



# Contact Energy lifts lid on carbon disclosure



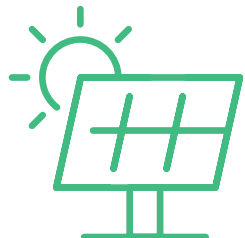
**Mike Fuge**  
CEO, Contact Energy

In 2020 Contact Energy produced a different style of annual report, delivering an integrated report for the first time.

Not only is the content guided by the Integrated Reporting framework, commonly referred to as <IR>, but it also uses a screen-friendly format, making it easy for readers to scroll through the report.

Robert McDonald, the Chair of Contact Energy, said the integrated report is for a much broader group of stakeholders



**80%+**  
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than investors alone and is not merely a look back over the year, but also forward-looking.

Writing in the report, he said Contact is transparent and “wants to help people have a better understanding of how we do business and how we deliver value beyond financial returns. This is the right thing to do and we understand the increasing expectations on all companies from investors, customers and communities to provide this information”.

Contact Energy’s Chief Executive, Mike Fuge, who joined the company early in 2020 from the CEO role at the NZ Refining Company, said a lot of effort went into the annual report this year.

“What you see in Contact is a mirror image of New Zealand – we are a truly national company with multiple generation locations. We are everywhere as a retailer. We also mirror New Zealand in terms of our de-carbonised energy production – we are well over 80% renewable – and our Board and staff reflect the country’s diversity. And like many New Zealanders we can be quiet about how we do things.”

Part of the purpose of the sustainability reporting effort that Contact made this year was to pull good sustainability stories into a coherent framework so investors can, according to their own value drivers, put a value on it.

“We place great stock on our tikanga or values, but we don’t make a big fuss about them – it’s just such an integral part of who we are and what we do. But as we plan and start investing in more renewable energy assets, it becomes important that people understand who we are, see our destination and our tikanga in action. So, in a broader context, that is why we are putting a greater focus on ESG reporting.”

Mike says it is important for investors, as well as community stakeholders, to know and understand the efforts Contact is making in environmental monitoring and in community relationships, as it gives them confidence in the company.

He says there is absolutely more pressure from investors for more ESG information. For example, a BlackRock Sustainability Fund has moved its shareholding in Contact up substantially in the past few months – with all Blackrock ETFs combined totalling over 10% now.



It's definitely a strong move to invest in demonstrating your strong ESG credentials. We have a very self-interested motivation to get this right. We have investment advisers and brokers saying to us, please keep moving on your ESG reporting to be in line all the positive change you are actually already delivering in the business because it is bringing international investors and diversity to your investor base."

Mike Fuge says the interest in Contact's sustainability credentials is mostly coming from Europe and increasingly from the United States. He says New Zealand investors are also more focused on sustainability as "they don't want to be part of a bad story".



### Sustainable finance

Contact has a sustainability-linked loan with Westpac where the actual interest rate is tied to the company's performance on the Dow Jones Sustainability Index.

"We were already one of the first power companies in the world to have well-below 2 degree carbon emissions targets verified by the Science Based Targets initiative, we have an innovative green borrowing programme, and this year we inked one of the country's first sustainability-linked loans. We have also reiterated our commitment to accelerating the decarbonisation of the New Zealand economy, and our intention to play a leading role in this ongoing transition."

Contact Energy has three tranches of corporate bonds listed on the NZX. Although they are "vanilla corporate bonds", they have been certified by the Climate Bonds Initiative to meet international standards.

"By certifying our existing debt, we are primarily creating a market for green investors and sustainable finance products rather than just driving change within an organisation," Mike says.





## Carbon disclosure reporting

The 2020 Contact Energy integrated report includes a section on climate-related financial guided by the Taskforce on Climate-related Financial Disclosures (TCFD).

Contact Energy has been working through the TCFD requirements for around three years. It has taken this time to analyse the impact of climate scenarios on the business and has over-time improved its public disclosure in line with TCFD requirements.

Mike Fuge says it is “better to be ahead of the game. It gives you the opportunity to help to set the agenda in the reporting standards and enables you to influence the direction it also helps inform some of the strategic choices that we will make”.

“Perhaps the biggest hurdle for [reporting] businesses is knowing that the first report you do will probably be the worst you’ll ever do, as most people don’t have the management systems in place. It takes time to develop the appropriate processes so when our stakeholders and investors ask for the information, we can give it to them.

“You have to be able to understand your risks. Uncovering them requires a bit of work and requires quite a lot of understanding to identify the physical and transition risks of climate change. TCFD asks you ‘what are the financial implications of those physical risks to your business?’.

“That’s a scary thought for many businesses. How do you go about quantifying those things on a long-term base, looking out 50 years or more?”

“My advice on ESG and carbon disclosure is to start the journey now. It’s better to start early and address any ugly issues that you find along the way rather than waiting to be told by the regulator that you must do it this way and then you’re boxed in.”

**Mike Fuge**  
CEO, Contact Energy