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Westpac NZ and Contact Energy agree first sustainability-linked loan

Westpac NZ and Contact Energy have entered into a \$50 million, four-year sustainability-linked loan facility, the first such loan issued by Westpac NZ and one of the first of its kind in New Zealand.

Contact Energy will receive a discounted interest rate on the sustainability-linked loan if it meets ambitious targets linked to its environmental, social and governance (ESG) rating determined by the independent ratings agency RobecoSAM. Conversely, Contact will pay higher interest costs if it doesn't meet the rating targets agreed with Westpac.

The incentive targets align with continual improvement in Contact Energy's ESG performance, including assessment of its climate strategy, electricity generation mix, corporate governance and stakeholder engagement.

Westpac NZ's Head of Sustainable Finance, Joanna Silver, said the loan was a good example of businesses working together to drive better environmental and social outcomes, and enhanced corporate governance.

"Sustainability-linked loans are an incentive-based tangible tool for companies to demonstrate their sustainability commitments to stakeholders and the public. Globally, a growing number of companies are aligning their sustainability performance with their cost of capital," Ms Silver said.

"Contact Energy has taken a holistic and multi-dimensional approach to achieve a range of sustainability outcomes. Westpac recognises the value of our business customers using capital to generate better, longer-term outcomes for their company and for all New Zealanders, and we want to reward them through innovative lending structures."

Environmental Finance data shows the global sustainability-linked loan market grew from \$US5 billion in 2017 to \$36 billion in 2018, and continues to expand.

Contact Energy's General Manager Financial Services, Louise Tong, said the sustainability-linked loan aligns with Contact's desire to continuously improve in areas that matter to stakeholders, including environmental and emissions metrics. "It's a dynamic tool that rewards and incentivises performance across a range of ESG metrics. It also complements our green borrowing programme which reflects the low carbon nature of our generation assets."

Ms Tong said Contact linked the facility to the RobecoSAM assessment because it was independent, transparent, highly respected and most favoured by investors globally.

"We're pleased to be playing our part in helping develop this innovative bank-lending market. It gives us another way we can help support decarbonisation for our business customers,



many of whom will look to banks to support the funding required for decarbonisation,” she said.

“We applaud Westpac NZ’s commitment to growing this aspect of the loan market and providing opportunities and incentives for businesses to contribute to a thriving New Zealand.”

Westpac NZ also acknowledges Chapman Tripp for legal advice the firm provided to incorporate the innovative sustainability-linked structure into the loan agreement, and their ongoing commitment to development of the domestic sustainable finance market.

ENDS

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About Contact Energy

Contact (contact.co.nz) is one of New Zealand’s largest energy retailers and generators. We’re committed to a sustainable, low carbon energy future for New Zealand. We balance our commitment to lowering carbon emissions and producing renewable energy, while maintaining reliable access to energy for our customers. We generate electricity from hydro, geothermal and gas and have one of the most flexible generation portfolios in the country.