

## Independent Limited Assurance Report to the Directors of Contact Energy Limited ('Contact Energy')

### Assurance conclusion

Based on our limited assurance procedures, as described in this statement as at 26 July 2017, nothing has come to our attention which causes us to believe that Contact Energy's Green Borrowing Programme (which includes all outstanding debt at face value except finance lease liabilities, overdraft facilities and capital markets debt - namely USPP and Wholesale Bonds - due to expire in calendar 2018) does not meet the project identification, project minimum criteria, management of proceeds, and reporting requirements of the Climate Bond Standard v2.1.

### Scope

We have performed a limited assurance engagement in relation to Contact Energy's Green Borrowing Programme, in order to provide a conclusion as to whether anything has come to our attention which causes us to believe that the subject matter detailed below does not meet the criteria as presented below as at 26 July 2017.

### Subject matter

The subject matter for our assurance is Contact Energy's Green Borrowing Programme, as described in the Green Borrowing Programme Framework Version 1.0, which includes:

- ▶ Identification of geothermal projects;
- ▶ Minimum criteria for eligible geothermal projects
- ▶ Management of proceeds
- ▶ Reporting on use of proceeds and project performance
- ▶ Internal systems and process related to the management of the Green Borrowing Programme

### Criteria

The criteria for our procedures ('the criteria') were:

- ▶ The Climate Bond Standard v2.1 ('CBS') including the Geothermal Eligibility Criteria

### Management Responsibility

The management of Contact Energy ('Management') is responsible for the collection, preparation and presentation of the subject matter in accordance with the criteria and for maintaining adequate records and internal controls that are designed to support the Green Borrowing Programme.

### Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Subject Matter based on our assurance engagement in accordance with the Criteria. Our assurance engagement has been planned and performed in accordance with the International Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000').

### Level of Assurance

A limited assurance engagement consists of making enquiries and applying analytical, appropriate testing, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a negative form of conclusion and, as such, do not provide all the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Our Approach

The assurance procedures we undertook included, but were not limited to:

- ▶ Reviewing the policies and procedures established by Contact Energy related to the implementation of its Green Borrowing Programme;
- ▶ Assessing eligibility of geothermal assets for inclusion in Contact Energy's Green Borrowing Programme
- ▶ Assessing the accuracy of asset valuations and all outstanding debt face values except finance lease liabilities, overdraft facilities and capital markets debt - namely USPP and Wholesale Bonds - due to expire in calendar 2018 ('included debt')
- ▶ Interviewing selected business unit and group level personnel to understand key issues areas related to Reviewing Contact Energy's policies and procedures that relate to the management of the Green Borrowing Programme;
- ▶ Checking the accuracy of emissions intensity, asset value and included debt calculations performed;
- ▶ Assessing internal systems and process were functioning as indicated and obtaining supporting evidence; and
- ▶ Obtaining and reviewing evidence to support key assumptions and other data.

A summary of our assurance procedures is shown in the table below.

CBS sections	Requirement	Assurance Procedures
4	Nominated Projects and Assets	<ul style="list-style-type: none"> <li>▶ Assessed the statement on the environmental objective of the Green Borrowing Programme against the CBS requirements</li> <li>▶ Assessed nominated assets of the Green Borrowing Programme against the environmental objective of the Programme</li> </ul>
5	Use of Proceeds	<ul style="list-style-type: none"> <li>▶ Reviewed the value of included debt of the following classes: USPPs Notes, domestic bonds, bank debt facilities, Export Credit Agency (NEXI) bank debt facilities and Commercial Paper (CP) issued under Contact's CP programme</li> <li>▶ Assessed that included debt was not securitised against any asset</li> <li>▶ Reviewed the proportion of refinancing was estimated in the Green Borrowing Programme Framework Version 1.0</li> <li>▶ Assessed that a formal tracking process was implemented as outlined in the Green Borrowing Programme Framework Version 1.0</li> </ul>
6	Non-Contamination of Proceeds	<ul style="list-style-type: none"> <li>▶ Reviewed whether earmarking process was implemented as outlined in the Green Borrowing Programme Framework Version 1.0</li> <li>▶ Reviewed surplus funds policy against CBS requirements</li> </ul>
7	Confidentiality	<ul style="list-style-type: none"> <li>▶ Discussed requirements to provide information regarding nominated assets to the Climate Bond Standards Board and the market</li> </ul>
8	Reporting	<ul style="list-style-type: none"> <li>▶ Assessed whether Contact Energy's intended reporting processes met the requirements of the CBS</li> </ul>
9	Climate Bond Taxonomy	<ul style="list-style-type: none"> <li>▶ Assessed nominated assets against CBS eligibility taxonomy</li> </ul>
10	Technical criteria	<ul style="list-style-type: none"> <li>▶ Assessed emissions intensity of geothermal assets and reviewed that they were below the CBS threshold of 100gCO<sub>2e</sub>/kWh</li> <li>▶ Assessed geothermal assets for total fluid reinjection technology</li> <li>▶ Assessed Contact Energy's alignment to international best practice environment, health and safety standards</li> </ul>
11	Project holding	<ul style="list-style-type: none"> <li>▶ Assessed that nominated assets had a fair market value equal to or greater than the value of included debt of the following classes: USPPs, domestic bonds, bank debt facilities, NEXI bank debt facilities and commercial paper programs</li> </ul>
12	Settlement period	<ul style="list-style-type: none"> <li>▶ Assessed that nominated assets had a fair market value equal to or greater than the value of included debt of the following classes: USPPs Notes, domestic bonds, bank debt facilities, Export Credit Agency (NEXI) bank debt facilities and Commercial Paper (CP) issued under Contact's CP programme</li> </ul>
13	Earmarking	<ul style="list-style-type: none"> <li>▶ Reviewed earmarking process implementation as outlined in the Green Borrowing Programme Framework Version 1.0</li> </ul>

### **Limitations**

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to the Climate Bond Standard v2.1 is subjective and will be interpreted differently by different stakeholder groups.

### **Use of Report**

Our responsibility in performing our assurance activities is to the directors of Contact Energy in accordance with the terms of reference for this engagement as agreed with Contact Energy. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Green Borrowing Programme is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

### **Our Independence and Assurance Team**

In accordance with PES 1 *Code of Ethics for Assurance Practitioners*, the firm and all professional personnel involved in this engagement have met the independence requirements of New Zealand or International professional ethical requirements. Our team has the required competencies and experience for this assurance engagement.

Yours sincerely  
Ernst & Young Limited



Graeme Bennett  
EY Assurance Partner

26 July 2017