Climate Statement FY24

About our climate-related disclosures

At Contact, our vision is to be a leader in the decarbonisation of New Zealand. We're playing our part in the transition to a renewable energy future in response to the climate challenges facing us all.

This Climate Statement FY24 details how we as a business think about the risks presented by climate change, and how we are ensuring we are ready to mitigate these risks and take advantage of any opportunities.

Contact is a climate-reporting entity under the Financial Markets Conduct Act 2013. We have reported our climate change risks each year since 2019 according to the Task Force on Climate-related Financial Disclosures (TCFD) framework. This year, our Climate Statement has been prepared in accordance with the External Reporting Board's (XRB) Climate-related Disclosures Standards (NZCS). These disclosures cover the period 1 July 2023 to 30 June 2024.

In preparing this first report, we have applied the following adoption provisions of Climate Standard 2 (NZCS 2):

+ **Adoption Provision 1** – Current financial impacts
+ **Adoption Provision 2** – Anticipated financial impacts
+ **Adoption Provision 3** – Transition planning

The information presented in this Climate Statement is subject to material limitations and inherent uncertainty and is subject to ongoing change. The information in these climate-related disclosures should not be considered a prediction of future financial or non-financial performance. These statements are subject to a range of known and unknown risks, uncertainties and assumptions, many of which lie outside of our control.

The climate scenarios outlined in this report were developed based on current assumptions and projections using information available at the time of development. There is inherent uncertainty within each scenario – they are not intended to provide a complete or accurate forecast of future events. The climate risks and opportunities identified may not eventuate and, if they do, the actual impacts and consequences are likely to be significantly different to what is set out in this report.

These statements include forward-looking statements about impacts, climate scenarios, targets, forecasts, and future plans. Words like "likely," "expect," "will," "may," "intend," and similar terms indicate these forward-looking statements. Such statements are based on management's current expectations and reflect judgements, assumptions, estimates and other information available when this report was compiled or when scenario analyses were undertaken. They are inherently uncertain and subject to limitations, and may be affected by a range of variables which could cause actual results to differ materially from current expectations. We do not guarantee that statements in this report will remain correct after publication.

This report should not be relied upon as a recommendation, forecast or guarantee and Contact disclaims, to the maximum extent permitted by law, any liability whatsoever (including for negligence) for any loss arising from use of or reliance on this report. This disclaimer should be read together with other limitations, uncertainties, and risks mentioned throughout this report. This report is not an offer or investment recommendation and should not be considered legal or financial advice.

This report should be read in conjunction with the Contact Integrated Report 2024, which uses the Global Reporting Initiative (GRI) guidelines and the International Integrated Reporting Council Framework to report on material Environment, Social and Governance (ESG) activities.

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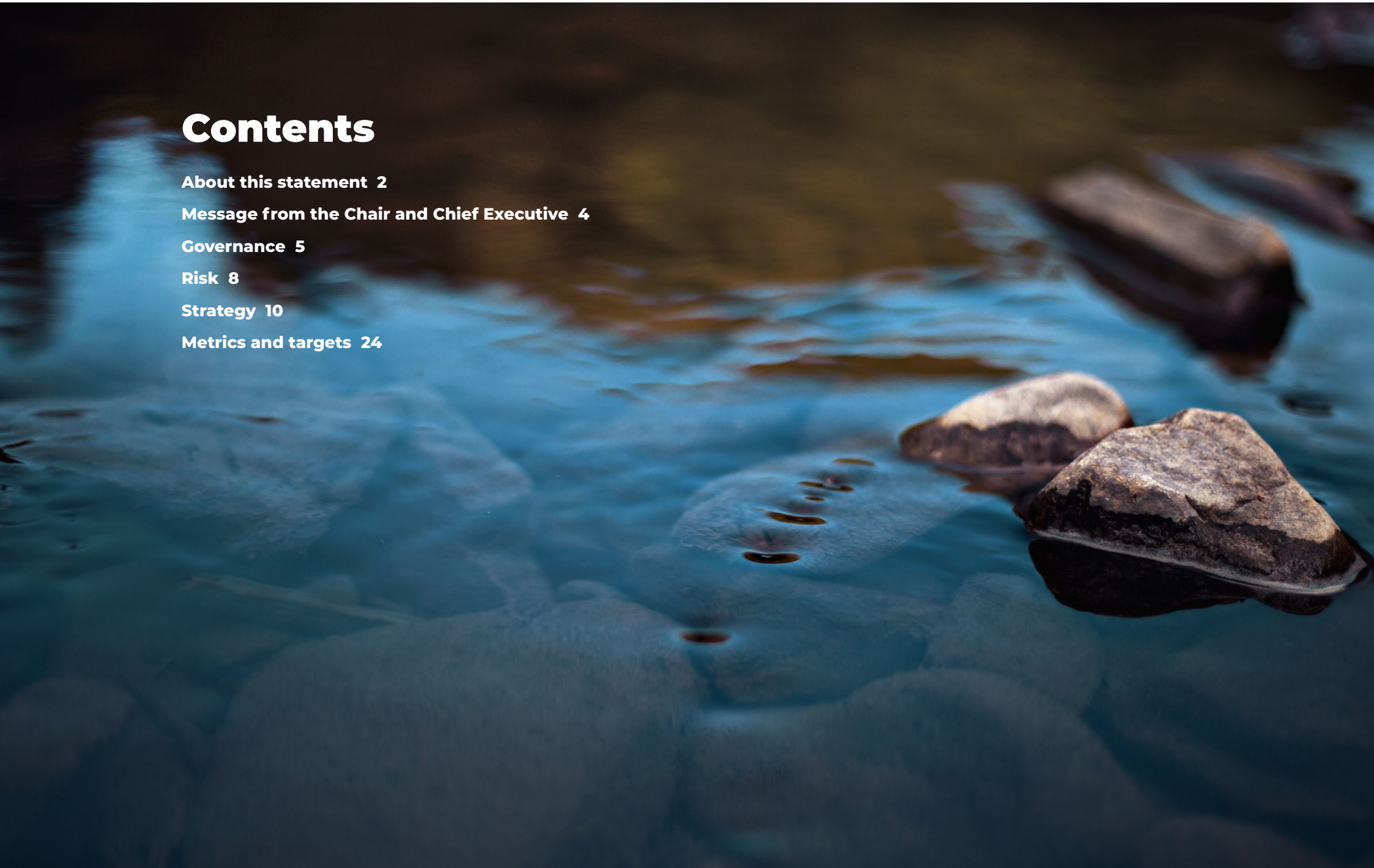

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Message from the Chair and Chief Executive

Board Chair, Rob McDonald and Chief Executive Officer, Mike Fuge.

Tēnā koutou

Welcome to Contact's first Climate Statement that outlines how we are addressing – and are planning for – a sustainable future.

The impacts of climate change as borne out by extreme weather events and rising global temperatures affect us all.

As a leading New Zealand energy generator and retailer, we have a responsibility to communicate to our shareholders, our stakeholders and the communities in which we operate about the steps we are taking to manage and mitigate climate-related changes alongside leveraging opportunities that arise.

We are now three years into the Contact26 strategy, with the vision to be a leader in the decarbonisation of New Zealand, playing our part in the transition to a renewable energy future.

The four pillars in our strategy – Grow Demand, Grow Renewable Development, Decarbonise our Portfolio, and Create Outstanding Customer Experiences – along with the key initiatives to deliver on the strategy – will contribute to a low-emission, climate resilient future.

There's no doubt however that the country's transition to this renewable electric future, and Contact's role in that transition, has both risks and opportunities.

To understand these, we have been measuring our Scope 1 greenhouse gas emissions since 2012, and our total emissions since 2018, and undertaking climate scenario analysis

In FY24 we took this process to the next level by undertaking a deep analysis, based on established international and domestic data sources, to update our climate scenarios and the risks and opportunities arising. This report details the process and findings.

Managing climate risk is part of our established risk management framework, and the initiatives in place to mitigate these risks are key components of our Contact26 strategy.

While the results from our net zero initiatives will be clear over time, in-year carbon emissions will be influenced by hydrology conditions. After two years of reductions in our Scope 1 emissions, FY24 saw these emissions increase, primarily as a result of hydro volatility and as we worked towards bringing Tauhara online. This required greater reliance on thermal generation through our gas peaking plants. Our continued investment in additional renewable development in geothermal, solar and grid scale battery, plus our pipeline of wind and further solar and battery investments, are all key parts of our mitigation plan.

Although we will regularly review and adapt our strategy to account for changes in the external environment, we are reassured Contact is taking active steps to mitigate the risks and maximise the opportunities presented.

Ngā mihi nui,

Rob McDonald
Board Chair

Mike Fuge
Chief Executive Officer

Governance

Board oversight of climate-related risks and opportunities

The Board is responsible for overseeing Contact's governance, strategic direction, and performance, including managing climate risks and opportunities. Profiles of our Board of Directors can be viewed on our website and in our 2024 Integrated Report (see page 63).

The Board considers climate-related risks and opportunities when developing and overseeing the implementation of Contact's strategy. This is done through several lenses:

+ progress reporting on renewable energy projects under development, including solar and wind
+ reviewing emissions data to understand progress against our decarbonisation targets
+ assessing the potential impacts of climate change on our operations through the risk management framework
+ analysing financial Board reporting which includes adaptation strategies to mitigate the physical impacts of climate change on our infrastructure.

Two committees support the Board in its climate-related work: the Audit and Risk Committee (ARC), and Health, Safety and Environment Committee (HSEC). The Executive Leadership Team supports the Board by providing specialist input, feedback and advice, while day-to-day management of climate-related risks and opportunities is embedded with individual business units (see governance diagram on page 7).

The ARC reviews climate-related risks and opportunities, climate scenarios, results of scenario analysis, and climate-related reporting. The ARC Chair provides updates to the Board four times per year and makes recommendations to the Board on Contact's Risk Management Policy and Framework.

The HSEC oversees Contact's environmental policies, strategy and performance. It also reviews and recommends to the Board environmental targets and assesses performance against those targets. The HSEC receives reports from management and meets four times per year. It reports to the full Board.

The Board considers the reports from both the ARC and HSEC and incorporates recommendations as appropriate, as part of establishing Contact's overall strategic direction, setting the risk appetite, and ensuring appropriate management policies are in place.

Governance process and frequency

Contact's climate-related work is integrated into our existing governance structures, and the Enterprise Risk Management Framework. The governance structure diagram on page 7 shows the responsibilities of the Contact Board, committees, leadership team, and business units, and the relationships between them.

Board skills and competencies

Our director skills matrix, outlined on page 71 of our 2024 Integrated Report shows the areas of director capability required to enable Contact's success, and the expertise held by current directors. Given the importance of climate-related risks and opportunities, we have invested in upskilling the entire Board in FY24 through an Introduction to the Climate-related Disclosure (CRD) Framework, and a workshop on climate scenarios, risks, and opportunities.

The Board draws on expertise from within the Contact business and from external specialists to inform its planning and decision-making. In 2024 the Board undertook a study tour to Australia to learn from renewable energy developers in a different geography and regulatory environment.

Contact is an active member of a number of business associations which support emissions targets in line with Paris Agreement goals, including the commitment to net zero:

+ The Aotearoa Circle, a public-private partnership aiming to restore natural capital in New Zealand.
+ The Sustainable Business Council (SBC), which sets annual climate policy priorities and mobilises New Zealand's most ambitious businesses to build a thriving and sustainable future for all.
+ The Climate Leaders Coalition, which aims to build momentum towards a zero-carbon future. Together with over one hundred other businesses, Contact signed the SBC-backed Climate Leaders Coalition Statement of Ambition.
+ The Electricity Retailers' Association of New Zealand (ERANZ), which supports New Zealand's 2050 emissions reduction targets, with a focus on how New Zealand can achieve the emissions reductions at the lowest possible cost without leaving any households or businesses behind.

Monitoring progress

Contact's corporate scorecard outlines our performance metrics and outcomes for each financial year (see page 78 of our Integrated Report). We also set Strategic Metrics, including for our strategic initiatives, with targets relating to emissions generation and emissions intensity from generation, which are reported annually in our Integrated Report. The scorecard can be found on page 45 of the 2024 Integrated Report.

The process for setting the Strategic Metrics with the leadership team, which proposes metrics and targets to the Board Committee responsible, which in turn reviews and recommends these to the full Board. The ARC is responsible for financial and non-financial metrics, while the HSEC is responsible for targets relating to environmental performance which include climate-related issues.

The Board monitors scorecard progress through regular reporting, the frequency of which varies depending on the strategic initiative. This includes reporting greenhouse gas (GHG) emission metrics to the HSEC.

CEO and Executive Team remuneration is linked to climate-related targets through the LTI Equity Scheme. Management remuneration comprises fixed remuneration, which includes salary and other benefits; and pay-for-performance remuneration including Short Term Incentives (cash and equity awarded through deferred share rights) and long term incentives (equity awarded through performance share rights).

The short term cash incentive comprises:

+ 70% based on corporate shared KPIs, of which:
  - 40% relates to financial results
  - 20% relates to safety targets
  - 40% relates to strategy delivery and key operational milestone targets
+ 30% based on individual KPIs.

Management's role in assessing and considering climate-related risks and opportunities

Leadership Team

Our Leadership Team (LT) ensures the business identifies, assesses, and monitors climate-related risks and opportunities, and implements appropriate risk mitigations. The Chief Financial Officer and Chief Corporate Affairs Officer have specific climate-related responsibilities as set out in the governance diagram on page 7.

The Leadership Team (LT) considers the relationship of these issues to Contact's strategy and reports to the ARC (on risk, strategy or finance) or the HSEC (on sustainability, environmental policy and process). Key issues are then reported to the full Board.

The LT also monitors and manages climate-related risks and opportunities through its work on Contact's strategy, which is reviewed annually, with progress monitored monthly. The Chief Executive and members of the leadership team engage with the Board 10 times each year, and with the ARC and HSEC four times each year. The Board, when setting strategy, considers a wide range of risks and environmental factors, incorporating climate change considerations in their decision-making.

Profiles of our LT members can be viewed on our website.

Operational teams

Although our teams manage climate-related risks and opportunities every day, specific areas of responsibility fall in two key operational areas:

+ **The Risk, Strategy and Finance teams, reporting to the Chief Financial Officer**
  The Risk team implements risk management policy, oversees climate-related risk processes and reports risks to the Leadership Team and the ARC. The Strategy team undertakes scenario modelling and analysis, and develops the strategic planning process, while the Finance team collates and analyses financial data.
+ **The Sustainability team, reporting to the Chief Corporate Affairs Officer**
  This team has responsibility for sustainability initiatives and implementing environmental policy and processes, while individual business units are responsible for day-to-day climate-related monitoring and reporting.

Clyde Dam, Central Otago.

Governance structure

Board

- Establishing the purpose and overall strategic direction of Contact including the strategy for managing climate risks and opportunities
- Ensuring Contact has appropriate risk management policies in place and setting risk appetite
- Monitoring climate-related risks and opportunities, with assistance from the Audit and Risk Committee
- Ensuring the Board has the appropriate climate-related skills and competencies
- Setting financial and non-financial targets for management through the corporate scorecard and strategic objectives
- Approving climate-related disclosures

Audit and Risk Committee

Reports to the Board

- Supporting the Board on climate-related risks and opportunities, climate scenarios, results of scenario analysis and climate-related reporting
- Overseeing, reviewing and making recommendations to the Board on Contact's Risk Management Policy and Framework
- Monitoring progress on embedding climate-related risk processes into business practices

Health, Safety and Environment Committee

Reports to the Board

- Overseeing Contact's environmental policies, strategy and performance, including climate mitigations
- Reviewing and recommending to the Board targets for environmental performance and assessing performance against those targets

Leadership Team

Reports to the Chief Executive

- Responsible for ensuring that Contact is identifying, assessing and monitoring climate-related risks and opportunities and implementing appropriate risk mitigations

Chief Financial Officer

Reports to the Chief Executive. Responsible for:

- Risk Management Policy and Framework
- Strategy and financial decision-making process
- Co-accountability for Contact's annual Climate Statement

Chief Corporate Affairs Officer

Reports to the Chief Executive. Responsible for:

- Sustainability
- Environment Policy
- Co-accountability for Contact's annual Climate Statement

Operational level

Risk team

Reports to the Chief Finance Officer. Responsible for:

- Implementation of Risk Management Policy and oversight of climate-related risk processes
- Monitoring and reporting risks to the Leadership Team and Audit and Risk Committee

Strategy team

Reports to the Chief Finance Officer. Responsible for:

- Scenario modelling and analysis
- Strategic planning process

Finance team

Reports to the Chief Finance Officer. Responsible for:

- Collating and analysing climate-related financial data

Sustainability team

Reports to the Chief Corporate Affairs Officer. Responsible for:

- Sustainability initiatives
- Implementing environmental policy and processes

Individual business units

Reports to the relevant Leadership Team member. Responsible for:

- Day-to-day monitoring, management and reporting on climate-related risks and opportunities

Risk

Contact's Organisational Risk Management System

Risk Management Framework

Our risk management framework meets the ISO 31000 risk management guidelines to ensure we have appropriate systems to identify, assess, treat, monitor, and report on material risks. This framework is detailed in our 2024 Integrated Report.

To align with the Aotearoa New Zealand Climate Standards, we have updated our risk management policy and framework, and integrated climate change into our risk appetite statements. These statements guide the risk we are prepared to pursue, retain or take in pursuit of our strategy and are embedded into our enterprise risk matrix to ensure they are cascaded to an operational level.

Risk identification

Each quarter we identify and review risks across our business, including climate-related risks. This year we extended our scope to consider all business operations in our value chain.

To identify the impacts of climate change and the climate-related risks and opportunities facing our business, we brought together a wide range of Contact subject matter experts and an external climate specialist. We considered all parts of our value chain and all climate-related risks: those relating to the transition to a lower-carbon economy (transitional risks), as well as physical risks to our resources, infrastructure, and assets.

The STEEP analysis tool (which looks at Societal, Technological, Economic, Environmental, and Political impacts) helped us identify transitional risks, while physical risks were identified by considering the immediate and long-term impacts that changes to the climate or extreme weather events could pose. Group participants reviewed the risks and opportunities to determine relativity between them.

The climate-related risks and opportunities identified were then assessed by the group, with risk owners assigned at both a leadership team and operational level. This approach builds on the processes we use to manage enterprise risk, through regular workshops across the business.

Risk assessment

Once we identified our transitional and physical climate-related risks, we used a range of tools and methods to assess their scope, size and impact.

Transitional risks

Transitional risks, typically short- to medium-term in nature, were assessed using Contact's enterprise risk matrix. The risks were based on the consequence to the business and the likelihood of occurrence, across the six consequence categories in our risk matrix (people safety and wellbeing, compliance, environment, financial performance, customers, partners, and stakeholders).

The group assessed and ranked all the climate-related risks to ensure the relative risk ratings were considered against each other for consistency. The outcome of this assessment was used to help each risk owner understand the relative risk and prioritise appropriate actions to reduce the risk to an acceptable level.

Assessing physical risks

We assessed physical risks using a vulnerability and exposure tool to evaluate the impact on Contact's value chain if the hazard occurred, and Contact's sensitivity and level of adaptability to that hazard. This tool allowed us to consider physical risks over a longer time horizon, and is now part of our risk assessment toolkit, used for future physical climate risk assessments.

We assessed these physical risks against our enterprise risk matrix, which accommodates the longer time horizons required for physical climate risks. We added descriptors to guide future assessment of climate change risk and will continue to mature and evolve our tools.

The enterprise risk matrix and the vulnerability and exposure tool gave us a strong understanding of the consequences of physical climate change risk to Contact.

Time horizons

We considered three time-horizons to inform our view of when a climate-related risk or opportunity would most likely manifest:

- **short-term** (up to 2030)
- **medium-term** (2030–2050)
- **long-term** (2050–2080)

We will regularly review these time horizons as climate science matures and new trends emerge, and we will use the data to inform our ongoing risk assessment.

Managing climate-related risks

All risks (climate and non-climate) are recorded in Contact's central risk management database, which includes risk controls and treatment actions in accordance with our risk management framework. Some climate-related risks are standalone, while others span multiple parts of the business.

Plans are in place to update relevant policies to incorporate climate change risk. One example is our Treasury Policy which will be updated to incorporate climate change risk when managing liquidity risk.

Once a risk is entered into our risk database, the risk owner takes responsibility for ensuring it is managed and monitored with treatment plans in place to eliminate, mitigate or transfer the risk to an acceptable level.

Frequency of review and assessment

We will assess climate-related risks and opportunities periodically via our standard processes:

+ **The strategy setting process**
  This involves an environmental scan of risks and opportunities, including those linked to climate change. Any new risks and opportunities will be incorporated into our enterprise climate-related risk and opportunities assessment and management process.
+ **Ongoing emerging risk review**
  This is an opportunity to identify new potential climate-related risks.
+ **Quarterly risk reviews**
  These have been extended across the business to include climate-related risks and ensure existing risks are actively managed in line with our risk management framework.
+ **Normal business processes**
  At an operational level, we actively review and manage climate risks through normal business processes.
+ **Reporting to the Audit and Risk Committee (ARC)**
  We report climate-related risks to the ARC as part of our standard governance reporting process.

Prioritising and integrating risks

The output of our climate-related risk assessments is integrated into Mau Taniwha, our business planning and prioritisation process. Any actions for material climate-related risks that require funding or shared resources are prioritised by this process. Severe or high-rated risks (including severe or high climate-related risks) will generally be prioritised for funding and allocation of shared resource.

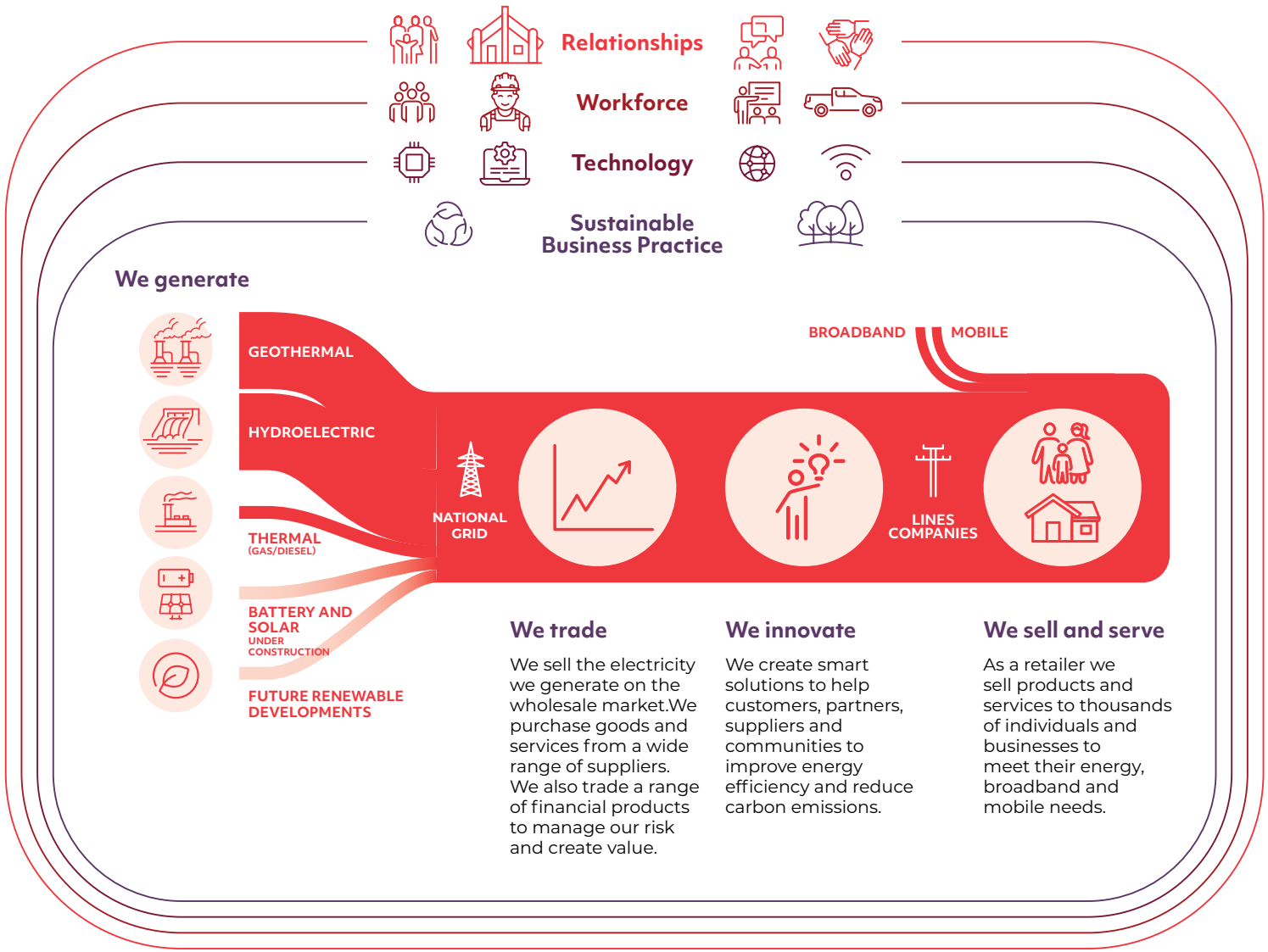

Te Mihī Geothermal Power Station in Taupō.

Strategy

Contact's business model and strategy

At the heart of our strategy is our vision to be a leader in the decarbonisation of New Zealand, playing our part in the transition to a renewable energy future. Our business is focused on delivering this vision, which will see us achieve net zero emissions from our generation operations by 2035.

Our value chain



Contact Energy is one of New Zealand's largest energy generators and retailers.

Generation

We generate electricity through six geothermal sites, two hydroelectric sites, two gas peaking units, three diesel fired units and one baseload gas plant (Taranaki Combined Cycle which is expected to close at the end of 2024). We are preparing for further investment in renewable energy, with additional consented geothermal developments, a number of potential solar projects nationwide through a 50/50 joint partnership with Lightsource bp, and a pipeline of wind farm opportunities (earliest expected investment decision is FY26). And we are building a grid scale battery supplied by Tesla.

Trading

Contact is an active participant in the wholesale electricity market where we sell all the electricity we generate, buy all electricity we need for our sales channels, and trade a range of financial risk management products. Purchased electricity relies on a range of generation sources including coal, reflecting market composition. We rely on network and transmission services provided by regulated entities (reflecting New Zealand's energy market structure).

Retail

We sell electricity, gas, broadband and mobile plans to households across New Zealand, and we sell electricity to commercial and industrial customers.

Simply Energy

Through Simply Energy, part of the Contact Group, we provide innovative solutions for flexible demand management to commercial and industrial customers.

Western Energy

Our subsidiary Western Energy provides specialised geothermal well services to customers all over the world.

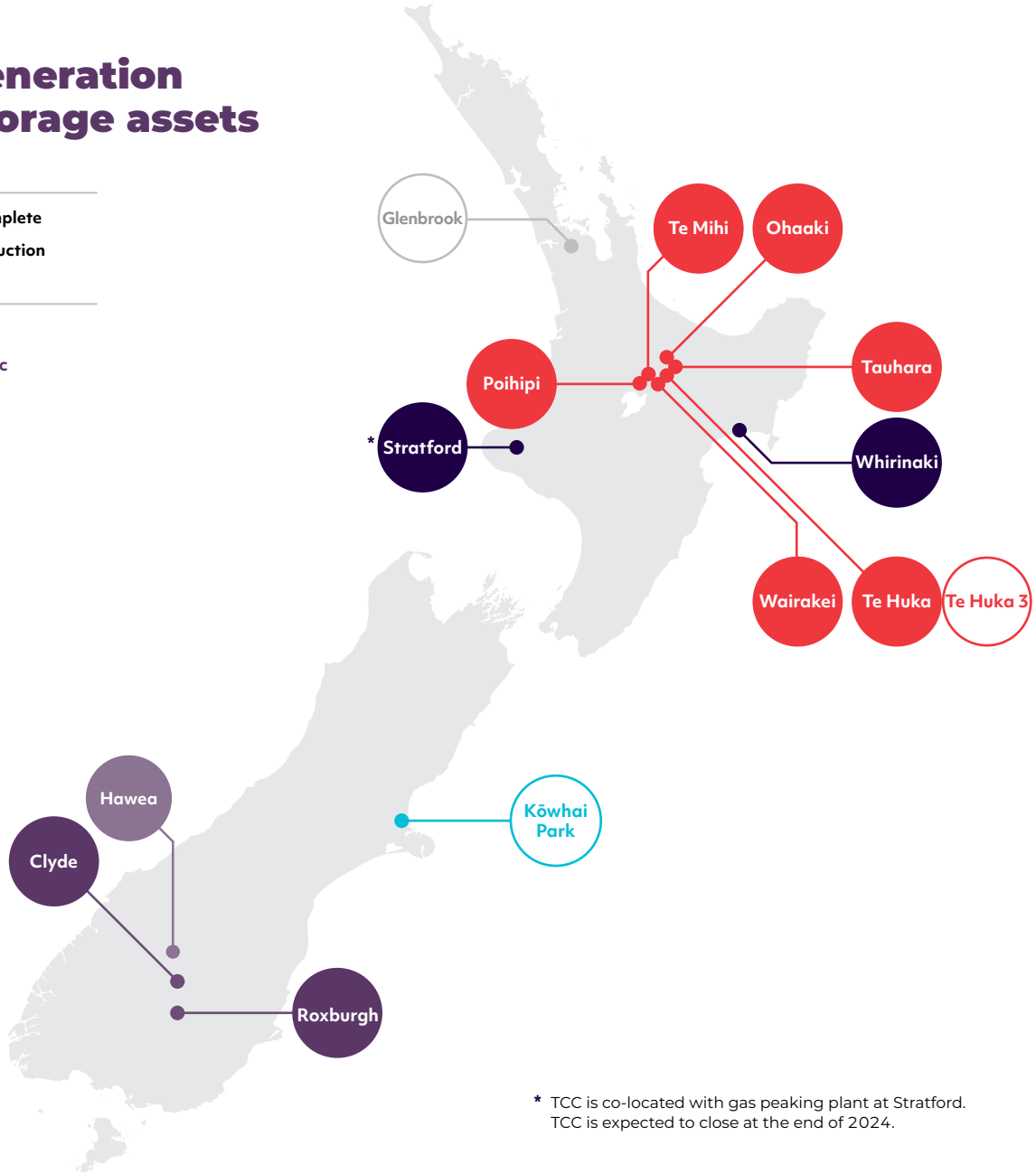
Our generation and storage assets

STATUS

- Existing/Complete
- Under construction

TYPE

- Geothermal
- Hydroelectric
- Storage lake
- Thermal
- Solar
- Battery



* TCC is co-located with gas peaking plant at Stratford. TCC is expected to close at the end of 2024.

Contact's strategy

At the heart of Contact's strategy is the promise to build a better, cleaner, and sustainable Aotearoa New Zealand.

Our vision, to be a leader in the decarbonisation of New Zealand, was developed in the context of New Zealand's bipartisan commitment to net zero emissions by 2050. Integral to this strategy is transition, as we seek to respond to risks and capture the opportunities as New Zealand's energy sector moves to a low-emissions future.

The four pillars in our strategy, along with the key initiatives, contribute to a low-emissions, climate resilient future.

Key initiatives include our $1.2 billion investment in new geothermal plants coming online in 2024, commitment to Contact's first 100MW battery at Glenbrook and first solar farm at Kōwhai Park, our leadership role in demand response and other flexible energy management solutions. All are evidence of how entrenched the transition focus is within the Contact26 strategy. Each initiative represent steps towards achieving our vision.

We have committed to achieve net zero by 2035 for Scope 1 and 2 emissions, and outlined the pathway to achieve this.

The metrics and targets section of this report shows our progress. All committed and anticipated investment in transition initiatives is captured in our financial planning models and processes, with progress monitored by the Board.

We continue to review and adapt our strategy to account for changes in the external environment, including the impacts of climate change. This may result in some work programmes accelerating to harness opportunities or adjusting capital deployment plans to reflect changing market forces.

Over the long-term, our generation assets may be affected by physical changes associated with climate change. This exposure is regularly reviewed by our management team, using site-specific asset management plans. The impact of climate change on asset vulnerability is considered as part of our annual asset health reviews. We also learn from extreme weather events, like Cyclone Gabrielle in 2023, and adapt our plans to build resilience.

Contact26 Strategic Pillars	Grow Demand	Grow Renewable Development	Decarbonise our Portfolio	Create Outstanding Customer Experiences
Strategic ambition	Attract new industrial demand with globally competitive renewables	Build renewable generation and flexibility on the back of new demand	Lead an orderly transition to renewables	Create New Zealand's leading energy and services brand to meet more of our customers' needs
Key transition initiatives	+ New long-term deal with NZAS including demand response. + Electrify process heat e.g. boilers, NZ Steel electric arc furnace. + Facilitate other demand growth opportunities e.g. data centres. + New green chemical channel e.g. H_2 and CO_2 transport focus. + Demand response proposition.	+ Build renewable generation, starting with $1.2 billion new geothermal plants completing in 2024. + Grow executable pipeline of geothermal, wind and solar. Now totalling 6TWh. + Build portfolio flexibility by investing in grid-scale batteries (Glenbrook 100MW battery approved).	+ Close baseload gas generation plants (Te Rapa, TCC). + Reduce reliance on peakers through investment in renewables, batteries and flexible demand. + Geothermal non-condensible gases capture and reinjection or commercialisation. + Net zero by 2035 (Scope 1 and 2).	+ Introduce time-of-use products, 'Good' plans, encouraging customers to shift energy usage off-peak. + Trial dynamic load control through Hot Water Sorter initiative. + Billing systems providing for customer participation. + Tailored customer wellbeing initiatives to support customers facing energy hardship.

Climate scenario analysis

In FY24, we updated our three climate-based scenarios to help identify potential risks and opportunities and inform our strategic planning. These scenarios have been endorsed by our Board and leadership team and are incorporated as an input to the annual strategy process.

The scenarios are not forecasts, nor have they been chosen based on probability. Rather, they are plausible pathways to test the resilience of our business model and strategy. A wide range of modelled temperature outcomes and plausible pathways, including regulatory, economic and individual responses exist and are not necessarily captured within this analysis.

Climate scenario analysis is not new to Contact; it has been part of our practice, in line with the Taskforce on Climate-related Financial Disclosures (TCFD) framework since 2019. However, with the introduction of Climate-related Disclosures and our involvement the Energy Sector Climate Scenarios for the Aotearoa Circle in FY24, we have taken the opportunity to refresh our climate scenario analysis. Consultants PwC facilitated this refresh process.

The scenario analysis was guided by a focal question:

"How could climate change plausibly affect Contact over the short-, medium- and long-term".

Time horizons and capital deployment

Contact's climate-related scenarios, risks and opportunities consider three time horizons:

+ **short-term** (up to 2030)
+ **medium-term** (2030–2050)
+ **long-term** (2050–2080)

We will regularly review these time horizons as climate science matures and new trends emerge, and we will use the data to inform our ongoing risk assessments.

Short-term aligns with the phases of New Zealand's emissions reduction plan as well as Contact's five-year strategic planning cycle. Over this timeframe, strategic initiatives are well-formed and involve the near-term commitment of capital (e.g. into new renewable generation or storage). These initiatives and capital deployment decisions can be highly influenced by transition impacts such as regulatory change.

Medium-term captures New Zealand and international 2050 emissions reduction targets, including the Paris Agreement. It considers the typical investment/replacement cycle of a range of renewable technology options which Contact has under development (e.g. solar, wind and grid-scale batteries). It also falls within the duration of Contact's wholesale electricity price path modelling which is a key input to the assessment of investment decisions and capital deployment.

Long-term reflects the longer effective operating life of some forms of renewable generation within our portfolio. The Wairakei A and B geothermal power station was commissioned in the 1950s and its replacement is planned to occur in phases between now and 2031. Hydroelectric power generation assets also operate over the very long-term. While the potential physical impact of climate change on Contact's generation assets increases over the long-term, so does the degree of uncertainty.

Capital development and funding

Other transition impacts we consider for capital deployment and funding decisions include electricity supply and demand, carbon pricing, and fuel availability. These all contribute to our view of the expected price path for wholesale electricity over time. Modelling of expected hydrology conditions on the Clutha scheme is a key input to our wholesale model, which draws on available science. While climate scenario modelling was previously prepared for TCFD reporting on a standalone basis, we are updating our wholesale model in FY25 to directly incorporate the refreshed climate scenarios.
Other climate-related considerations that impact investment decisions include hazard assessments e.g. for land purchase decisions.

Contact's climate scenarios

Our three chosen climate scenarios were developed following engagement with stakeholders across the business and the energy sector, using our focal question and the STEEP framework analysis (as outlined in the **Risk** section).

We explored a range of temperature pathways, using established international and domestic data sources, including the Shared Socioeconomic Pathways Database Scenario Explorer, along with scenarios from NIWA, Ministry for the Environment and Climate Change Commission.

Contact has adopted three climate scenarios, which are an evolution of those in our previous TCFD reporting.

Co-ordinated Decarbonisation
1.3° by 2100, aligned to the 1.5° scenario NZCS 1 requirement.

Disorderly Decarbonisation
2.6° by 2100, Contact's third selected scenario.

Hot House
over 3° by 2100, aligned to the CS1 requirement.

Contact's climate scenarios

Coordinated Decarbonisation

sees the global average temperature settle to a 1.3° increase by 2100 (peaking to 1.5° half way through the period) in line with the Climate Standards. In this scenario, urgent and aligned international and domestic policies support sectors to decarbonise, requiring significant effort and a high degree of transition impact over the short- to medium-term. The private and public sectors respond with collective investment in green technology which enables all sectors to rapidly transition to a low-carbon economy. Financial services further enable this through being widely accessible. As a result, New Zealand's emissions peak in the mid-2020's and net zero is achieved by 2050.

GLOBAL TEMP INCREASE	GLOBAL POLICY	GLOBAL TECHNOLOGY	GLOBAL SUSTAINABILITY FINANCING	ENVIRONMENTAL CHANGE	CONSUMER PREFERENCE	GOVERNMENT INTERVENTION
1.3°C BY 2100	COORDINATED SUPPORT NGFS* NET ZERO 2050 IEA** NET ZERO EMISSIONS	PRIORITISED	PRIORITISED	INCREASE BUT PLATEAU	SEEKING RENEWABLE SOURCES	INCREASED

Data sources

1. SSP1-1.9 from SSP Database (Shared Socioeconomic Pathways) Scenario Explorer.
2. NIWA. (2016). Our future climate New Zealand. RCP 2.6.
3. Ministry for the Environment. (2018a). Climate change projections for New Zealand. Calculated as change in 12-hour, 20-year ARI event rainfall depth.
4. Climate Change Commission (2021). Ināia tonu nei: a low emissions future for Aotearoa, Scenarios dataset 2021 final advice.

Disorderly Decarbonisation

results in a global average temperature rise of 2.6° by 2100. In this scenario, little action occurs until rushed, with disorderly decarbonisation policies introduced in the mid-2030s in response to worsening physical impacts and changing societal expectations. New Zealand is a 'fast follower' to climate action with market forces limiting global warming; however, adaptation and transition costs place strain on the economy. The scenario favours fast movers who can leverage opportunities to use materials, capital and skills to gain competitive advantage.

GLOBAL TEMP INCREASE	GLOBAL POLICY	GLOBAL TECHNOLOGY	GLOBAL SUSTAINABILITY FINANCING	ENVIRONMENTAL CHANGE	CONSUMER PREFERENCE	GOVERNMENT INTERVENTION
2.6°C BY 2100	POOR SHORT TERM MODERATE MID TO LONG TERM NGFS* DISORDERLY IEA** SUSTAINABLE DEVELOPMENT	VARIABLE	MARKET LED	INCREASE BUT PLATEAU	SEEKING RENEWABLE SOURCES	INCREASED

Data sources

1. SSP2-4.5 from SSP Database (Shared Socioeconomic Pathways) Scenario Explorer.
2. NIWA. (2016). Our future climate New Zealand. RCP 4.5.
3. Ministry for the Environment. (2018a). Climate change projections for New Zealand. Calculated as change in 12-hour, 20-year ARI event rainfall depth.
4. Climate Change Commission (2021). Ināia tonu nei: a low emissions future for Aotearoa, Scenarios dataset 2021 final advice.

Hot House

sees global average temperature rise of 4.1° by 2100 in line with the Climate Standards. In this scenario, global efforts to implement co-ordinated decarbonisation fail, and emissions and temperatures grow through the century, with a high degree of physical impacts over the long-term. Countries implement individual responses. Some invest heavily in adaptation and energy security but struggle to stay ahead of the rate of climate-related change. In New Zealand no further decarbonisation regulations are introduced and existing regulations are scaled back in this scenario.

GLOBAL TEMP INCREASE	GLOBAL POLICY	GLOBAL TECHNOLOGY	GLOBAL SUSTAINABILITY FINANCING	ENVIRONMENTAL CHANGE	CONSUMER PREFERENCE	GOVERNMENT INTERVENTION
4.1°C BY 2100	CURRENT NGFS* CURRENT POLICIES IEA** STATED POLICIES	DE-PRIORITISED	DE-PRIORITISED	SEVERE	NO CHANGE	LOW

Data sources

1. SSP3-7.0 from SSP Database (Shared Socioeconomic Pathways) Scenario Explorer.
2. NIWA. (2016). Our future climate New Zealand. RCP 8.5.
3. Ministry for the Environment. (2018a). Climate change projections for New Zealand. Calculated as change in 12-hour, 20-year ARI event rainfall depth.
4. Climate Change Commission (2021). Ināia tonu nei: a low emissions future for Aotearoa, Scenarios dataset 2021 final advice.

* Network for Greening the Financial System ** International Energy Agency

Current climate risks and opportunities

The climate risks and opportunities outlined on pages 15 to 21 reference our three climate scenarios. We used the vulnerability and exposure tool, and Contact's enterprise risk matrix to assess each.

We have considered the information that may affect the primary users of this statement (our existing and potential investors, lenders and creditors). As a result we have included risks and opportunities that could impact our strategy, business model and/or have significant financial implications.

Physical risks

These arise from changes to the climate, which can be acute – caused by increasing extreme weather events (e.g. flood, drought, storms) or chronic – caused by long-term gradual changes (e.g. rising ambient temperatures, sea level rise). Acute physical risks stem from the increased frequency and severity of extreme weather events including storms and flooding and potential asset damage and supply chain disruption. Chronic physical risks are focused on changes to rainfall patterns and rising ambient temperatures and the effect on hydroelectric generation efficiency and the alignment of generation with demand.

Risk	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
P1 **Changes to rainfall could lead to reduced efficacy of hydro generation** While changing weather conditions are expected to increase hydro scheme inflows, this may be counteracted by increased concentration and intensity of rainfall events and increased frequency of drought. Coupled with limited hydro storage and flexibility, this could lead to a reduction in the efficacy of hydropower generation and reduced ability to firm intermittent renewable generation and manage risk associated with fixed price sales. Firming intermittent energy generation refers to the process of ensuring a consistent and reliable supply of electricity from energy sources to balance out fluctuations including by using stable generation methods like natural gas or diesel power.	**Time Horizon** Long-term, 2050–80 **Type** Physical risk to operation **Materiality** Reduction in flexible supply is one of Contact's top risks within its Enterprise Risk Management (ERM) framework. While a chronic change to rainfall patterns has the potential to contribute to this risk in the long-term, we do not expect the near-term impact attributable to climate change to be significant, independent of other seasonal weather variations. This assessment will be reviewed annually.	We have been experiencing increased volatility in hydrology conditions. However, it is challenging to isolate the impact of climate change from seasonal weather variations (e.g. El Niño and La Niña). In FY24 we embarked on our first ever turbine upgrade at the Roxburgh hydroelectric dam. The investment of around $30m will improve the dam's efficiency and increase annual generation by ~45GWh (in a mean hydro year). Current expenditure indirectly related to this risk includes development costs associated with grid-scale battery and renewable generation (wind, solar, geothermal) investments. These investments will lead to increased generation capacity and/or alternative sources of peak time flexibility. **Current financial impact** This is not able to be quantified given the range of complex factors that impact on hydrology and market prices in a given year.	We expect rainfall patterns to change over time, with higher levels of overall precipitation as well as increased concentration, intensity and increased frequency of drought. NIWA's national climate projections (2024) indicate that these changes can be expected to occur under all three of Contact's climate scenarios, with the greatest impacts occurring under the Hot House scenario. While increased overall hydro scheme flows may appear to be an opportunity, our limited hydro storage and current hydro flexibility constraints mean that when rainfall events are concentrated and intense, we could be required to spill more water. This can have the effect of reducing the efficacy of hydroelectric generation. In turn, this could lead to reduced ability to firm intermittent renewable generation and manage risk associated with fixed price sales. There is a high level of complexity in the way pricing is established and how fuel/commodity risk is managed within a generation portfolio and within the wider market. This makes it challenging to form a basis for quantifying anticipated impacts.	A range of practices contribute to mitigating this risk: + Working with customers (retail, commercial, industrial) to implement demand flex and demand response mechanisms e.g. NZAS demand response. + Investment in grid-scale battery, supporting peak load management and ancillary services. + Investment in additional generation capacity from renewable generation: wind, solar, geothermal. + Investing in technology to create improvements in flow forecasting models (alongside NIWA). + Potential to achieve greater flexibility from existing hydro schemes with changes to consent conditions. While many of these initiatives are underway in response to the opportunities associated with the transition, they have the indirect effect of mitigating this risk.

Risk	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
P2 **Damage and loss of access to generation assets and supporting infrastructure** Increased frequency and severity of extreme weather events such as severe rainfall, flooding, landslides, extreme wind, extreme heat and fire could lead to increased damage and loss of access to generation assets and supporting infrastructure (e.g. lines and transmission) impacting electricity supply and leading to increased repair and maintenance costs.	**Time Horizon** Long-term, 2050–2080 **Type** Physical risk to operations **Materiality** Natural disaster is an ongoing risk within Contact's ERM framework. Mitigations are in place, with asset management plans informed by the latest data on weather patterns and site-specific hazards and risks. Our overall asset management framework will continue to evolve as we adapt our climate change response and add resilience.	Contact owns and operates generation assets (hydro, gas, geothermal) and has renewable developments (geothermal, wind, solar, battery) under construction or in planning across New Zealand (refer to the map on page 9). In FY24, we did not incur any damage or disruption to our network of generation assets from major storms. To illustrate how this risk can eventuate, in February 2023, Contact's Whirinaki diesel generation site flooded and suffered damage as a result of Cyclone Gabrielle. The plant was out of service until April 2023. Financial impacts from the loss of generation and reinstatement were not material, however, valuable lessons were learned including the importance of having multiple communication pathways to sites. In response, we are installing Starlink at our hydro sites. **Current financial impact** None in FY24.	Across all three climate scenarios, storm events are expected to become more frequent and more severe, with 25 to 63* hot days (>25 degrees) in the long-term. Associated extreme rain, flooding, extreme wind, landslides or wildfire could cause significant damage to Contact's sites, site access or the supporting transmission infrastructure. This could lead to disruption in energy generation and transmission and potential breaches of asset management and asset integrity standards leading to reputational damage and losses from business interruption. If Contact fails to meet supply obligations, we could incur financial losses and increased repair/ replacement costs from more frequent major weather events. New Zealand dam safety guidelines specify estimation of probable maximum flood (PMF) using a conservative assessment of probable maximum precipitation (PMP). Estimates of PMP and PMF need to be kept up-to-date with the latest climate science.	A range of practices contribute to mitigating this risk: + Diversification of our generation portfolio and portfolio risk management. + Design of assets in accordance with current design guidance, published climate information and/or guidance at the development site. + Considering the impact of climate change on asset vulnerability as part of our annual asset health reviews. + Inclusion of natural hazard risk in site-specific asset management plans. + Suite of continuity plans, assurance reviews, asset management frameworks and tri-annual reviews. + Learning from events to help support asset response and asset resilience. + Partnering and working with local communities, business partners, government and the National Emergency Management Agency on hazard analysis and event learnings. In addition, Contact has comprehensive insurance in place to cover natural disasters for all assets.

* Relative to pre-industrial levels.

Risk	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
P3 **Damage and disruption to supply routes and domestic/international supply chains** Increased frequency and severity of extreme acute weather events such as severe rainfall, flooding, landslides, extreme wind, extreme heat and fire could lead to increased damage to supply routes and disruption to both the domestic and international supply chains.	**Time Horizon** Long-term, 2050–80 **Type** Physical risk to supply chain **Materiality** Physical supply chain vulnerability is not currently considered a top risk for Contact. However, given the potential for increased disruption from physical events over the longer term, we are working to assess areas of greatest vulnerability.	We are not aware of any increased damage to supply routes or disruption to either our domestic or international supply chains as a result of acute weather events from climate change. **Current financial impact** None in FY24.	Across all three climate scenarios, storm events are expected to become more frequent and more severe, with between 25 and 63* more hot days (>25 degrees) in the long-term. Contact expects its current and future suppliers to be exposed and vulnerable to physical impacts from climate change both domestically and offshore. Contact will need to work more closely with suppliers to understand their businesses and supply chains to get greater visibility of the risks we are exposed to and put in place mitigation strategies. Contact's operational portfolio includes natural gas generation at Stratford in Taranaki. These assets remain an important source of flexibility and support for peak load. Natural gas supply to Stratford is reliant on fixed assets that are not owned or operated by Contact. These include gas storage, pipe networks and gas field assets. Disruption of natural gas supply to our Stratford operations following a major acute weather event would result in potential disruption in energy generation, impacting on service delivery and earnings.	Contact has a newly expanded procurement team. Over the next two to three years, we will be strengthening our procurement practices, which will contribute to mitigating this risk. Specifically, this will include: + Introducing a formal supplier management framework. + Enhancing critical vendor monitoring. + Assessing critical suppliers' business continuity plans and policies through sourcing and contracting processes. + Focussing on supplier diversification to strengthen supply chain redundancy. + A new end-to-end procurement system with improved inventory processing, record management, data insights, vendor management and monitoring. + Long-term supplier and maintenance agreements for critical infrastructure. These new/updated tools and frameworks will assist Contact in identifying and mitigating areas of greatest supply chain vulnerability, including to potential physical disruption from climate change.

* Relative to pre-industrial levels.

Transition risks

The consequences of a transition to a low carbon economy include climate-driven policy and changes to customer demand, technology, and shifting public sentiment.

Transition risks are most pronounced in the orderly and disorderly decarbonisation scenarios.

Some of these risks are already materialising with availability of gas, an important transition fuel, impacting generation flexibility. Risk of regulatory intervention may rise if the costs and technical challenges of the transition result in significantly higher consumer prices or result in electricity supply becoming unstable.

Risk	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
T1 **Difficulty accessing the technology required for implementing the transition** Increased global competition for low carbon alternative technologies (e.g. wind, solar, battery), with offshore markets developing renewable generation on a significantly larger scale than in New Zealand, could lead to difficulty accessing technology required for implementing the transition.	**Time Horizon** Short- to medium-term, now to 2050 **Type** Transition risk to supply chain **Materiality** While there is some evidence of this trend already emerging, it is not currently considered to be a material risk, though we maintain a watching brief. Contact's active supply chain engagement and monitoring has enabled mitigation actions to be successfully implemented to minimise impact to date.	New Zealand is a relatively small market in the global context and there is competition for technology, products, and materials to support the transition. There is some emerging evidence that New Zealand is becoming a lower priority as original equipment manufacturers focus on larger offshore markets. Contact is not currently impacted, because of actions taken to secure access to technology for priority projects. These include strong supplier relationships, partnerships and our joint venture arrangement with Lightsource bp. In FY24, Contact took final investment decisions on its first battery and solar projects at Glenbrook and Kōwhai Park respectively, with the supply of offshore technology substantially secured. **Current financial impact** None in FY24.	There is a potential for rising costs within the technology supply chain leading to increased capital expenditure on renewable development projects in the short to medium-term. If the cost of projects became uneconomic, we would need to either invest in projects with low or negative returns or defer investment in new renewable projects. In these circumstances, the same could expected be true for the wider sector, meaning there would be a risk that Contact, and the sector, do not keep pace with the industry electrification. Rising technology prices are a sign of this risk emerging. We are observing rising prices, however, as this incentivises suppliers to enter the market, increased supply could balance out the pricing trend. Medium-term there is some potential for oversupply, reduced technology pricing and improved access if this balance tips.	Contact actively manages this risk by ensuring we have geographic/ regional diversification in our supply chain. Contact partly mitigates this risk by: + Introducing a formal supplier management framework. + Identifying and enhancing monitoring of critical vendors. + Focussing on supplier diversification to strengthen supply chain redundancy. + Long-term supplier and maintenance agreements for critical infrastructure. Strategic partnerships may also play a wider role in securing access to critical technology in the future. The benefits of this model are already being proven through Contact's joint venture with leading global solar developer, Lightsource bp. Contact has a clear strategy and record of delivery, making us an attractive strategic partner.

Risk	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
T2 **Regulatory change could impact effective functioning of markets and harm Contact's ability to earn a fair return on its investments** If the costs and technical challenges of the transition result in significantly higher consumer prices, or result in electricity supply becoming unstable, there will be a heightened risk of regulatory change. Regulatory change can be unpredictable, and there is a risk that changes to market settings could impact the effective functioning of markets and harm Contact's ability to earn a fair return on its investments.	**Time Horizon** Short-term, now to 2030 **Type** Transition risk to earnings **Materiality** Regulatory risk is currently considered a top risk within Contact's ERM framework and is actively managed through a range of mitigations.	The risk of adverse impact from regulatory change is something we actively focus on and invest to mitigate accordingly. This includes through engagement with government and regulators on the challenges of the transition. We provide tailored wellbeing initiatives supporting customers facing energy hardship. In FY24 we expanded our time-of-use offerings, giving customers the ability to make choices in the way they consume power. We are also investing in new renewable development projects to contribute to a smooth energy transition. In FY24, we spent $450 million building or advancing new renewable generation (wind, solar, geothermal) and grid-scale battery investments. **Current financial impact** In FY24 we provided over $2 million of financial support to customers facing financial hardship as part of our wider programme of wellbeing and community initiatives.	Change to market structure or market incentives through government intervention could occur in the future, particularly if the costs and technical challenges of the transition result in significantly higher consumer prices or result in electricity supply becoming unstable. This would impact our ability to earn a fair return on investments and ability to invest in future development projects. To contribute to security of supply, and meet growing demand from electrification, we plan to continue our investment in new renewable generation. There is some potential for government to restrict our ability to develop further renewable generation if more onerous consenting conditions were introduced.	Contact actively manages this risk through several ongoing strategic activities: + Engagement with government and regulators to collaborate on shared challenges of the transition. + Investing, as appropriate, on the feedback it receives from these engagements. + Continued investment in wellbeing initiatives and product innovations that give customers the tools to manage their energy usage (including Contact's time-of-use Good Plans"). + Contributing to the future security of supply through investment in renewable electricity and storage. We are completing $1.2 billion of geothermal new builds in 2024 and have an advanced development pipeline across solar, wind, geothermal and batteries.

Risk	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
T3 **Decline in availability of gas and ageing thermal fleet impacts firming and risk management capacity** The decline in gas supply chain flexibility and gas field performance, together with the reduced availability of ageing thermal assets and limited alternative sources of flexibility in the market, could lead to a reduced ability to firm new intermittent renewable generation and manage risk associated with fixed price sales.	**Time Horizon** Short- to medium-term, now to 2050 **Type** Transitional risk to earnings **Materiality** This is currently considered a top risk within Contact's ERM framework and is actively managed through a range of mitigations.	In FY24, delivery under Contact's gas supply contracts was less than 80% of the contracted volumes. We have also experienced thermal reliability issues with damage incurred to our fast-start gas peakers in 2022 and 2023. As a result, in FY24 and into FY25 we have taken a conservative approach as we work to better understand likely year-on-year gas availability. This includes acquiring generation by contracting with other electricity suppliers. We continue to work constructively alongside other gas market participants on additional necessary gas supply arrangements. We will continue to assess these arrangements year-by-year based on market gas needs. **Current financial impact** In FY24, delivery under our gas supply contracts was 22 percent below contracted volumes. The cost of acquiring the equivalent electricity generation from the market was $20 million (net of direct gas and carbon costs avoided).	Flexibility in Contact's generation portfolio, or readily available from the wider market, is important for firming new intermittent renewables and for managing risk associated with fixed price sales. We are already observing the impacts of declining gas field performance and with limited planned investment in upstream gas assets, this trend is likely to continue. The supply chain for gas in New Zealand also has limited flexibility. The thermal generation fleet is ageing and has been impacted by reliability challenges. The combined impact is that over the near term, there could be limitations on Contact's ability to rely on gas generation to provide flexibility to the extent it has been able to in the past. This is particularly important in dry periods. To the extent that gas remains a critical transition fuel this can be expected to remain a risk for the medium-term. Without alternative sources of flexibility, such as through the use of batteries, changes to existing hydro operating regimes or acquiring firming from the wider market, we would need to review our channel management strategy, including reducing exposure to fixed price and winter sales.	We have a range of mitigating strategies that we apply in the short-term when fuel risk is apparent. These include: + Sourcing additional gas from the market including through swaps with other gas market participants. + Contracting with other electricity suppliers for risk management products (acquiring generation). + Using gas from the Ahuroa Gas Storage facility (AGS). + Adjusting our channel management strategy, including taking a conservative approach to fixed price channels with high winter load, when required. + Calling on demand response agreements e.g. New Zealand Aluminium Smelter. Longer term supporting strategic initiatives include: + Replacing baseload gas generation at Te Rapa and Stratford (TCC) with new renewable generation. + Investing in improving the reliability of our gas peaker assets including investment in spares. + Investing in batteries. Contact's first 100MW battery build was confirmed at Glenbrook in July 2024, with a second consented option available at Stratford. + Increasing demand response built into new contracts (see **O2**).

Opportunities

Opportunities	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
O1 **Increased demand and expansion of renewable energy generation assets** Customer lifestyle choices, gas supply constraints and increased electrification across multiple sectors, including transport and process heat, are expected to lead to an increase in demand for electricity. This creates an opportunity to expand renewable generation e.g. geothermal, solar and wind operations, at locations across New Zealand, and providing support for associated investment in energy flexibility.	**Time Horizon** Short- to medium-term, now to 2050 **Type** Market opportunity, transition **Materiality** Contact considers this to be a key opportunity. It underpins the Contact26 strategy to be a leader in the decarbonisation of New Zealand, particularly the strategic pillars of Grow Demand and Grow Renewable Development.	As gas supply risks have become evident (see Risk **T3**), we have observed increased interest in electrification from commercial and industrial energy users in FY24. This includes continued interest in conversion of industrial processes, such as thermal-backed process heat, to electricity. Demand response mechanisms are becoming increasingly important (see **O2**) when entering new supply arrangements. Contact and Simply Energy have over 100MW and secured a new long-term deal for the supply of electricity to the New Zealand Aluminium Smelter in FY24.	The Climate Change Commission's demonstration path (2023) indicates 26 percent new electricity demand by 2050 compared to 2021. Increasing electricity demand leads to firmer prices in the wholesale electricity market, presenting a strong incentive for generators, like Contact, to build new renewable energy (e.g. wind, solar, geothermal) and storage (e.g. grid-scale batteries). As new supply addresses new demand, the wholesale electricity market can be expected to settle at a long-run price that reflects the cost of building and firming new renewables. The geographic spread of renewable generation assets will continue to be important. Generation located close to customers allows greater system efficiency and more value to be captured from electricity supply. We expect demand flexibility to continue to grow as a valuable option as customers seek new or increased supply agreements from the electricity market (see **O2**).	Contact is capturing this opportunity through the following strategic initiatives: + Continued focus on innovation through demand response solutions (see **O2**). + Simply Energy actively supporting the transition of commercial and industrial customers to electricity. + Expanded renewable development resources including through strategic partnership e.g. Lightsource bp. + Established capability in the execution of new major projects. + Completing construction of two new geothermal plants in 2024 with annual output of 1.9TWh when at full capacity. + Strong development pipeline with 6TWh of advanced wind and solar, 1TWh of consented geothermal; and 200MW consented batteries.

Opportunities	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
O2 **Supply customers with flexible energy management solutions** As technology and customer preferences continue to evolve, we see increased opportunity to provide flexible energy management solutions on both a residential and commercial scale. This will provide more options for consumers and better manage electricity supply during peak load periods.	**Time Horizon** Short- to medium-term, now to 2050 **Type** Market opportunity, transition **Materiality** We consider this to be a key opportunity that will support the Grow Demand pillar of the Contact26 strategy while helping to decarbonise the New Zealand electricity grid.	We have developed strong expertise in flexible energy management solutions, supporting 55MW of flexible demand in the market across commercial, industrial and retail load as at the end of FY24. A further 118MW is contracted but not yet operational. Simply Energy has been key to this progress, working with commercial and industrial customers to maximise flexible load, for example through our relationship with NZ Steel. Contact entered a 30MW off-peak supply contract in FY23 to support NZ Steel's installation of an electric arc furnace (expected online in early 2026). In FY24, we entered a new long-term supply agreement with New Zealand Aluminium Smelter, with 46MW of demand response available.	Increased demand flexibility, where electricity can be shifted off-peak, is expected to enable reduced reliance on gas peakers in time, lowering greenhouse gas emissions and playing an important role in decarbonising the New Zealand electricity grid. Financial benefits to Contact from reduced peaker reliance include lower gas and carbon costs and related risk management costs. We expect contracts including demand response to play a key role in the decarbonisation of the wider energy sector as the value is shared between suppliers and users. This enhances the economics supporting customer choices to switch to electricity.	Contact is capturing this opportunity through the following strategic initiatives: + Demand response mechanisms in new major industrial contracts e.g. NZ Steel, New Zealand Aluminium Smelter. + Simply Energy demand flex solutions for commercial and industrial customers. + Expansion of the Hot Water Sorter load management trial with retail customers. + Time-of-use products such as Good Nights and Good Weekends for retail customers. Contact continues to focus on building our strong offering in flexible energy management solutions.
O3 **Enhancing reputation through sustainability leadership leading to investor confidence and continued access to capital through certified green debt** By leading in sustainability performance, including through transparent disclosure of our decarbonisation strategy and performance, we can enhance stakeholder and investor confidence, and our reputation as a leader in sustainability, corporate transparency and accountability. This will support Contact's continued strong access to capital, including through sustainable finance.	**Time Horizon** Short- to medium-term, now to 2050 **Type** Market opportunity, transition **Materiality** Sustainability leadership is a strategic enabler of the Contact26 strategy. We have prioritised our sustainable finance strategy, with all of Contact's debt certified green.	Our sustainability performance supports access to capital, with all debt certified as green and sustained investment from ESG-focused equity funds. In FY24 Contact underwent its first annual extension process of its Syndicated Sustainability Linked Loan (SLL). Our hydro operations were certified green in FY24, bolstering the pool of green assets by $1.8 billion. In FY24 we received the Deloitte Top 200 Sustainability Leadership Award. We believe our strong sustainability performance, including our inclusion in the Dow Jones Sustainability Asia/Pacific Index, attracts a larger pool of investors.	Building from our well-established sustainability leadership proposition, we are dedicated to further enhancing sustainability performance and delivering climate-focused initiatives. As our decarbonisation transition continues, this has the potential to further enhance Contact's attractiveness to global ESG-focused investors, further widening the pool of capital available to Contact.	Contact is capturing this opportunity through the following strategic initiatives: + Building new renewable generation and storage i.e. Tauhara and Te Huka 3 geothermal, Kōwhai Park solar and Glenbrook battery. + Replacing baseload gas generation assets at Te Rapa and Stratford (TCC) with new renewable generation. + Delivering against emissions reduction targets including SBTi (2026/30) and net zero 2035 commitment (Scope 1 and 2). Wider sustainability performance is a key enabler of the Contact26 strategy and is resourced accordingly. The sustainable financing framework has a continued focus, and we work across the business to maintain our inclusion in the Dow Jones Sustainability Asia/Pacific Index.

Opportunities	Assessment	Current impacts	Anticipated impacts	Contact's strategic response
O4 **Improved alignment of electricity generation and demand** Increases to ambient temperatures and frequency of drought could lead to higher summer cooling and irrigation demand. This, together with the potential electrification of summer-weighted dairy processing, could result in smoothing seasonal demand and increase in South Island demand, resulting in better-matched supply and demand patterns.	**Time Horizon** Long-term, 2050–2080 **Type** Market opportunity, physical **Materiality** This is not currently considered to be a material opportunity for Contact in the short- to medium-term but has been included to provide visibility of opportunities related to the long-term.	While dry periods and ambient temperature fluctuations are observed over time, it is challenging to isolate the impact of climate change from seasonal weather variations. We are not currently observing the alignment described. In FY24, there was increasing interest in opportunities to electrify process heat, including in the dairy sector (both in the South and North Islands).	Under all three climate scenarios, we expect increased frequency of drought and increased ambient temperatures with between 25 and 63* more hot days (>25 degrees) in the long-term. This has the potential to add to summer cooling (commercial and residential) and irrigation demand, particularly over the long-term and most prevalent in the Hot House scenario. Smoothed seasonal demand aligns well with our electricity supply profile. Contact now has 4TWh of geothermal generation online, which is baseload throughout the year, and we plan to build solar generation (summer-weighted) through our joint venture with Lightsource bp. Further decarbonisation of dairy processing operations (summer-weighted activity) has the potential to enhance this smoothing outcome, as well as potentially seeing more renewable power consumed closer to where it is generated in the South Island, with less electricity exported to the North Island, decreasing price separation.	This opportunity presents itself over the long-term. To this end, we continue to grow our pipeline of new renewable generation options, with a focus on building close to current and anticipated electricity load. Solar generation is the obvious example of generation that can capitalise on this opportunity. Our long-term business development opportunities will be built on the foundations of our strong relationships with customers and strategic partnerships.

* Relative to pre-industrial levels.

Metrics and targets

Net zero

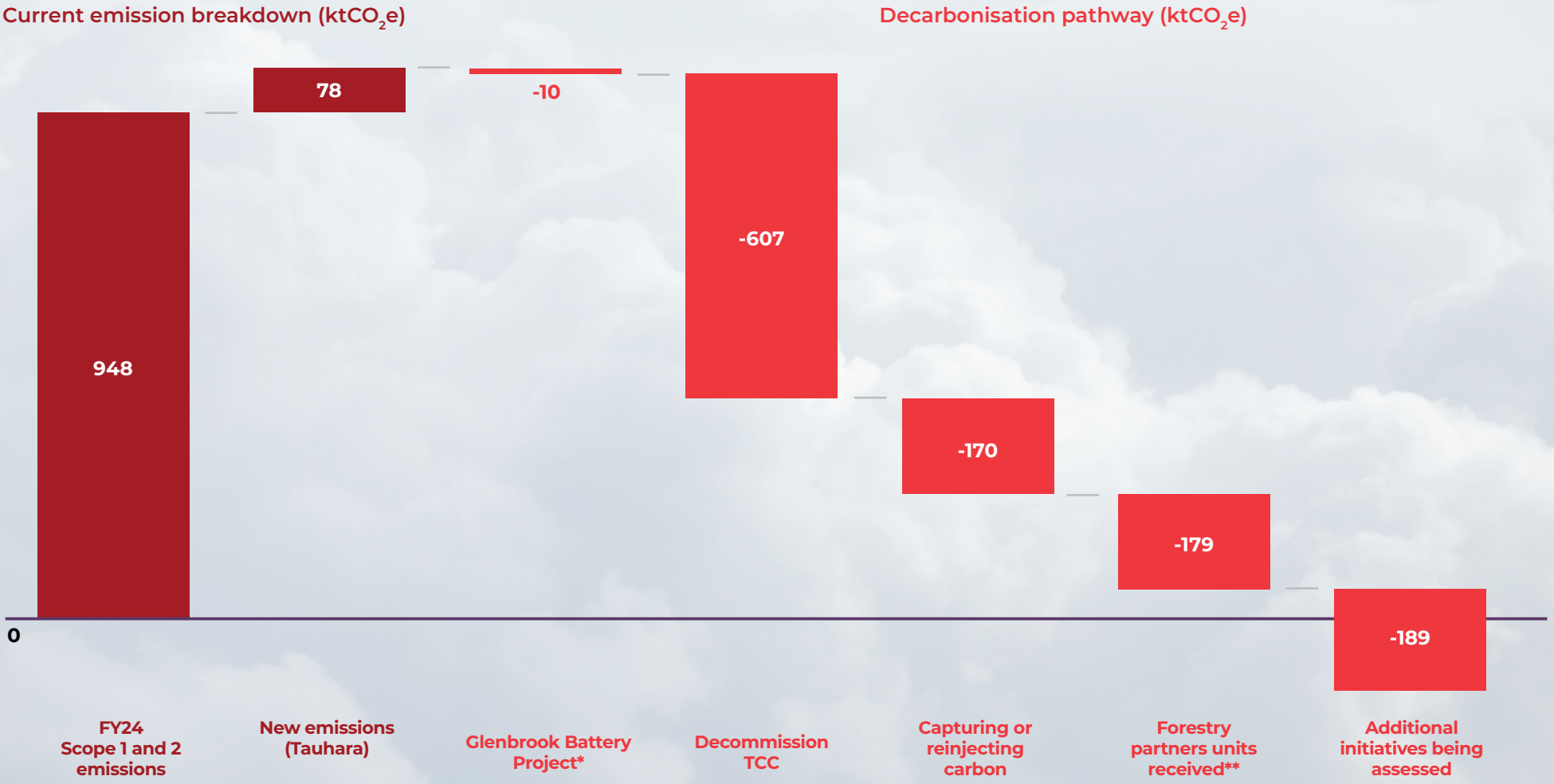
In early 2023, we took the bold step of accelerating our ambition to decarbonise our generation portfolio and we have a planned and purposeful pathway net zero emissions from our electricity generation by 2035. Although this financial year has seen a comparative increase in our direct emissions from Contact's generation plants (Scope 1), we remain committed to being net zero by 2035. This means we will reduce our Scope 1 and 2 emissions through the closure of thermal generation assets and replacing with new renewable generation. Also where residual greenhouse gases are emitted, these will be balanced by the equivalent amount of removal from the atmosphere through forestry investments.

Specifically, it will be achieved through significant investment in new renewable generation, and initiatives including:

+ The closure of our Te Rapa co-generation plant in June 2023. The Taranaki Combined Cycle (TCC) gas generation plant, is expected to close at the end of 2024. Together these two represented 63 percent of the total FY22 Scope 1 emissions, the base year for when we set our net zero ambition. TCC alone this year accounts for 64 percent of our total Scope 1 emissions.
+ Reducing our reliance on thermal (gas/diesel) peaking generation during periods of peak demand through innovations such as the new battery installation at Glenbrook and demand response innovation.
+ Carbon capture – We are investigating carbon capture technology at our Ohaaki geothermal site. We are now confirming the partners we'll work alongside, subject to final investment decision. We expect there could be up to 65,000 tonnes of CO_2 captured every year for converting to food grade quality CO_2 in New Zealand's food and beverage industry.
+ Forestry offsetting partnerships – we have two sustainable forestry investment partnerships designed to provide a long-term supply of high-quality carbon credits for the investors, as well as high-quality timber for the domestic market.
+ Carbon re-injection – we have carbon capture and reinjection technology fully operational at our Te Huka 1 and 2 plants. We are reinjecting 100 percent of the Te Huka 1 and 2 plant's emissions back into the reservoir to remove approximately 10,000 tonnes of carbon dioxide each year. There is potential within several of our other geothermal sites where the same concept can be applied at even higher volumes.
+ One example is our newly built Te Huka 3 Power Station, that has been constructed with re-injection of CO_2 in mind and is anticipated to re-inject approximate 14,000 tonnes per annum back into the geothermal reservoir.

Contact's new geothermal plant at Tauhara near Taupō.

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



Note: Analysis is based on FY24 actual Scope 1 and 2 emissions (indicates the total contribution TCC had in FY24 at 63 percent).
Utilisation of the peakers will vary over future years depending on hydro sequences and new technologies.

* Figure indicates estimated CO_2 displacement achieved from reduced running of the thermal peakers. Calculations estimated a reduction of approximately 150 operating hours or 150Tj of gas displaced, which when the Ministry for the Environment approved Emission Factor is applied equates to 10,000 tonnes.

** 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.

Greenhouse gas emissions

Contact has produced an annual greenhouse gas (GHG) emissions inventory since 2018. This inventory, detailed below for FY24, is a complete report of the GHG emissions resulting from Contact's operations within the declared boundary and scope for the reporting period. The GHG inventory has been prepared in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (the GHG Protocol) and is externally assured by EY New Zealand.

We apply the operational control and consolidation approach to our emissions. This approach allows us to focus on the emissions sources we have control over and therefore the ability to improve upon. The boundary encompasses all operations owned or controlled by Contact including Simply Energy which is now part of the Contact group, and subsidiary Western Energy Services Limited.

We have reported on our Scope 1 – direct emissions since 2012, and Scope 2 and 3 indirect emissions since 2018. We use 2018 as the base year because it includes all three scopes. This GHG inventory includes Scope 1, 2 and 3 emissions.

Scope 1

Direct GHG emissions are from sources owned or controlled by Contact. This includes all our electricity generation sites, fuel used in vehicles owned or leased by Contact, Simply Energy and Western Energy, and any fugitive emissions released (SF_6).

Scope 2

Electricity indirect GHG emissions are from the generation of purchased electricity consumed by Contact. This is defined as electricity purchased or otherwise brought into Contact's organisational boundary.

Power consumed at generation sites is not included as the electricity is not yet exported to the grid, except in cases where the operating plant is down, and backup electricity is being drawn from the grid. Scope 2 includes electricity consumed at other relevant sites (such as utility sites used for the generation of electricity, for example water intake pumps) and corporate offices for Contact, Simply Energy and Western Energy.

Scope 2 emissions have been reported using location-based emissions factors.

Scope 3

Other indirect GHG emissions are those generated as a consequence of the activities of the company but occur from sources not owned or controlled by the company. Reporting on these emissions is optional under the GHG protocol.

We have used the following criteria to determine which categories are relevant to Contact:

+ Relevance to our operations
+ A significant contributor to overall GHG emissions
+ Connected to stakeholder interests
+ Availability of data
+ Able to be influenced/reduced.

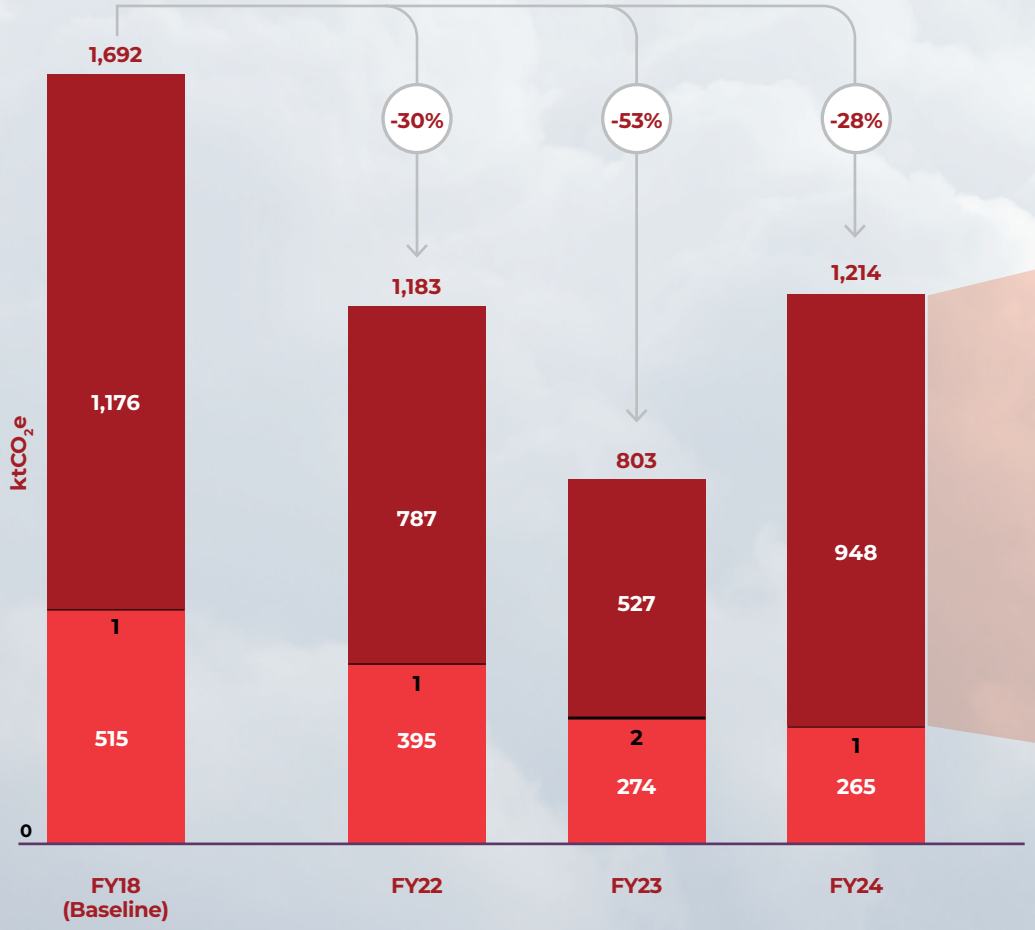
Contact's Scope 1, 2 and 3 GHG Emissions

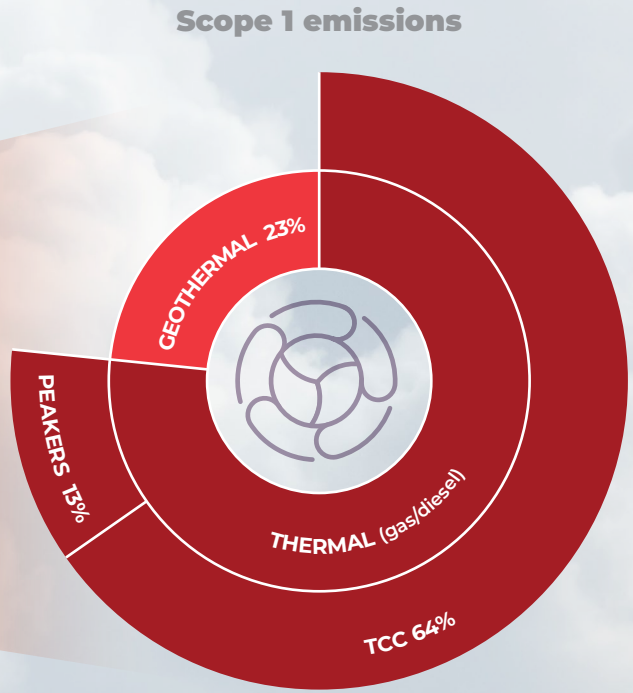
Scope	Category	FY24 tCO_2e	FY23 tCO_2e	FY22 tCO_2e
Direct emissions (Scope 1)	Stationary Combustion	947,131	526,282	786,544
	Mobile combustion	212	181	182
	Fugitive emissions[1]	28	32	1
	Western Energy – Mobile combustion	120	126	115
	Subtotal	**947,491**	**526,621**	**786,842**
Indirect emissions (Scope 2)	Purchased electricity (location based)	970	1,950	1,394
	Simply Energy – Electricity consumption (location based)	3	4	3
	Western Energy – Electricity consumption (location based)	2	3	2
	Subtotal	**975**	**1,957**	**1,399**
Scope 1 and 2	**TOTAL**	**948,466**	**528,579**	**788,241**
Indirect emissions (Scope 3)	Purchased goods and services	6,522	6,197	6,371
	Capital goods	79,185	88,266	57,876
	Fuel and energy related activities	5,130	1,050	149,743
	Upstream distribution and transportation	254	108	444
	Waste	58	47	108
	Business travel	1,601	1,274	567
	Employee commuting	927	965	832
	Use of sold products	170,929	175,603	178,554
	Downstream leased assets	429	164	289
	Subtotal	**265,034**	**273,673**	**394,784**
Scope 1, 2 and 3	**TOTAL**	**1,213,500**	**802,252**	**1,183,025**

1 SF_6 data is only collected once annually.

GHG Scope trend

The increase in Scope 1 compared to FY23 (direct generation emissions) was primarily driven by climatic conditions producing less rainfall nationwide that in turn contributed to a drier than average year. The lowest average rainfall since 2018 has significantly reduced the national hydro storage capacity, and required greater thermal generation to cover energy demand. We expect year-on-year fluctuations in emissions driven by hydro conditions and we remain on track to meet targets.





Indirect emissions (Scope 3) | Indirect emissions (Scope 2) | Direct emissions (Scope 1) | Geothermal | Thermal

Emissions intensity

Emissions	FY24	FY23	FY22
Total generation emission intensity (tCO_2e per MWh)	0.110	0.070	0.095
Thermal generation emission intensity (tCO_2e per MWh)	0.449	0.657	0.578

All Scope 1 and Scope 2 emissions factors* were sourced from Ministry for the Environment, Measuring Emissions: A Guide for Organisations: 2024 detailed guide except in the following cases:

Scope 1

- Geothermal field specific factors approved under the Climate Change (Unique Emissions Factor) Regulations 2009 and NZ Emissions Trading Scheme.
- Natural gas specific factors approved under the Climate Change (Stationary Energy and Industrial Processes) Regulations 2009.
- SF_6 GWP is sourced from the Intergovernmental Panel on Climate Change (IPCC) fifth assessment report.

No facilities, operations and/or emissions sources have been excluded from this report except for specific Scope 3 emissions noted in the table below.

Category exclusions

		Justification
Category 3 Fuel and energy	Excluded	Upstream emissions from extraction and production of gas and the transportation of gas have been excluded as this is captured within Scope 1 emissions.
Category 8 Upstream leased assets	Excluded	All leased sites electricity consumption data is included in Scope 2 – operational control.
Category 9 Downstream transportation and distribution	Excluded	There is no transportation or distribution of products after the point of sale.
Category 10 Processing of sold products	Excluded	There is no processing of sold products by the reporting company.
Category 12 End of life treatment of sold products	Excluded	There is no remaining product to be disposed of at the end of use.
Category 14 Franchises	Excluded	There are no franchise arrangements.
Category 15 Investments	Excluded	Investments deemed to be minimal and no data available.

* Cross-sector unit conversions that can be used to estimate emissions from stationary combustion, purchased electricity, and mobile combustion.

Asset percentage and business activites vulnerable to current – identified climate risks and opportunities

Transition risks

Risk	Time horizon	Explainer	FY24	FY23	FY22
Decline in availability of gas and ageing thermal fleet impacts firming and risk management capacity	Short-term	Thermal GWh produced as a proportion of Contact's total generation output for the financial year. Assets include: + Stratford GT21 and GT22 + Taranaki Combined Cycle + Whirinaki Diesel Fired + Te Rapa (not included for FY24 as was decommissioned)	19%	7%	13%

Physical risks

Risk	Type	Explainer	FY24	FY23	FY22
Changes to rainfall patterns could lead to reduced efficacy of hydropower generation	Chronic	Percentage point calculated as an output of total GWh Contact produced in relation to GWh output from its hydro assets (Clyde and Roxburgh) for the financial year.	42%	51%	48%
Damage and loss of access to generation assets and supporting infrastructure	Acute	Number of generation assets nationwide. Contact has 19 sites, including corporate offices, call centres, and subsidiaries. The change in FY24 reflects the closure of the Te Rapa site and the addition of two new developments, namely Tauhara and Te Huka 3. Ongoing changes in the future relate to new developments including solar, wind and battery.	14 sites	13 sites	13 sites
Damage and disruption to supply routes and domestic/international supply chains	Acute	Any or all of Contact's business activities could be considered vulnerable to a supply disruption from climatic events due to the nature of such a risk. We consider overall vulnerability is low due to geographical spread of separate activities and our existing risk management practices.	All	All	All

Climate related opportunities

Opportunity	Type	Measure	FY24	FY23	FY22
Supply customers with flexible energy management solutions	Market	Amount of flexible demand facilitated			
		In-market (MW)	55	37	23
		Contracted (MW)	173	97	36
Enhancing reputation through sustainability leadership leading to investor confidence and continued access to capital through certified green debt	Social	Percentage of generation assets that are certified green renewable (excludes thermal assets) Increase in percentage indicates closure of Te Rapa thermal and bringing Tauahra geothermal online	73%	70%	64%

Capital deployment

We have described our path towards decarbonisation in the Strategy section, the table below presents the total capital spend towards decarbonisation developments for the past three reporting periods.

Total capital spend towards climate risks & opportunities*

		FY24	FY23	FY22
Future renewable development		$449m	$485m	$299m
Investment into forestry partners and carbon re-use		$12m	$12m	$11m
Topic	**Make-up**	**FY24**	**FY23**	**FY22**
Future renewable development	Tauhara	$187m	$377m	$283m
	Te Huka Unit 3	$147m	$94m	$14m
	GeoFuture (now Te Mihi Stage 2 and 3)	$95m	$7m	$2m
	Battery	$5m	$0m	$0m
	Wind development options	$8m	$5m	$0m
Investment into forestry partners and carbon re-use	Food grade CO_2	$2m	$0m	
	Forest Partners	$10m	$12m	$2m
	Drylandcarbon			$9m

*All development spend is shown on an accrual accounting basis.

Internal emissions price – price per metric tonne of $C0_2e$ used internally

Internal carbon pricing brings with it benefits and enables Contact to plan and ultimately deliver on our decarbonisation strategy by:

+ driving energy efficiency
+ driving low-carbon investment
+ stress testing investments
+ identifying and seizing low carbon opportunities, and
+ supplier engagement.

Year	FY24	FY23	FY22
Price ($NZD/unit price (tonne of carbon))	67	50	40

Remuneration

The Contact Integrated Report 2024 has a detailed description of our approach to remuneration. CEO and Executive Team remuneration comprises a fixed component, which includes cash salary and other employment benefits and a pay-for-performance component containing short-term incentives (STI) and long-term incentives (LTI). Short-term incentives are detailed on **page 5** Governance section.

Targets

Science Based Targets Initiative

We have set emission reduction targets as part of the Science Based Targets initiative (SBTi). In June 2021 we updated our targets to align with the goal of limiting global warming to 1.5°C. We believe this to be an appropriate target as per the 2018, the Intergovernmental Panel on Climate Change (IPCC) Special Report Global Warming of 1.5°C warned that global temperature increases must be capped at 1.5°C to avoid the most catastrophic impacts of climate breakdown.

Our commitments are:

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

These targets are all underpinned by initiatives to reduce our emissions, including building low-emission, renewable geothermal power stations at Tauhara and Te Huka 3, the closure of our 40MW gas fired power station, Te Rapa in early 2023, and carbon re-injection at our geothermal stations.

Significant investment as outlined in the capital deployment section including the closure of the Taranaki Combined Cycle (TCC) gas fired power station in Stratford reducing a large proportion of our Scope 1 emissions, see **page 25**.

In 2025, we will undertake a review and verification of our SBTi targets as per the guidelines.

Every year we share progress against our SBTi metrics in our Integrated Report – the last three years of which can be seen below.

Target	Indicators	FY24	FY23	FY22
Reduce Scope 1 and 2 GHG emissions 45% by 2026 compared to a 2018 base year	Emissions from generation	Reduced 19%	Reduced 55%	Reduced 33%
Reduce Scope 1 GHG emissions 37% per MWh by 2030 compared to a 2018 base year	Emissions intensity from generation	Reduced 19%	Reduced 49%	Reduced 31%
Reduce Scope 3 emissions from use of sold products 34% by 2026 from a 2018 base year	% decrease in Scope 3 'use of sold products' against 2018 base year of 370,168 tCO_2	Reduced 54%	Reduced 53%	Reduced 52%
Reduce absolute Scope 1 and Scope 3 emissions from all sold electricity 45% by 2026 from a 2018 base year	% decrease in Scope 1 and 3 emissions from all sold electrcicity against 2018 base year of 1,175,004 tCO_2	Reduced 19%	Reduced 53%	Reduced 33%

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