.



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# About these financial statements

## For the year ended 30 June 2023

These financial statements are for Contact, a group made up of Contact Energy Limited, its subsidiaries and its interests in associates and joint arrangements.

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 and future generation development capital work in progress (note **C2**)
- fair value measurement of financial instruments (notes **D1** and **E9**)
- provision for future restoration and rehabilitation obligations and the Ahuroa Gas Storage facility (AGS) onerous contract provision (note **E6**).

The financial statements were authorised on behalf of the Contact Energy Limited Board of Directors on 11 August 2023.



**Robert McDonald**  
Chair



**Sandra Dodds**  
Chair, Audit and Risk Committee



# Statement of comprehensive income

For the year ended 30 June 2023

\$m	Note	2023	2022
Revenue	A2	2,118	2,387
Operating expenses	A2	(1,613)	(1,820)
Interest expense	B5	(45)	(36)
Interest revenue	B5	4	–
Depreciation and amortisation	C1	(224)	(262)
Change in fair value of financial instruments	D1	(63)	(16)
<b>Profit before tax</b>		<b>177</b>	<b>253</b>
Tax expense	E1	(50)	(71)
<b>Profit</b>		<b>127</b>	<b>182</b>
<b>Items that may be reclassified to profit/(loss):</b>			
Change in hedge reserves (net of tax)	E8	73	(31)
<b>Comprehensive income</b>		<b>200</b>	<b>151</b>
Profit per share (cents) – basic and diluted		16.3	23.4

Profit before tax includes an onerous contract provision relating to AGS of \$116 million, of which \$3 million is in interest expense. Excluding the onerous contract provision, Profit before tax would be \$293 million, Profit would be \$211 million and profit per share (basic and diluted) would be 26.9 cents per share.

# Statement of cash flows

For the year ended 30 June 2023

\$m	Note	2023	2022
Receipts from customers		2,117	2,406
Payments to suppliers and employees		(1,592)	(1,880)
Interest paid		(25)	(28)
Tax paid		(105)	(89)
<b>Operating cash flows</b>	<b>E7</b>	<b>395</b>	<b>409</b>
Purchase and construction of assets		(541)	(347)
Capitalised interest		(44)	(19)
Realised gains/(losses) on market derivatives		(27)	(9)
Investment in associates		(11)	(11)
Proceeds from sale of assets		16	1
Deferred consideration for acquisition of subsidiaries		(11)	(5)
<b>Investing cash flows</b>		<b>(618)</b>	<b>(390)</b>
Dividends paid	B3	(243)	(242)
Proceeds from borrowings		1,092	536
Repayment of borrowings		(650)	(291)
Financing costs		(4)	(4)
<b>Financing cash flows</b>		<b>195</b>	<b>(1)</b>
<b>Net cash flow</b>		<b>(28)</b>	<b>18</b>
Add: cash at the beginning of the year		168	150
<b>Cash at the end of the year</b>	<b>B4</b>	<b>140</b>	<b>168</b>

# Statement of financial position

## At 30 June 2023

\$m	Note	2023	2022
Cash and cash equivalents	B4	140	168
Trade and other receivables	E4	249	227
Inventories	E3	48	58
Intangible assets	C1	33	27
Derivative financial instruments	D1	123	23
Assets held for sale		–	5
<b>Total current assets</b>		<b>593</b>	<b>508</b>
Property, plant and equipment	C1	4,615	4,095
Intangible assets	C1	202	200
Inventories	E3	37	–
Goodwill	C2	214	214
Investments in associates	E12	31	21
Derivative financial instruments	D1	116	128
<b>Total non-current assets</b>		<b>5,215</b>	<b>4,658</b>
<b>Total assets</b>		<b>5,808</b>	<b>5,166</b>
Trade and other payables	E5	275	261
Tax payable		33	36
Borrowings	B4	384	287
Derivative financial instruments	D1	83	98
Provisions	E6	5	15
<b>Total current liabilities</b>		<b>780</b>	<b>697</b>
Borrowings	B4	1,172	812
Derivative financial instruments	D1	159	128
Provisions	E6	*277	58
Deferred tax	E1	589	616
Other non-current liabilities		27	15
<b>Total non-current liabilities</b>		<b>2,224</b>	<b>1,629</b>
<b>Total liabilities</b>		<b>3,004</b>	<b>2,326</b>
<b>Net assets</b>		<b>2,804</b>	<b>2,840</b>
Share capital	B2	1,988	1,955
Retained earnings		813	958
Hedge reserves	E8	(9)	(82)
Share-based compensation reserve	E11	11	8
<b>Shareholders' equity</b>		<b>2,804</b>	<b>2,840</b>

\* Non-current provisions include an onerous contract provision relating to AGS of \$116 million.

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# Statement of changes in equity

For the year ended 30 June 2023

\$m	Note	Share capital	Retained earnings	Hedge reserves	Share-based compensation reserves	Shareholders' equity
<b>Balance at 1 July 2021</b>		<b>1,922</b>	<b>1,048</b>	<b>(51)</b>	<b>8</b>	<b>2,927</b>
Profit		-	182	-	-	182
Change in hedge reserves (net of tax)	<b>E8</b>	-	-	(31)	-	(31)
Change in share capital	<b>B2</b>	33	-	-	-	33
Dividends paid	<b>B3</b>	-	(272)	-	-	(272)
<b>Balance at 30 June 2022</b>		<b>1,955</b>	<b>959</b>	<b>(82)</b>	<b>8</b>	<b>2,840</b>
Profit		-	127	-	-	127
Change in hedge reserves (net of tax)	<b>E8</b>	-	-	73	-	73
Change in share-based compensation reserve	<b>E11</b>	-	-	-	3	3
Change in share capital	<b>B2</b>	33	-	-	-	33
Dividends paid	<b>B3</b>	-	(273)	-	-	(273)
<b>Balance at 30 June 2023</b>		<b>1,988</b>	<b>813</b>	<b>(9)</b>	<b>11</b>	<b>2,804</b>

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# Notes to the financial statements

## A. Our performance

### A1. Segments

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

The Wholesale segment includes revenue from the sale of electricity to the wholesale electricity market, to Commercial & Industrial (C&I) customers and to the Retail 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 are included in the Wholesale segment. The results of Contact Energy Risk Limited have been allocated across the operating segments based on fixed asset values, revenues, and headcount.

The Retail 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 and distribute electricity to customers.

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

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

### A2. Earnings

The table on the next page provides a breakdown of Contact's revenue, expenses and earnings before interest, tax, depreciation, 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.

Within the segment results, change in fair value of financial instruments are realised and unrealised fair value gains/losses on financial instruments that are not designated in a hedging relationship, excluding realised gains/losses on those financial instruments that are entered into by Contact for risk management purposes. It also includes hedge accounting ineffectiveness and the effect of credit risk.

The following reclassifications have been made within the segment results to align with previous IFRS Interpretation Committee guidance relating to derivatives not designated into a hedging relationship:

- \$27 million (2022: \$9 million) of realised losses from market derivatives not in a hedge relationship have been reclassified to 'Change in fair value of financial instruments'. These were previously presented as 'Other market costs'.
- \$45 million (2022: \$21 million) of realised losses on risk management derivatives not in a hedge relationship have been separated to its own line within EBITDAF. These were previously presented in 'Other market costs' and 'Electricity purchases, net of hedging'.

Change in fair value of financial instruments in the Statement of Comprehensive Income includes both 'realised gains/losses on risk management derivatives not in a hedge relationship' and, change in fair value of financial instruments' from the segment results.

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.
- **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.
- **Steam and broadband**  
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.



Segment results

\$m	2023					2022				
	Wholesale	Retail	Unallocated	Eliminations	Total	Wholesale	Retail	Unallocated	Eliminations	Total
Mass market electricity	-	937	-	(1)	936	-	869	-	(1)	868
C&I electricity – fixed price	243	-	-	-	243	215	-	-	-	215
C&I electricity – pass through	23	-	-	-	23	34	-	-	-	34
Wholesale electricity, net of hedging	685	-	-	-	685	1,071	-	-	-	1,071
Electricity-related services revenue	12	-	-	-	12	8	-	-	-	8
Inter-segment electricity sales	482	-	-	(482)	-	395	-	-	(395)	-
Gas	5	90	-	-	95	7	82	-	-	89
Steam	35	-	-	-	35	33	-	-	-	33
Geothermal services	6	-	-	-	6	3	-	-	-	3
Broadband	-	66	-	-	66	-	53	-	-	53
Other income	8	9	-	-	17	6	7	-	-	13
<b>Total revenue</b>	<b>1,499</b>	<b>1,102</b>	<b>-</b>	<b>(483)</b>	<b>2,118</b>	<b>1,772</b>	<b>1,011</b>	<b>-</b>	<b>(396)</b>	<b>2,387</b>
Electricity purchases, net of hedging	(479)	-	-	-	(479)	(788)	-	-	-	(788)
Electricity purchases – pass through	(16)	-	-	-	(16)	(26)	-	-	-	(26)
Electricity-related services cost	(6)	-	-	-	(6)	(8)	-	-	-	(8)
Inter-segment electricity purchases	-	(482)	-	482	-	-	(395)	-	395	-
Gas & diesel purchases	(53)	(26)	-	-	(79)	(95)	(33)	-	-	(128)
Gas storage costs	(139)	-	-	-	*(139)	(24)	-	-	-	(24)
Carbon emissions costs	(26)	(11)	-	-	(37)	(38)	(6)	-	-	(44)
Generation transmission & levies	(27)	-	-	-	(27)	(24)	-	-	-	(24)
Electricity networks, levies & meter costs – fixed price	(59)	(423)	-	-	(482)	(60)	(407)	-	-	(467)
Electricity networks, levies & meter costs – pass through	(2)	-	-	-	(2)	(8)	-	-	-	(8)
Gas networks, transmission & meter costs	(5)	(45)	-	-	(50)	(6)	(40)	-	-	(46)
Geothermal service costs	(3)	-	-	-	(3)	(2)	-	-	-	(2)
Broadband costs	-	(60)	-	-	(60)	-	(45)	-	-	(45)
Other operating expenses	(121)	(69)	(44)	1	(233)	(115)	(68)	(28)	1	(210)
<b>Total operating expenses</b>	<b>(936)</b>	<b>(1,116)</b>	<b>(44)</b>	<b>483</b>	<b>(1,613)</b>	<b>(1,194)</b>	<b>(994)</b>	<b>(28)</b>	<b>396</b>	<b>(1,820)</b>
Realised gains/(losses) on risk management derivatives not in a hedge relationship	(45)	-	-	-	(45)	(21)	-	-	-	(21)
<b>EBITDAF</b>	<b>518</b>	<b>(14)</b>	<b>(44)</b>	<b>-</b>	<b>460</b>	<b>557</b>	<b>17</b>	<b>(28)</b>	<b>-</b>	<b>546</b>
Depreciation and amortisation					(224)					(262)
Net interest expense					(41)					(36)
Change in fair value of financial instruments					(18)					5
Tax expense					(50)					(71)
<b>Profit</b>					<b>127</b>					<b>182</b>

\* Gas storage costs includes the impact of the onerous contract provision relating to AGS of \$113 million.

### 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	2023	2022
<b>EBITDAF</b>	<b>A2</b>	<b>460</b>	<b>546</b>
Tax paid		(105)	(89)
Change in working capital, net of investing and financing activities		(55)	(17)
Non-cash items included in EBITDAF		120	(3)
Net interest paid, excluding capitalised interest		(25)	(28)
<b>Operating cash flows</b>	<b>E7</b>	<b>395</b>	<b>409</b>
Stay-in-business capital expenditure		(113)	(79)
<b>Operating free cash flow</b>		<b>282</b>	<b>330</b>
Proceeds from sale of assets		16	1
<b>Free cash flow</b>		<b>298</b>	<b>331</b>
<b>Operating free cash flow per share (cents)</b>	<b>B3</b>	<b>36.0</b>	<b>42.4</b>

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

30 June 2022 stay-in-business capital expenditure has been restated, increasing by \$4 million and therefore also decreasing operating free cash flow and free cash flow by \$4 million. This is a reclassification between stay-in-business capital expense and growth capital expense, which has no impact on total capital expenditure.

## 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 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	2023	2022
Borrowings	<b>B4</b>	1,556	1,099
Shareholders' equity		2,804	2,840
<b>Total capital funding</b>		<b>4,360</b>	<b>3,939</b>
<b>Gearing ratio</b>		<b>35.7%</b>	<b>27.9%</b>
<b>Gearing ratio excluding subordinated debt</b>		<b>32.2%</b>	<b>23.5%</b>



## B2. Share capital

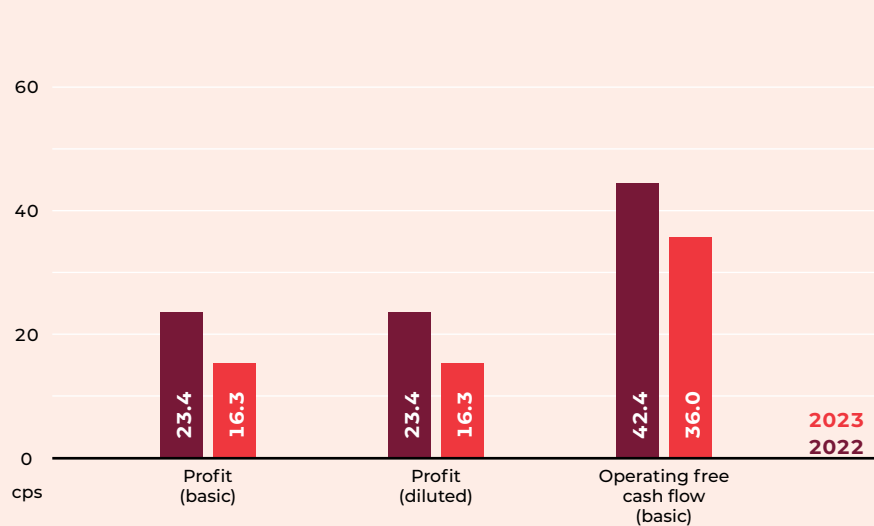
Share capital comprises ordinary shares listed on the NZX and ASX. Certain ordinary shares are held in trust on behalf of employees under the Contact Share scheme (note E11). All shareholders are entitled to receive distributions and to make one vote per share.

\$30 million of shares issued during the year were from the dividend reinvestment plan.

	Note	Number	\$m
<b>Balance at 30 June 2022</b>		<b>780,638,303</b>	<b>1,955</b>
Share capital issued		4,325,151	33
<b>Balance at 30 June 2023</b>		<b>784,963,454</b>	<b>1,988</b>
Comprising:			
Ordinary shares		784,711,129	1,987
Contact Share	E11	252,325	1

## B3. Distributions

### Earnings and operating free cash flow per share



Weighted average	2023	2022
Number of shares (basic)	783,046,136	778,794,640
Number of shares (diluted)	784,239,991	779,812,908

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 considers the number of performance share rights and deferred share rights that are currently exercisable or will become exercisable depending on likelihood of meeting vesting conditions.

### Dividends paid

	Cents per share	\$m
2021 Final	21.0	163
2022 Interim	14.0	109
<b>30 June 2022</b>		<b>272</b>
2022 Final	21.0	164
2023 Interim	14.0	109
<b>30 June 2023</b>		<b>273</b>
Comprising:		
Cash dividends		243
Dividend reinvestment plan		30

Cash dividends was \$242 million and dividends reinvestment was \$30 million in the prior year.

On 11 August 2023, the Board resolved to pay an 86 percent imputed final dividend of 21 cents per share on 26 September 2023. On 11 August 2023, Contact had \$43 million (2022: \$41 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 2023 Contact remains compliant with the requirements of the programme. Further information is available on the **Sustainability** section on Contact's website.

\$m	Maturity	Coupon	2023	2022
Bank overdraft	< 3 months	Floating	–	2
* Commercial paper	< 3 months	Floating	190	175
* Drawn bank facilities	Various	Floating	–	7
Lease obligations	Various	Various	49	25
* Retail bonds – CEN040	Nov 2022	4.63%	–	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	32	40
* 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
* Capital bonds – CEN060	Nov 2051	4.33%	225	225
* Retail bonds – CEN070	Apr 2028	5.82%	250	–
* Retail bonds – CEN080	Apr 2029	5.62%	300	–
<b>Face value of borrowings</b>			<b>1,523</b>	<b>1,050</b>
Deferred financing costs			(9)	(6)
<b>Total borrowings at amortised cost</b>			<b>1,514</b>	<b>1,044</b>
Fair value adjustment on hedged borrowings			43	55
<b>Carrying value of borrowings</b>			<b>1,556</b>	<b>1,099</b>
Current			384	287
Non-current			1,172	812

## Changes in borrowings

\$m	2023	2022
Borrowings at the start of the year	1,099	856
Net cash borrowed/(repaid)	442	245
Non-cash change in lease obligations	32	10
Non-cash change in deferred financing costs	(4)	(3)
Non-cash change in fair value adjustment	(12)	(9)
<b>Borrowings at the end of the year</b>	<b>1,556</b>	<b>1,099</b>

## Short-term funding

Contact uses bank facilities for general corporate purposes including to manage its liquidity risk (note D2). Whilst 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	2023	2022
Between 1 and 2 years	150	50
Between 2 and 3 years	350	265
More than 3 years	350	115
	<b>850</b>	<b>430</b>

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 2023, this collateral was \$51 million (2022: \$164 million) and is included within total cash and cash equivalents of \$140 million (2022: \$168 million).

## B5. Net interest expense

\$m	Note	2023	2022
Interest expense on borrowings		(76)	(48)
Interest expense on finance leases		(1)	(1)
Unwind of discount on provisions	E6	(8)	(5)
Unwind of deferred financing costs		(2)	(1)
Other interest		(2)	-
Capitalised interest	C1	44	19
Interest income		4	-
<b>Net interest expense</b>		<b>(41)</b>	<b>(36)</b>

## 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 \$145 million (2022: \$135 million) and a remaining life of 15 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.

Software as a service contracts are recorded as operating expenditure unless they meet the requirements of an intangible asset or lease asset (i.e. management can demonstrate control of an asset).

Included within additions for the year ended 30 June 2023 is capitalised interest of \$44 million (2022: \$19 million) in relation to the build of the Tauhara and Te Huka 3 power stations and associated steamfield.

Property, plant and equipment	Generation plant and equipment	Other land, buildings, plant and equipment	Capital work in progress	Leased assets	Total
\$m					
<b>Cost</b>					
Balance at 1 July 2021	5,718	137	267	42	6,164
Additions	7	5	337	10	359
Transfers from capital work in progress	30	7	(37)	–	–
Transfers to assets held for sale	(17)	–	–	–	(17)
Disposals	(5)	–	–	(1)	(6)
<b>Balance at 30 June 2022</b>	<b>5,733</b>	<b>149</b>	<b>567</b>	<b>51</b>	<b>6,500</b>
Additions	154	3	537	29	723
Transfers from capital work in progress	24	2	(26)	–	–
Transfers to assets held for sale	(5)	–	–	–	(5)
Disposals	(28)	(54)	–	(4)	(86)
<b>Balance at 30 June 2023</b>	<b>5,878</b>	<b>100</b>	<b>1,078</b>	<b>76</b>	<b>7,132</b>
<b>Depreciation and impairment</b>					
Balance at 1 July 2021	(2,072)	(113)	–	(18)	(2,203)
Depreciation	(206)	(4)	–	(5)	(215)
Acquisitions	12	–	–	–	12
Disposals	–	–	–	1	1
<b>Balance at 30 June 2022</b>	<b>(2,266)</b>	<b>(117)</b>	<b>–</b>	<b>(22)</b>	<b>(2,405)</b>
Depreciation	(180)	(5)	–	(4)	(189)
Transfers to assets held for sale	5	–	–	–	5
Disposals	17	53	–	3	73
<b>Balance at 30 June 2023</b>	<b>(2,424)</b>	<b>(69)</b>	<b>–</b>	<b>(23)</b>	<b>(2,516)</b>
<b>Carrying value</b>					
At 30 June 2022	3,467	32	567	29	4,095
<b>At 30 June 2023</b>	<b>3,454</b>	<b>31</b>	<b>1,078</b>	<b>53</b>	<b>4,615</b>



Intangible assets	Software and capital work in progress	Carbon emission units	Other	Total
\$m				
<b>Cost</b>				
Balance at 1 July 2021	501	24	17	542
Additions	27	94	1	122
Disposals	(1)	(91)	–	(92)
Transfer to assets held for sale	(1)	–	–	(1)
<b>Balance at 30 June 2022</b>	<b>526</b>	<b>27</b>	<b>18</b>	<b>571</b>
Additions	37	78	–	115
Disposals	–	(72)	–	(72)
<b>Balance at 30 June 2023</b>	<b>563</b>	<b>33</b>	<b>18</b>	<b>614</b>
<b>Amortisation</b>				
Balance at 1 July 2021	(296)	–	(1)	(297)
Amortisation	(46)	–	(1)	(47)
<b>Balance at 30 June 2022</b>	<b>(342)</b>	<b>–</b>	<b>(2)</b>	<b>(344)</b>
Amortisation	(33)	–	(2)	(35)
<b>Balance at 30 June 2023</b>	<b>(375)</b>	<b>–</b>	<b>(4)</b>	<b>(379)</b>
<b>Carrying value</b>				
At 30 June 2022	184	27	16	227
<b>At 30 June 2023</b>	<b>188</b>	<b>33</b>	<b>14</b>	<b>235</b>
Current	–	33	–	33
Non-current	188	–	14	202

### Capital commitments

At 30 June 2023, Contact was committed to \$300 million of contracted capital expenditure (2022: \$275 million) and \$124 million of carbon forward contracts (2022: \$150 million), of which \$300 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 units are purchased to offset our emissions under the New Zealand Emissions Trading Scheme (ETS). The units are recognised at cost and 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 units are not depreciated or amortised. The depreciation and amortisation rates for all other assets are:

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

## C2. Goodwill and asset impairment testing

Contact has two cash-generating units (CGUs): Wholesale and Retail. The Retail CGU includes goodwill of \$179 million (2022: \$179 million). The Wholesale CGU includes goodwill of \$35 million (2022: \$35 million).

Capital work in progress (CWIP) includes \$1,024 million (2022: \$493 million) related to future generation developments.

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. An impairment is recognised when the recoverable value 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 7 percent and 8 percent (2022: 6.5 percent and 7.5 percent) to arrive at the present value, or value in use, of each CGU.

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:

Retail 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.
Price per customer	Actual price 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 developments	
Post-tax discount rate and inflation	External WACC report prepared by Cameron Partners, and implicit inflation rate.
Wholesale electricity price path	Modelled forecast wholesale prices based on an analysis of expected market assumptions, including: hydro inflows, gas and carbon prices, demand, plant capacity and HVDC capacity.
Generation volume and mix	Generation strategy based on expected demand, hydro volumes, planned outages and expected market pricing.
Estimated future capital expenditure and operating costs	Budgeted capital and operating expenditure, reflecting historical levels and known differences.
Fuel costs	Contracted gas and carbon 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 several 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, 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 several 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%	+715
	+ 0.5%	-611
Wholesale electricity price path	+ 10%	+593
	- 10%	-593

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 Retail 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.

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. 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.

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### 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. Further information on hedging activities and fair value of derivatives is provided in notes E8 and E9.

\$m	Fair value hedge	Cash flow and fair value hedge	Cash flow hedge			No hedge relationship	Total
			Electricity price derivatives	Foreign exchange contracts	Electricity price derivatives		
2023	IRS	CCIRS	IRS	Electricity price derivatives	Foreign exchange contracts	Electricity price derivatives	
Notional amount of derivatives	875	376	1,585	14,128 GWh	176	1,953 GWh	
Maturity years	2025 – 2029	2024 – 2028	2024 – 2031	2024 – 2039	2024 – 2026	2024 – 2028	
Average rate/price	Pay 7.1%	Pay NZ 7.8%/0.75USD	Pay 3.3%	Fixed \$104/MWh	Comment below	Fixed \$144/MWh	
	Receive 5.1%	Receive US 4.1%/0.61USD	Receive 5.7%	Spot \$122/MWh	Comment below	Spot \$134/MWh	
Fair value of derivatives – asset	2	74	55	78	3	26	<b>239</b>
Fair value of derivatives – liability	(29)	(7)	(2)	(152)	(4)	(46)	<b>(242)</b>
Carrying value of hedged borrowings	(845)	(445)	–	–	–	–	<b>(1,290)</b>
Fair value adjustments to borrowings	26	(69)	–	–	–	–	<b>(43)</b>
<b>2022</b>							
Notional amount of derivatives	350	376	1,195	13,833 GWh	118	2,456 GWh	
Maturity years	2023 – 2029	2023 – 2028	2023 – 2027	2023 – 2039	2023 – 2026	2023 – 2025	
Average rate/price	Pay 4.5%	Pay NZ 5%/0.75USD	Pay 3.1%	Fixed \$90/MWh	Comment below	Fixed \$143/MWh	
	Receive 4.1%	Receive US 4.1%/0.62USD	Receive 2.9%	Spot \$110/MWh	Comment below	Spot \$165/MWh	
Fair value of derivatives – asset	–	75	37	3	3	33	<b>151</b>
Fair value of derivatives – liability	(16)	(5)	(4)	(154)	(5)	(42)	<b>(226)</b>
Carrying value of hedged borrowings	(331)	(448)	–	–	–	–	<b>(779)</b>
Fair value adjustments to borrowings	16	(71)	–	–	–	–	<b>(55)</b>

For pay-float swaps (CCIRS and IRS in fair value hedges), the pay rate comprises the floating base rate plus the margin. The CCIRS liability arises from the cash flow hedge component. Notionals, maturities and average prices for electricity price hedges not in hedge relationships do not include options not yet called. The discount rate used for the valuations of electricity price derivatives is a range of 6%–7% (2022: 5%–6%), which is a risk-free rate with credit adjustment.

At 30 June 2023, the average exchange rates were 0.62 USD, 0.56 EUR and 79.51 JPY, while spot rates were 0.61 USD, 0.56 EUR and 88.42 JPY. In the prior year at 30 June 2022, the average exchange rates were 0.68 USD, 0.58 EUR and 76.74 JPY, while spot rates were 0.62 USD, 0.56 EUR and 84.75 JPY.



Change in fair value of derivatives recognised in the statement of comprehensive income

\$m	Fair value hedge	Cash flow and fair value hedge	Cash flow hedge			No hedge relationship	Total
			IRS	Electricity price derivatives	Foreign exchange contracts		
<b>2023</b>	<b>IRS</b>	<b>CCIRS</b>	<b>IRS</b>	<b>Electricity price derivatives</b>	<b>Foreign exchange contracts</b>	<b>Electricity price derivatives</b>	<b>Total</b>
Hedge ineffectiveness	(1)	-	8	-	-	-	7
Hedge effectiveness	(9)	(3)	-	-	-	-	(12)
Non-hedge movements	-	-	-	-	-	2	2
Fair value adjustments to hedged borrowings	9	3	-	-	-	-	12
Realised gains/(losses) on market derivatives not in a hedge relationship	-	-	-	-	-	(27)	(27)
Realised gains/(losses) on risk management derivatives not in a hedge relationship	-	-	-	-	-	(45)	(45)
<b>Total change in fair value of financial instruments recognised in profit/(loss)</b>	<b>(1)</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>(70)</b>	<b>(63)</b>
<b>Hedge effectiveness recognised in OCI</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>14</b>	<b>(1)</b>	<b>-</b>	<b>25</b>
<b>Initial premium recognised in trade and other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13)</b>	<b>(13)</b>
<b>Amounts reclassified to profit/(loss) or balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61</b>	<b>2</b>	<b>-</b>	<b>63</b>
<b>2022</b>							
Hedge ineffectiveness	-	-	24	-	-	-	24
Hedge effectiveness	(21)	12	-	-	-	-	(9)
Non-hedge movements	-	-	-	-	-	(10)	(10)
Fair value adjustments to hedged borrowings	21	(12)	-	-	-	-	9
Realised gains/(losses) on market derivatives not in a hedge relationship	-	-	-	-	-	(21)	(21)
Realised gains/(losses) on risk management derivatives not in a hedge relationship	-	-	-	-	-	(9)	(9)
<b>Total change in fair value of financial instruments recognised in profit/(loss)</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>(40)</b>	<b>(16)</b>
<b>Hedge effectiveness recognised in OCI</b>	<b>-</b>	<b>4</b>	<b>52</b>	<b>(125)</b>	<b>(2)</b>	<b>-</b>	<b>(71)</b>
<b>Initial premium recognised in trade and other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Amounts reclassified to profit/(loss) or balance sheet</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>43</b>

### Sensitivities

The table (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. The amounts in the table represent the impact of changes in the market risk factors on the derivative valuations. These movements would be offset elsewhere by an opposite movement on the hedged item.

## 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 (right) is presented on an undiscounted basis.

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

## D3. Credit risk

Total credit risk exposure is measured by the financial instruments in an asset position of \$602 million (2022: \$530 million). To minimise credit risk exposure, Contact has a policy to only transact with creditworthy counterparties and to not exceed internally imposed exposure limits to any one counterparty. Where appropriate, collateral is obtained. Further information on customer-related credit risk is provided in note E4.

\$m Favourable/(unfavourable)		2023	2022
<b>Hedging impact on hedge reserves</b>			
Forward interest rates	+100bps	28	8
	-25bps	(7)	(7)
Forward electricity prices	+10%	(88)	(76)
	-10%	88	76
Forward foreign exchange rates	+10%	(11)	(8)
	-10%	14	11
<b>Hedging impact on post-tax profit/(loss)</b>			
Forward interest rates	+100bps	-	2
	-25bps	-	2
Forward electricity prices	+10%	3	(6)
	-10%	(3)	6

\$m	Total contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>2023</b>					
Trade and other payables	(207)	(207)	-	-	-
Borrowings	(1,917)	(429)	(74)	(590)	(824)
Other liabilities	(31)	(4)	(2)	(4)	(21)
Electricity price derivatives – net settled	(147)	10	(28)	(83)	(46)
IRS – net settled	30	3	10	21	(4)
Foreign exchange derivatives – inflow	173	149	22	2	-
Foreign exchange derivatives – outflow	(176)	(151)	(23)	(2)	-
	<b>(2,275)</b>	<b>(629)</b>	<b>(95)</b>	<b>(656)</b>	<b>(895)</b>
<b>2022</b>					
Trade and other payables	(177)	(177)	-	-	-
Borrowings	(1,296)	(234)	(198)	(330)	(535)
Other liabilities	(13)	(1)	(2)	(3)	(7)
Electricity price derivatives – net settled	(157)	(67)	(53)	(64)	27
IRS – net settled	16	(6)	2	19	1
Foreign exchange derivatives – inflow	116	104	6	6	-
Foreign exchange derivatives – outflow	(118)	(106)	(6)	(6)	-
	<b>(1,629)</b>	<b>(487)</b>	<b>(251)</b>	<b>(378)</b>	<b>(514)</b>



## 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/(loss), except when it relates to items recognised directly in OCI.

\$m	2023	2022
Profit before tax	177	253
Tax at 28%	(50)	(71)
<b>Tax expense</b>	<b>(50)</b>	<b>(71)</b>
Current	(103)	(87)
Deferred	53	16

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 2021	(699)	34	28	(637)
Recognised in profit/(loss)	26	(8)	(2)	16
Recognised in balance sheet	–	–	(2)	(2)
Recognised in OCI	–	8	–	8
Recognised in other reserves	–	–	(1)	(1)
<b>Balance at 30 June 2022</b>	<b>(673)</b>	<b>34</b>	<b>23</b>	<b>(616)</b>
Recognised in profit/(loss)	19	1	33	53
Recognised in balance sheet	(35)	–	35	–
Recognised in OCI	–	(26)	–	(26)
<b>Balance at 30 June 2023</b>	<b>(689)</b>	<b>9</b>	<b>91</b>	<b>(589)</b>

### E2. Operating expenses

Other operating expenses (note A2) include total labour costs of \$126 million (2022: \$107 million). Labour costs include contributions to KiwiSaver of \$4 million (2022: \$4 million).

Audit fees paid to Contact's auditor (EY) amounted to \$525,000 for review of the interim, audit of the year-end financial statements, audit of subsidiary financial statements and supervisor reporting (2022: \$564,500). Other fees paid to the auditor were \$151,845 for other assurance work (2022: \$100,500) and \$102,443 for non-assurance work (2022: nil).

Other assurance work relates to assurance of greenhouse gas emissions reporting, Global Reporting Initiative disclosures, our Green Borrowing Programme, our sustainable finance framework, our sustainability-linked loan and audit of subsidiary financial statements. Non-assurance work relates to R&D tax incentive compliance and remuneration services.

### E3. Inventories

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	2023	2022
Inventory gas	67	41
Consumables and spare parts	13	13
Diesel fuel	5	4
	<b>85</b>	<b>58</b>
Current	48	58
Non-current	37	–

## E4. Trade and other receivables

\$m	2023	2022
Trade receivables	157	133
Unbilled receivables	83	83
Provision for impairment	(2)	(2)
<b>Net trade receivables</b>	<b>238</b>	<b>214</b>
Contract assets	4	7
Prepayments	6	6
<b>Trade and other receivables</b>	<b>249</b>	<b>227</b>

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.

Ageing of trade receivables past due but not impaired are:

\$m	2023	2022
Less than one month	9	11
Greater than one month	3	3
	<b>12</b>	<b>14</b>

When Contact has been unable to collect amounts due from customers those debts are written off. Trade receivables, net of recoveries, of \$2 million (2022: \$2 million) were written off during the reporting period.

## E5. Trade and other payables

\$m	2023	2022
Trade payables and accruals	225	211
Employee benefits	19	17
Interest payable	9	4
Other liabilities	22	29
<b>Trade and other payables</b>	<b>275</b>	<b>261</b>

## E6. Provisions

Contact recognises restoration and environmental rehabilitation provisions for the expected costs to abandon and restore geothermal wells and generation sites where we can measure these reliably.

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 risk-free rate of 4.7 percent. In the prior reporting period, the discount rate used was based on Contact's WACC of between 6.5 percent and 7.5 percent. The change in discount rate has increased provisions by \$59 million this year.

\$m	Restoration/ decomm- issioning	Environment rehabilitation	AGS onerous contract	Other	Total
Balance at 1 July 2022	(51)	(12)	-	(9)	(72)
Created	(92)	(16)	(120)	-	(228)
Released	2	1	6	-	9
Utilised	8	1	1	7	17
Unwind of discount	(4)	(1)	(3)	-	(8)
<b>Balance at 30 June 2023</b>	<b>(137)</b>	<b>(27)</b>	<b>(116)</b>	<b>(2)</b>	<b>(282)</b>
Current	(2)	(3)	-	-	(5)
Non-current	(135)	(24)	(116)	(2)	(277)

In late 2021 Contact was notified of an unexpected and unexplained increase in pressure recorded in the AGS facility by the owner and operator, Flexgas. This suggested that the current storage capacity of the facility was less than previously thought, which may impact the storage capacity available to Contact. Contact and Flexgas formed a joint technical working group to



investigate these concerns and assess whether there are actions that could be taken to improve the performance of the facility.

During the year, the technical working group concluded the first stage of studies into the issues and Contact concluded its internal review of the findings using a technical expert. The technical working group found that the estimate of total current available storage is between 10 and 12PJ's which is less than originally understood. A third party has firm rights to a portion of this storage capacity. Approximately 4PJ's of gas currently stored in AGS (\$37 million) and owned by Contact is assumed to be available for extraction at the end of Contact's storage contract in 2033. Contact continues ongoing discussions with Flexgas in relation to this matter.

Contact has assessed the storage contract in line with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised an onerous contract provision of \$116 million at 30 June 2023.

The provision is calculated as the difference between the contract payments and the estimated value received from access to available AGS storage over the remaining term of contract, discounted to present value using a pre-tax discount rate of 4.7 percent.

There is a significant level of judgement involved in estimating the value Contact will obtain from access to AGS storage for the remainder of the contract term. Key drivers include, the total storage capacity of AGS, Contact's gas storage requirements, hydrology, future gas and carbon prices, the level of Contact's contracted sales, the market supply/demand balance. These assumptions are consistent with those made in relation to the future cash flows for goodwill and asset impairment testing as per Note C2.

There is interrelation between these assumptions. Any changes in one of these assumptions would not occur in isolation and would drive other changes which could also impact the estimated value.

#### Sensitivity – AGS onerous contract

Key input	Sensitivity	Impact on provision \$m
Estimated value received	+10%	(16)
	-10%	16
Post-tax discount rate	-0.5%	4
	+0.5%	(4)
Estimated available storage	+0.6PJ's	(27)
	-0.6PJ's	25

## E7. Profit to operating cash flows

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

\$m	2023	2022
<b>Profit</b>	<b>127</b>	<b>182</b>
Depreciation and amortisation	224	262
Amortisation of contract assets	6	8
Change in fair value of financial instruments	18	(5)
Hedge reserve balance to be amortised	-	(10)
Movement in provisions	113	(9)
Non-cash interest expense	16	7
Bad debt expense	3	3
Share-based compensation	5	4
Other	4	2
<b>Changes in assets and liabilities, net of non-cash, investing and financing activities</b>		
Trade and other receivables	(10)	20
Inventories and intangible assets	(30)	8
Trade and other payables	(25)	(45)
Tax payable	(3)	(3)
Deferred tax	(53)	(15)
<b>Operating cash flows</b>	<b>395</b>	<b>409</b>

## E8. 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 \$875 million of retail bonds into fair value hedge relationships with receive-fixed, pay-floating IRS. The fixed interest rates and other terms match the relevant bond to create an economic relationship.

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

### Cash flow hedges

The derivatives Contact uses to manage exposure to wholesale electricity prices, floating interest rate risk and foreign exchange rates qualify for cash flow hedge accounting. For cash flow hedges, 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	2023	2022
Opening balance		(82)	(51)
Effective portion of cash flow hedges	D1	25	(71)
Amortisation of hedge reserve		11	(11)
Transferred to revenue or balance sheet	D1	63	43
Transferred to deferred tax	E1	(26)	8
<b>Closing balance</b>		<b>(9)</b>	<b>(82)</b>

Included in the closing balance at 30 June 2023 is \$1 million relating to the cost of hedging reserve (2022: \$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.

Cash flow hedge reserve balances relating to discontinued cash flow hedge relationships are amortised to profit/(loss) over the original term if the cash flows are still expected to occur. Otherwise, the balance is transferred to profit/(loss) when the relationship is discontinued.

### 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).

## E9. 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. 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	2023	2022
Sourced from market data	9	(81)
Derived from market data	92	86
Electricity price estimates	(104)	(81)
	<b>(3)</b>	<b>(76)</b>

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

\$m	2023	2022
Opening balance	(81)	(42)
Gain/(loss) in profit/(loss):		
– wholesale electricity revenue	28	16
Gain/(loss) in OCI	(73)	(21)
Instruments issued	22	(34)
<b>Closing balance</b>	<b>(104)</b>	<b>(81)</b>

For these derivatives a 10 percent increase in the electricity price would result in an unfavourable movement in fair value of \$92 million (2022: \$78 million) and a 10 percent decrease would result in a favourable movement in fair value of \$92 million (2022: \$78 million).

## E10. Financial instruments at amortised cost

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

\$m	2023	2022
Cash and cash equivalents	140	168
Trade and other receivables	236	211
Trade and other payables	(239)	(177)
Borrowings	(1,514)	(1,044)

The fair value of borrowings is \$1,566 million (2022: \$1,105 million). This fair value is derived from market data.

## E11. Share-based compensation

### Equity Scheme

Contact provides an equity award to certain eligible employees made up of performance share rights (PSRs) and deferred share rights (DSRs). Options are no longer issued and all outstanding options were exercised or lapsed during the year. 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. 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 or if an employee voluntarily leaves Contact. The scheme continues on redundancy but the entitlements are adjusted.

### Outstanding PSRs and DSRs

Number outstanding	PSRs	DSRs
Balance at 1 July 2021	<b>663,758</b>	<b>504,372</b>
Granted	232,556	497,697
Exercised	(223,869)	(273,197)
Lapsed	(100,305)	(15,671)
<b>Balance at 30 June 2022</b>	<b>572,140</b>	<b>713,201</b>
Granted	360,281	348,226
Exercised	–	(212,520)
Lapsed	(51,208)	(31,720)
<b>Balance at 30 June 2023</b>	<b>881,213</b>	<b>817,187</b>

PSRs had a weighted average remaining life of 2 years and 3 months (2022: 2 years and 6 months) and DSRs had 10 months (2022: 1 year and 1 month).

### 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 issued 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 2021	267,662
Shares purchased	66,172
Transferred to employees	(89,933)
<b>Balance at 30 June 2022</b>	<b>243,901</b>
Shares issued	77,212
Transferred to employees	(68,552)
<b>Balance at 30 June 2023</b>	<b>252,561</b>

These shares have a weighted average remaining life of 1 year and 3 months (2022: 1 year and 4 months).

### Changes in share-based compensation reserve

\$m	Note	2023	2022
Opening balance		8	8
Exercised share scheme awards		(2)	(3)
Lapsed share scheme awards		-	(1)
Share-based compensation expense		5	4
<b>Closing balance</b>		<b>11</b>	<b>8</b>

### Share-based compensation expense

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

\$m	Grant date		
	Oct 2022	Oct 2021	Oct 2020
PSRs – without internal hurdle	3.97	4.61	4.56
PSRs – with internal hurdle	6.42	7.27	-
DRSs	6.75	7.65	7.52
Contact share	7.64	8.37	8.45

### Key inputs in determining the fair values

	Grant date		
	Oct 2022	Oct 2021	Oct 2020
Risk-free interest rate	4%	1%	0.1%
Expected dividend yield	5%	5%	6%
Expected share price volatility	30%	30%	25%

## E12. Related parties

### Contact group entities

Name of entity	Principal activity	Holding	Country
<b>Subsidiaries</b>			
Simply Energy Limited	Energy solutions	100%	New Zealand
Western Energy Services Limited	Geothermal well services	100%	New Zealand
Contact Energy Solar Limited	Solar activities	100%	New Zealand
Contact Energy Solar Holdings GP Limited	Solar activities	100%	New Zealand
Contact Energy Solar Holdings LP	Solar activities	100%	New Zealand
Contact Energy Trustee Company Limited	Trust for Contact Share	100%	New Zealand
Contact Energy Risk Limited	Captive insurance	100%	Cook Islands
<b>Associates and joint ventures</b>			
Drylandcarbon One Limited Partnership	Investment in forestry	16.5%	New Zealand
Forest Partners Limited Partnership	Investment in forestry	14%	New Zealand
Kōwhai Park I GP Limited*	Solar activities	50%	New Zealand
Kōwhai Park I LP*	Solar activities	50%	New Zealand

\*New this financial year.

### Drylandcarbon One Limited Partnership and Forest Partners Limited Partnership

Drylandcarbon and Forest Partners invest in afforestation projects on economically marginal land in New Zealand to produce a stable supply of carbon units which will offset Contact's carbon obligations.

Drylandcarbon and Forest Partners are accounted for as associates, as Contact has significant influence over both entities through its participation in financial and operating policy decisions being equivalent to the other investors.

Contact applies the equity method of accounting for its investments in Drylandcarbon and Forest Partners. The initial investments are recognised at cost and are subsequently adjusted for Contact's share of the entity's profits or losses. Any distributions received are recognised against the investment.

### Related party transactions

Contact's related parties also include its directors and the Leadership Team (LT).

Received/(paid) \$m	2023	2022
<b>Drylandcarbon One Limited Partnership</b>		
Capital contributions	–	(9)
<b>Forest Partners Limited Partnership</b>		
Capital contributions	(12)	(2)
<b>Key management personnel</b>		
Directors' fees	(1)	(1)
LT – salary and other short-term benefits <sup>1</sup>	(7)	(7)
LT – share-based compensation expense	(2)	(1)
<b>Balances payable at end of the year</b>		
Key management personnel	(1)	(1)

1. Salary and other short-term benefits is the cash amount paid in the year.

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

## E13. New accounting standards

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

## E14. Contingencies

Contact has obligations to a local distribution company for charges associated with construction and anticipated distribution services relating to the substation in Clyde.

Contact are working with the distribution company to determine the final construction costs of the substation, which will be a factor in determining the charges. While Contact has an obligation, it is not yet known what the charges may be and therefore the obligation cannot be measured with sufficient reliability. Consequently, the obligation has not been recognised at 30 June 2023 and is disclosed as a contingent liability.

In the normal course of business, Contact is subject to inquiries, claims and investigations. There are no other material matters to disclose in this respect at 30 June 2023.





# Combined Independent Auditor's and Limited Assurance Report

We have performed the following assurance engagements:

- audit of the Consolidated Financial Statements of Contact Energy Limited on pages 88 to 112.
- limited assurance engagement in relation to Contact Energy Limited's Global Reporting Initiative disclosures as referenced on pages 122 to 127 of the Annual Report ("GRI Disclosures"). In relation to these matters, our limited assurance is restricted to the specific elements referred to and unless otherwise stated we provide no assurance on other information on the pages referred to.

## Independent Auditor's Report to the shareholders of Contact Energy Limited

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Contact Energy Limited (the "Company") and its subsidiaries (together the "Group") on pages 88 to 112, which comprise the consolidated statement of financial position of the Group as at 30 June 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 88 to 112 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2023 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an 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 Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Please refer to the "Our independence and quality control" section of our combined report below for details of the other services we have provided to the Group.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Ahuroa Gas Storage (AGS) Provision

Why significant	How our audit addressed the key audit matter
<p>The Group has a contract to store gas at Ahuroa Gas Storage Facility. During FY23 it was identified that the available gas storage capacity is lower than previously anticipated.</p> <p>A technical working group including the operator of the facility has investigated the actions that could be taken to improve the performance of the facility. They also assessed the estimated total storage capacity which formed the basis of management's assumptions.</p> <p>As at 30 June 2023, the Group has recorded a provision of \$116m relating to the contractual obligations it has in respect of the facility. The provision reflects the difference between the future payments the Group is contractually obligated to make and the value expected to be received from access to available gas storage over the remaining term of contract, discounted to present value.</p> <p>Significant judgements in the provision calculation include assessing the available storage capacity over the period of the contract and the estimated value the Group will derive from the storage capacity. The estimated value to the Group is based on forecast hydrology and future gas, electricity and carbon prices which all impact the demand for storage.</p> <p>Disclosures regarding the provision, including key assumptions used and sensitivity of the assessment to certain judgmental inputs are included in note E6 to the consolidated financial statements.</p>	<p>In obtaining sufficient appropriate audit evidence, we:</p> <ul style="list-style-type: none"> <li>• Understood the contract payment obligations and terms.</li> <li>• Read the technical working group's report. We held direct discussions with a member of the technical working group to confirm our understanding of the report's conclusions.</li> <li>• Assessed the reasonableness of the estimated value to be received by the Group included within the provision calculation model. In doing so, we:                     <ul style="list-style-type: none"> <li>• Considered the appropriateness of the expected value received compared to the Board approved 5 year business plan.</li> <li>• Used our power and utilities specialists to assess the appropriateness of key inputs/assumptions included within the model such as hydrology and future gas, electricity and carbon prices.</li> <li>• Assessed the reasonableness of the estimated available storage capacity based on the technical working groups report and current volume levels.</li> <li>• Performed sensitivity analysis for changes in key drivers in the model.</li> </ul> </li> <li>• Assessed the appropriateness of the Group's disclosures in accordance with NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets and whether they appropriately explain the key judgements and estimates used.</li> </ul>

### Information other than the financial statements and auditor's report

The directors of the Company are responsible for the annual report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion

thereon, other than our limited assurance conclusion in relation to the Group's Global Reporting Initiative disclosures as described below.

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 during the audit, or otherwise appears to be materially misstated.

If, based upon 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.

### Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 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 International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>. This description forms part of our auditor's report.

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## Independent Limited Assurance report on the Global Reporting Initiative Disclosures

### To the Directors of Contact Energy Limited

#### Conclusion

Based on the procedures we have performed and the evidence we obtained, nothing has come to our attention that suggests the GRI Disclosures as referenced on pages 122 to 127 of the Annual Report for the year ended 30 June 2023 have not been prepared, in all material respects, in accordance with the Global Reporting Initiative Reporting Standards 2021.

#### Criteria applied by the Company

In preparing the GRI Disclosures, the Group applied the Global Reporting Initiative Reporting Standards 2021 (the "GRI Standards"). As a result, the GRI Disclosures may not be suitable for another purpose.

#### Information other than the GRI Disclosures and our limited assurance report

The directors of the Company are responsible for the annual report, which includes information other than the GRI Disclosures and the limited assurance report.

Our limited assurance conclusion on the GRI Disclosures does not cover the other information and we do not express any form of assurance conclusion thereon, other than our audit opinion in relation to the Group's financial statements as described above.

In connection with our limited assurance engagement in relation to the GRI Disclosures, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the GRI Disclosures or our knowledge obtained during the engagement, or otherwise appears to be materially misstated.

If, based upon 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.

#### Management's responsibilities

Contact Energy Limited's management is responsible for selecting the criteria, and for presenting, in all material respects, the GRI Disclosures in accordance with those criteria. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

#### EY's responsibilities

Our responsibility is to express a limited assurance conclusion on the presentation of the GRI Disclosures based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ("ISAE (NZ) 3000 (Revised)") and, in relation to elements of the reporting related to greenhouse gases, International Standard on Assurance Engagements on Greenhouse Gas Statements ("ISAE (NZ) 3410"). These standards require that we plan and perform our engagement to express a conclusion on whether anything has come to our attention that suggests the GRI Disclosures have not been prepared, in all material respects, in accordance with the GRI Standards.

The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

#### Inherent Limitations

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the GRI Disclosures and related information, and applying analytical and other appropriate procedures.

The greenhouse gas ("GHG") quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation and measurement uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

#### Description of procedures performed

Our procedures included:

- Inquiries of management to gain an understanding of the Contact Energy Limited's processes for determining the material issues for the Group's key stakeholders;



- Interviews with relevant staff responsible for providing the information in the GRI Disclosures
- Understanding management's processes and controls for collating relevant information.
- Comparing the information presented in the GRI Disclosures 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 Disclosures; and
- Considering whether the disclosures reported align with the GRI Standards.

We also performed such other procedures as we considered necessary in the circumstances.

We have not performed assurance procedures in respect of any information relating to prior reporting periods, including those presented in the GRI Disclosures. Our report does not extend to any disclosures or assertions made by Contact Energy Limited relating to future performance plans and/or strategies disclosed in the 2023 Annual Report and supporting disclosures online.

While we consider the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

### Restricted use

This limited assurance report is intended solely for the information and use of Contact Energy Limited and its Directors and is not intended to be and should not be used by anyone other than Contact Energy Limited and its Directors.

We acknowledge a copy of our limited assurance report is included in Contact Energy Limited's Annual Report for information purposes only. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

### Other Matter

The combined independent audit and assurance report in relation to the Group's financial statements and Company's GRI reporting for the year ended 30 June 2022 was issued by another assurance provider who expressed an unmodified opinion on the consolidated financial statements and an unmodified limited assurance conclusion on the GRI Disclosures on 12 August 2022.

### Our Independence and Quality Control for the Combined Assurance Report

We have complied with the independence and other requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, 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 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Ernst & Young provides services to the Group in relation to trustee reporting, market remuneration surveys, immigration services, research and development tax credit advice and other assurance relating to Greenhouse gas emissions reporting, green borrowings programme reporting and the Group's sustainable linked loan and sustainable finance framework. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

The engagement partner on the combined assurance engagement resulting in the independent auditor's report and independent limited assurance report is Grant Taylor.



Chartered Accountants  
Wellington  
14 August 2023

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# Glossary

<b>APA</b>	Attribute Purchase Agreement.	<b>The Group</b>	This is Contact Energy Limited and subsidiaries and associate entities that make up the group. These are identified in note <b>E12</b> of the financial statements.	<b>TSIR</b>	Total Incident Severity Rate is a leading indicator measure that assesses the potential severity of health and safety and process safety incidents.
<b>ASX</b>	Australian Securities Exchange.	<b>&lt;IR&gt;</b>	An abbreviation for The Integrated Reporting Framework, a principles-based framework for corporate reporting.	<b>TWOW</b>	Transformative Ways of Working is one of our major strategic themes. It is focused on reimagining our traditional ways of working.
<b>CEN</b>	Contact's stock ticker on NZX and ASX.	<b>JV</b>	Joint venture.	<b>Virtual power plant</b>	In the past this was demand response. It is the ability to turn energy use off and on according to demand.
<b>Contact</b>	The company called Contact Energy Limited. Unless otherwise stated, all activities and indicators in this report are for Contact.	<b>LSbp</b>	Lightsource bp are our joint venture partner for our solar farm projects.		
<b>Contact26</b>	Contact's strategy which sets out the company's priorities and key activities for the five years from 2021–2026.	<b>NZAS</b>	Aotearoa 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.		
<b>CY</b>	Calendar year which ends in December.	<b>NZX</b>	New Zealand Stock Exchange.		
<b>EBITDAF</b>	Earnings before interest, tax, depreciation, amortisation, and changes in fair value of financial instruments. EBITDAF is a non-GAAP (generally accepted accounting practice) measure. Information regarding the usefulness, calculation and reconciliation of this measure is provided within note <b>A2</b> to the financial statements.	<b>Ohaki</b>	Ngāti Tahu have instructed Contact that 'Ohaki' (full name 'Te Ohaki o Ngatoroirangi'/The gift of Ngatoroirangi) is the official pronunciation and should be used when referring to the Ohaki Marae (Tahumatua) or other Ngāti Tahu taonga. Ohaki Pā is the paramount marae of the iwi. There are many generations of Ngati Tahu occupation in and around the Ohaki area, which was a highly valued kāinga for its geothermal features, Waikato Awa and many natural resource.		
<b>ESG</b>	The environmental, social and governance factors used to evaluate performance.	<b>Ohaaki</b>	Ohaaki is used for the Contact power station and operations.		
<b>FID</b>	Final investment decision.	<b>PPA</b>	Power Purchase Agreement.		
<b>FY22</b>	The financial year ended 30 June 2022.	<b>SBTi</b>	Science-based targets initiative.		
<b>FY23</b>	The financial year ended 30 June 2023.	<b>TCC</b>	Taranaki Combined Cycle (TCC) our gas-fired power station.		
<b>GeoFuture</b>	Our project to modernise the way we generate power on the Wairākei geothermal steamfield. This will provide the opportunity for us to stop all discharges of geothermal and cooling water from our power stations into the Waikato River and streams.	<b>TCFD</b>	The Task Force for Climate-related Financial Disclosures provides a framework for climate-related financial risk disclosures.		
<b>GHG</b>	Greenhouse gas emissions.	<b>Terrawatt hour (TWh)</b>	A unit of energy equal to outputting one million million watts for one hour.		
<b>GRI</b>	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.				



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# Te Reo Māori glossary

<b>Ākonga</b>	Student
<b>Aotearoa</b>	New Zealand
<b>Hapū</b>	Kinship group, subtribe
<b>Iwi</b>	Extended kinship group, tribe
<b>Kaitiaki</b>	Guardian, steward
<b>Kaitiakitanga</b>	Guardianship, stewardship
<b>Māori</b>	Indigenous Peoples of Aotearoa New Zealand
<b>Mahi</b>	Work, activity
<b>Mana whenua</b>	The hapū and iwi groups that have territorial rights and authority over land
<b>Motu</b>	Island, country, land, nation
<b>Tangata whenua</b>	People of the land, in Aotearoa New Zealand, Māori as the Indigenous People are known as the tangata whenua
<b>Tīkanga</b>	Custom, protocol
<b>Whānau</b>	Extended family, family group

Translations have primarily been sourced from **Te Aka Māori Dictionary**.

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# GRI and TCFD directories

## TCFD index

Disclosure	Page number
Describe the board's oversight of climate-related risks and opportunities.	68-71
Describe management's role in assessing and managing climate-related risks and opportunities.	68-71
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	120-121
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	45
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario.	45
Describe the organisation's processes for identifying and assessing climate-related risks.	45
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	12, 45
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	14, 29-32
Disclose Scope 1, 2 and if appropriate Scope 3 greenhouse gas (GHG) emissions, and the related risks.	42-46
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	29-32, 42-43

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## Climate-related risks and opportunities

We reviewed and updated our scenario analysis this year to further understand the financial implications of climate-related risk on our business. This is detailed in the section ‘Financial implications of climate change’.

We have identified a range of risks which we have then rated as low, medium, or high based on the likelihood, time-horizon and potential impact/size of the opportunity or risk. We use our existing risk management systems to capture, monitor and report on climate-related risks. Risks rated high are also monitored by Senior Management and the Board Audit and Risk

Committee. The Board Safety and Sustainability 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 our teams do to understand issues, such as climate change, contribute to their decision-making.

This table presents an overview of Contact’s most material climate-related risks and opportunities in the short, medium and long term. Risks will be reviewed in the upcoming FY to ensure alignment with XRB’s climate-related disclosure standards.

	Short term (now–2024)	Medium term (2024–2035)	Long term (2035–onwards)
	These may impact near-term financial results, including those that may materialise within the current reporting cycle.	That 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.
<b>Market Transition Risks and Opportunities</b>			
<b>Contact’s emissions profile</b>	<ul style="list-style-type: none"> <li>• Reputational impact of continued use of thermal and high emissions generation.</li> <li>• Heightened scrutiny from customers and investors on ESG performance.</li> <li>• National imperative to reduce carbon emissions through policy and other means.</li> <li>• Rising gas and carbon costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Heightened scrutiny of emissions from geothermal energy generation.</li> <li>• Delivering on our science-based targets.</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder rejection of fossil fuels including natural gas.</li> </ul>
<b>Leading the market to decarbonise</b>	<ul style="list-style-type: none"> <li>• Rising stakeholder expectations to respond and adapt faster to climate-related issues.</li> <li>• Leadership of decarbonisation initiatives and increased opportunity for renewable developments.</li> <li>• New opportunities and markets developed to support low-carbon transition activities. Delivery of Tauhara Geothermal.</li> <li>• Opportunity to deepen relationships with customers who are looking to decarbonise.</li> </ul>	<ul style="list-style-type: none"> <li>• Transition to lower carbon economy creates more demand for electricity.</li> <li>• Opportunities for innovative customer and technology solutions.</li> <li>• Increased electricity demand.</li> <li>• Increased demand for green energy products/certification.</li> </ul>	<ul style="list-style-type: none"> <li>• Wider options for new generation development.</li> </ul>
<b>Thermal transition</b>	<ul style="list-style-type: none"> <li>• Renewable generation development opportunities to displace thermal. Tauhara Geothermal displacement of Thermal.</li> <li>• Potential for high-emissions industries to favour gas as a transition fuel, resulting in increased gas use and emissions in the short term.</li> <li>• Continued requirement for thermal peaking plant in New Zealand to ensure affordable security of supply.</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to develop large-scale battery storage grid options.</li> <li>• Ensuring a just transition to a low-emissions energy sector.</li> <li>• Increased over- and under-supply risks, due to growing reliance on variable wind and solar generation.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for significant renewable overbuild, and significant distributed generation.</li> </ul>

	Short term (now–2024)	Medium term (2024–2035)	Long term (2035–onwards)
<b>New technology</b>	<ul style="list-style-type: none"> <li>• Customer adoption of new technologies and/or energy efficient solutions impacts on demand for grid-connected electricity.</li> <li>• Opportunity for smart solutions for customers to assist decarbonisation, including demand flexibility technology.</li> </ul>	<ul style="list-style-type: none"> <li>• Customer adoption of new technologies and/or energy efficient solutions impacts on demand for grid-connected electricity.</li> <li>• Opportunity for innovative new energy sources.</li> <li>• Increase in demand due to changing industry energy requirements.</li> <li>• Green hydrogen development opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• New technology makes current generation redundant and/or impacts demand significantly.</li> </ul>
<b>Regulation</b>	<ul style="list-style-type: none"> <li>• Changes to regulation impacts on costs of business and/or licence to operate.</li> <li>• Introduction of mandatory climate change risk reporting under XRB climate-related disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>• New regulation requires Contact to offset or reduce emissions faster than planned.</li> </ul>	<ul style="list-style-type: none"> <li>• New Zealand's costs become higher relative to globe which results in production moving offshore and reduced demand.</li> </ul>
<b>Physical Risks and Opportunities</b>			
<b>Temperature increases</b>		<ul style="list-style-type: none"> <li>• Changes to maintenance requirements as temperatures increase.</li> <li>• Changes to electricity demand as temperatures change. Reduction in total 'cold' days, with converse increase in total 'hot' days.</li> <li>• Health, safety and wellbeing impacts on people working in warmer conditions.</li> <li>• Impacts on the efficiency and availability of generation plants.</li> <li>• Implications on resource consent requirements which may increase costs and/or impact on licence to operate.</li> </ul>	<ul style="list-style-type: none"> <li>• Impacts on operational plant may require change in design.</li> </ul>
<b>Access to natural resources</b>	<ul style="list-style-type: none"> <li>• Changes to hydro inflows impact on our renewable generation.</li> <li>• Changes in regulation may impact on access to water, consent conditions and/or costs.</li> <li>• Consents required for new developments have enhanced restrictions and requirement conditions for access to resource.</li> <li>• Drilling programme requires access to significant volumes of water.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased demand and competition for natural resources, including freshwater, impacts on access to natural resources for generation.</li> </ul>	<ul style="list-style-type: none"> <li>• Water storage requirements change.</li> <li>• Increased hydro inflows in short-term duration flood events create opportunities to increase generation output, but may also increase flood risk and require spilling at hydro.</li> </ul>
<b>Intensity and frequency of weather events</b>	<ul style="list-style-type: none"> <li>• Increased potential for erosion issues.</li> <li>• Disruption to physical works during storms.</li> <li>• Increased wildfires disrupting electricity supply due to transmission lines flashing.</li> <li>• Stormwater systems require redesign and/or replacement to meet changing capacity requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for increased power outages due to transmission failure caused by storms.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased flood risk around rivers and lakes impacts on generation operations.</li> <li>• Increased risk from long-term drought, wildfires, reduced hydro inflows and therefore generation capacity.</li> </ul>



## GRI index

Contact has reported in accordance with the GRI Standards for the period 1 July 2022 to 30 June 2023.

GRI 1 used	GRI 1: Foundation 2021		
Applicable GRI Sector Standard(s)	There is no current applicable sector standard.		

GRI Standard/ Other source	Disclosure	Page	Explanation
<b>GRI 2: General Disclosures 2021</b>			
2-1	Organisational details	89, 129	
2-2	Entities included in the organisation's sustainability reporting	–	Contact Energy is the only entity included in our sustainability reporting unless otherwise specified. Financial auditing is inclusive of our subsidiaries, Western Energy and Simply Energy.
2-3	Reporting period, frequency and contact point	2, 89, 122, 129	
2-4	Restatements of information		No restatements were made in FY23. Restatements from prior years are referred to on on page 96 of the <b>2022 Integrated Report</b> .
2-5	External assurance	71, 113–116	
2-6	Activities, value chain and other business relationships	61–66	
2-7	Employees	–	See employee tables on our <b>ESG Reporting webpage</b> .
2-8	Workers who are not employees	Omitted	Information unavailable: We do not have any comprehensive tracking of non-employees (i.e. contractors) however we are aiming to introduce better tracking in the near future.
2-9	Governance structure and composition	68–71	Further detail can be found in our <b>Corporate Governance Statement</b> and on our <b>website</b> .

GRI Standard/ Other source	Disclosure	Page	Explanation
2-10	Nomination and selection of the highest governance body	–	Information is in our <b>Corporate Governance Statement</b> .
2-11	Chair of the highest governance body	68	
2-12	Role of the highest governance body in overseeing the management of impacts	68–71	
2-13	Delegation of responsibility for managing impacts	71	
2-14	Role of the highest governance body in sustainability reporting	68	
2-15	Conflicts of interest	81–82	Further detail can be found in our <b>Corporate Governance Statement, Conflict of Interest Policy, and Code of Conduct</b> .
2-16	Communication of critical concerns	70–71	Any critical concerns are presented to the Board in the form of written papers and oral presentations.
2-17	Collective knowledge of the highest governance body	68–70	Further detail can be found in our <b>Corporate Governance Statement</b> .
2-18	Evaluation of the performance of the highest governance body	68	Further detail can be found in our <b>Corporate Governance Statement</b> .
2-19	Remuneration policies	74–78	
2-20	Process to determine remuneration	72–79	Further detail can be found in our <b>Corporate Governance Statement</b> .
2-21	Annual total compensation ratio	79	
2-22	Statement on sustainable development strategy	5–10	

GRI Standard/ Other source	Disclosure	Page	Explanation
2-23	Policy commitments	70	Further detail can be found in our <b>Code of Conduct</b> , and within our <b>policies</b> . Policies applying to our subsidiaries, and application to supply chain/partners is on a per-policy basis. Communication is achieved internally through Contact University, and externally with suppliers through supplier questionnaires.
2-24	Embedding policy commitments	-	See our <b>Modern Slavery Statement</b> . We offer online training as well as tailored in-person training to different business areas – for example, modern slavery training.
2-25	Processes to remediate negative impacts	Omitted	Information incomplete: We engage with individuals and local communities to remediate negative impacts from our operations, and we have a Stakeholder Engagement Policy detailing our engagement approach and principles with various stakeholders. We will look to disclose next year after an assessment is done to ensure reported information is consistent across all our operations.
2-26	Mechanisms for seeking advice and raising concerns	70-71, 129	
2-27	Compliance with laws and regulations	71	Also indicator for material topic Protecting and Restoring Biodiversity and Other Natural Treasures.
2-28	Membership associations	-	See table on our <b>ESG Reporting webpage</b> .
2-29	Approach to stakeholder engagement	46, 50	
2-30	Collective bargaining agreements	-	8.5% of total Contact employees were covered by collective bargaining agreements as at 30 June 2023. We do not otherwise base employee remuneration on collective bargaining agreements.

GRI Standard/ Other source	Disclosure	Page	Explanation
<b>GRI 3: Material Topics 2021</b>			
3-1	Process to determine material topics	65	
3-2	List of material topics	65	
<b>Material Topics</b>			
<b>Freshwater system health</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topic	25, 42, 48-49, 63	More information on our <b>Water webpage</b> .
<b>GRI 303: Water and Effluents 2018</b>			
303-1	Interactions with water as a shared resource	48-49	
303-2	Management of water discharge-related impacts	Omitted	Confidentiality constraints: All discharge impacts to waterways are managed as part of our licence to operate within consent conditions as well as energy supply agreements held with third parties. Disclosure will be reviewed for next year.
303-3	Water withdrawal	-	Refer to our <b>ESG Reporting webpage</b> .
303-4	Water discharge	-	Refer to our <b>ESG Reporting webpage</b> and our <b>Water webpage</b> . Further information on our consent requirements can be found at the <b>Waikato District Council website</b> . We had no discharge limit breaches in FY23.
303-5	Water consumption	-	Refer to our <b>ESG Reporting webpage</b> .
<b>Protecting and restoring biodiversity and other natural treasures</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topic	42, 48, 50	

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GRI Standard/ Other source	Disclosure	Page	Explanation
<b>GRI 304: Biodiversity 2016</b>			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Omitted	Information unavailable: The information has been prepared for each site; however information is not at a standard to be made useful for public reporting. Disclosure will be reviewed for next year.
304-2	Significant impacts of activities, products and services on biodiversity	48	Refer to 'Looking after our ecosystems' section on our <a href="#">website</a> .
304-3	Habitats protected or restored	-	See table on our <a href="#">ESG Reporting webpage</a> .
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	48	
<b>Generation emissions and renewable energy supply; Reliable energy supply</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topic	8-9, 14, 27, 29-31, 44-45, 61, 63	Indicators for generation emissions and renewable energy supply.
3-3	Management of material topic	14, 25, 31, 51-52, 61, 63, 76	Indicators for reliable energy supply. More information on our ThermalCo idea can be found <a href="#">here</a> .
<b>GRI 305: Emissions 2016</b>			
305-1	Direct (Scope 1) GHG emissions	45	Global Warming Potential rate for sulfur hexafluoride is 22,800. Further detail can be found in our <a href="#">GHG Inventory Report</a> .
305-2	Energy indirect (Scope 2) GHG emissions	45	
305-3	Energy indirect (Scope 3) GHG emissions	45	

GRI Standard/ Other source	Disclosure	Page	Explanation
305-4	GHG emissions intensity	-	0.70:1 (tCO <sub>2</sub> e per MWh) Calculated by dividing Scope 1 and 2 emissions by scope 1 and 2 activity amounts. Scope 3 not included in ratio as activity in MWh is difficult to quantify. Further detail can be found in our GHG Inventory Report
305-5	Reduction of GHG emissions	30, 42	Further detail can be found in our GHG Inventory Report.
305-6	Emissions of ozone-depleting substances (ODS)	Omitted	Not applicable: New Zealand legislation prevents emission of ODS.
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions.	Omitted	Information unavailable: NO <sub>x</sub> , SO <sub>x</sub> and other emission data for FY23 is currently unavailable, and is expected to be calculated at a later date.
Own measure	Percentage of renewable generation	61	Calculated by dividing renewable generation against total generation.
<b>Decarbonisation, demand flexibility and electrification</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topic	14, 17-24, 30, 35	
Own measure	Describe demand side management programmes	17-20	Our demand side management programmes are outlined in the referenced pages. Demand side management rewards customers for flexible electricity consumption, either through participation in ancillary flexibility programmes or by reducing electricity costs through load shifting. This is managed via our Simply Flex technology which continuously monitors available customer load in real time.



GRI Standard/ Other source	Disclosure	Page	Explanation
<b>Sustainable procurement</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topic	46	See our <a href="#">Responsible Procurement webpage</a> for more information. 3-3-e and 3-3-f: Omitted, information unavailable: We are working to stand-up a dedicated procurement team internally with focus on improving our supplier assessment process. Therefore, our current process will be re-evaluated in the next financial year.
<b>GRI 308: Supplier Environmental Assessment 2016</b>			
308-1	New suppliers that were screened using environmental criteria	Omitted	Information unavailable: We have supplier surveys in place, however this does not assess negative environmental impacts. Our current process is being re-evaluated and disclosure will be reviewed for next year.
308-2	Negative environmental impacts in the supply chain and actions taken	Omitted	Information unavailable: We have supplier surveys in place, however this does not assess negative social impacts. Our current process is being re-evaluated and disclosure will be reviewed for next year.
<b>GRI 414: Supplier Social Assessment 2016</b>			
414-1	New suppliers that were screened using social criteria	Omitted	Information unavailable: We have supplier surveys in place, however this does not assess negative social impacts. Our current process is being re-evaluated and disclosure will be reviewed for next year.
414-2	Negative social impacts in the supply chain and actions taken	Omitted	Information unavailable: We have supplier surveys in place, however this does not assess negative social impacts. Our current process is being re-evaluated and disclosure will be reviewed for next year.
<b>A thriving workforce</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topic	51, 53-57	Refer to our <a href="#">Health &amp; Safety webpage</a> and <a href="#">ESG Reporting webpage</a> for more information. Lack of community representation means social/cultural perspectives are not considered in our decision making, and impacts to those communities are not addressed. Our diversity targets aim to reduce the risk to these communities, and our operations as a result.

GRI Standard/ Other source	Disclosure	Page	Explanation
<b>GRI 403: Occupational Health and Safety 2018</b>			
403-1	Occupational health and safety management system	56	Refer to our <a href="#">Health &amp; Safety webpage</a> .
403-2	Hazard identification, risk assessment, and incident investigation	56	See our <a href="#">Health &amp; Safety webpage</a> for more information. Through our Learning Team approach to investigate work-related incidents, teams involved in an incident come together with minimal management presence. Through expert facilitation, timelines are established, stories are told, and everyone involved gets the opportunity to contribute. Focus is applied to hierarchy of controls to ensure that actions are not focused on administrative controls, but on being able to engineer, isolate, substitute or eliminate hazards.
403-3	Occupational health services	56-57	
403-4	Worker participation, consultation, and communication on occupational health and safety	56	Each of our sites has a H&S committee with diverse membership from the frontline through to site management. Meetings are generally held monthly, including with contractors, and two-way communication sets expectations, gathering insights around H&S. Building relationships, having informal discussions and formal mechanisms such as observation cards enables collaboration with frontline workers to write and review our H&S system. Workshops, testing, and field experiments are mechanisms we use throughout.
403-5	Worker training on occupational health and safety	57	

GRI Standard/ Other source	Disclosure	Page	Explanation
403-6	Promotion of worker health	54, 57	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	56	We offer occupational health monitoring such as lung function and hearing testing. Anyone who has potentially been exposed to asbestos in the past is registered with NZ Provide, an asbestos health monitoring program.
403-8	Workers covered by an occupational health and safety management system	56	Our H&S system has been internally audited according to NZS4801 (superseded by ISO 45001). No external audit has been performed.
403-9	Work-related injuries	54	Refer to our <a href="#">Health &amp; Safety webpage</a> and <a href="#">ESG Reporting webpage</a> .
403-10	Work-related ill health		Data is compiled through our H&S reporting system, including injuries and ill health. A report is generated with includes classifications and injury summary. The categorisation of these help us to determine if it is a work-related injury or illness, and the agency of the injury.
Own measure	TISR	56	TISR is calculated by multiplying each injury or incident by its' weighted severity level. The sum of all weighted incidents is divided by controlled hours worked, then multiplied by 1,000,000 to normalise the final TISR result.
<b>GRI 405: Diversity and Equal Opportunity 2016</b>			
405-1	Diversity of governance bodies and employees	55-56	See also, diversity tables on our <a href="#">ESG Reporting webpage</a> .
405-2	Ratio of basic salary and remuneration of women to men	Omitted	Information unavailable: The information to breakdown our employee remuneration by employee category and area of operation is not currently captured. We will review our process in the next financial year. We do include information on <a href="#">pay equity</a> .

GRI Standard/ Other source	Disclosure	Page	Explanation
Own measure	Employee engagement	53	Engagement surveys are undertaken three times per year and open to all employees. Contact's overall employee engagement score is based on the average score given by survey respondents in response to the main engagement questions.
<b>Safe and resilient infrastructure</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topic	37, 44-45, 51-52, 57, 63, 120-121	
Own measure	Process safety data	57	Process safety learning events and incidents are recorded and validated by an Engineering Authority and categorised by following the Process Safety Incident Categorisation Chart (based on the API 754 standard). Step back learnings are completed where justified and improvement actions generated. All reported process safety incidents are included in the metric, even if remediation actions are still in progress.
Own measure	Impacts on assets from physical risks of climate change	120-121	Methodology is included in the introduction on page 120.
<b>Meaningful relationships with tangata whenua; Community wellbeing</b>			
<b>GRI 3: Material Topics 2021</b>			
3-3	Management of material topic	26, 50	Indicators for meaningful relationships with tangata whenua.

GRI Standard/ Other source	Disclosure	Page	Explanation
3-3	Management of material topic	37, 42, 46	Indicators for community wellbeing.

**GRI 413: Local Communities 2016**

413-1	Operations with local community engagement, impact assessments, and development programmes	46	While we look at gender diversity internally, external gender impact assessments in local communities is not part of our AEE. Community consultation committees and processes that include vulnerable groups are not included in site-specific community engagement plans as they are considered at a wider level.
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413-2	Operations with significant actual and potential negative impacts on local communities	Omitted	Information incomplete: While we discuss our impacts on biodiversity, habitats, and the environment throughout the report, we do not discuss this in context of the local community in detail that the disclosure requires. We will review local community engagement plans.
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**Customer wellbeing and trust**

**GRI 3: Material Topics 2021**

3-3	Management of material topic	9, 14, 34, 37, 52	
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**GRI 418: Customer Privacy 2016**

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	See reportable privacy incidents table on our <a href="#">ESG Reporting webpage</a> .
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Own measure	Customer satisfaction (Net Promoter Score)	14, 34	Each week, a random customer sample is surveyed to measure their experience with Contact using Net Promoter Score (NPS). NPS from the last quarter (1 April – 30 June) of the year is reported using the following calculation: (promoters-detractors)/(total responses).
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GRI Standard/ Other source	Disclosure	Page	Explanation
<b>Energy wellbeing and equity</b>			
<b>GRI 3: Material Topics 2021</b>			

3-3	Management of material topic	37, 63	
Own measure	Percentage of customers accepted following credit check	42	Measured by analysing new sign-ups following a credit check to determine sign-up rate with Prepay included/excluded. Increase in sign-ups with Prepay reflects energy accessibility for those who would otherwise be rejected.







# Corporate directory

## Board of Directors

**Robert McDonald (Chair)**

**Victoria Crone**

**Sandra Dodds**

**Jon Macdonald**

**David Smol**

**Rukumoana Schaafhausen**

**Elena Trout**

## Leadership team

**Mike Fuge**

Chief Executive Officer

**Chris Abbott**

Chief Corporate Affairs Officer

**Jack Ariel**

Major Projects Director

**Jan Bibby**

Chief People and Transformation Officer

**Matt Bolton**

Chief Retail Officer

**John Clark**

Chief Generation Officer

**Dorian Devers**

Chief Financial Officer

**Iain Gauld**

Chief Information Officer

**Jacqui Nelson**

Chief Development Officer

**Tighe Wall**

Chief Digital Officer

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## Company secretary

**Kirsten Clayton**

General Counsel & Company Secretary

## Company numbers

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ABN 68 080 480 477

## Auditor

**EY**

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Wellington 6011

Utilities Disputes 0800 223 340

If you live around one of our power stations or offices and want to get in touch, give us a shout on 0800 000 458 (North Island) or 0800 66 33 35 (South Island).

## Registry

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

[investorcentre.linkmarketservices.co.nz](https://investorcentre.linkmarketservices.co.nz)  
[investorcentre.linkmarketservices.com.au](https://investorcentre.linkmarketservices.com.au)

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