



Product Disclosure Statement

Offer of unsecured subordinated green Capital Bonds issued by Contact Energy Limited

29 October 2021

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companiesoffice.govt.nz/disclose offer number (OFR13200).

Contact Energy Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



1. KEY INFORMATION SUMMARY

WHAT IS THIS?

This is an offer (**Offer**) of unsecured, subordinated, redeemable, interest bearing green capital bonds (**Capital Bonds**). The Capital Bonds are debt securities issued by Contact Energy Limited (**Contact**). You give Contact money, and in return Contact promises to pay you interest and repay the money at the end of the term. If Contact runs into financial trouble, you might lose some or all of the money you invested.

ABOUT CONTACT

Contact is a diversified and integrated energy company, focused on the generation of electricity and the sale of electricity, gas and broadband in New Zealand. Contact owns and operates power stations throughout New Zealand with an electricity generation portfolio comprising geothermal, hydroelectric and natural gas assets. Contact is listed on the NZX and has a foreign exempt listing on ASX with its shares trading under the ticker code CEN. As at close of the Business Day before the date of this PDS, it had a market capitalisation on the NZX of approximately NZ\$6.3 billion.

PURPOSE OF THIS OFFER

The proceeds of this Offer will be used by Contact for the financing and refinancing of renewable generation and other eligible Green Assets in accordance with the terms of the Green Borrowing Programme Framework. See section 4 (*Purpose of the Offer*) and section 5 (*Key features of the Capital Bonds*) of this PDS for more information.

KEY TERMS OF THE OFFER

Issuer	Contact Energy Limited
Description of the Capital Bonds	Unsecured, subordinated, redeemable, interest bearing green capital bonds. See section 5 of this PDS (<i>Key features of the Capital Bonds</i>) for more information.
Term	30 years, maturing on the Maturity Date (19 November 2051) if not Redeemed before that date.
Offer amount	Up to \$200 million (with the ability to accept oversubscriptions of up to an additional \$25 million at Contact's discretion).
Interest Rate	<p>The Capital Bonds will pay a fixed rate of interest from the Issue Date to the First Reset Date.</p> <p>This initial Interest Rate will be determined by Contact in conjunction with the Joint Lead Managers following the Bookbuild. It will be set at the percentage per annum equal to the sum of the Benchmark Rate (determined on the Rate Set Date) plus the Margin, subject to the Minimum Interest Rate.</p> <p>If not Redeemed prior, the Interest Rate applying from each Reset Date up to but excluding the next Reset Date will be a fixed rate of interest expressed as a percentage per annum equal to the then Benchmark Rate on that Reset Date plus the Margin plus the Step-up Percentage, provided that if a Successful Election Process has been completed the Interest Rate after each Reset Date will be as set out in the relevant Election Notice.</p> <p>See section 2 (<i>Key dates and Offer process</i>) and section 3 (<i>Terms of the Offer</i>) of this PDS for more information.</p>
Interest Payment Dates	Quarterly in arrear on 19 February, 19 May, 19 August and 19 November (or if that scheduled day is not a Business Day, the next Business Day), with the first Interest Payment Date being 19 February 2022, subject to Contact's right to defer payment of interest as described under 'Discretionary deferral of interest' below.
Discretionary deferral of interest	<p>Contact may defer payment of interest on the Capital Bonds at any time for up to five years at its sole discretion.</p> <p>See section 3 (<i>Terms of the Offer</i>) of this PDS for more information.</p>
Election Process	Not earlier than 6 months and not later than 30 Business Days before a Reset Date, Contact may give notice of its intention to run an Election Process. See section 5 of this PDS (<i>Key features of the Capital Bonds</i>) for more information.
Opening Date	8 November 2021.

Closing Date	12 November 2021 at 12.00pm.
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter.
Further payments, fees or charges	Taxes may be deducted from interest payments on the Capital Bonds. See section 7 of this PDS (<i>Tax</i>) for more information. You are not required to pay brokerage or any other fees or charges to Contact to purchase the Capital Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Capital Bonds or for the transfer of Capital Bonds.

NO GUARANTEE

Contact is the issuer and the sole obligor in respect of the Capital Bonds. No other person guarantees the Capital Bonds.

HOW YOU CAN GET YOUR MONEY OUT EARLY

Early Redemption

The Capital Bonds have a term of 30 years. However, the Capital Bonds may be Redeemed prior to the Maturity Date in limited circumstances. Contact may elect to Redeem some or all of your Capital Bonds on (i) any Reset Date or (ii) any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date. Contact may also elect to Redeem all (but not some only) of your Capital Bonds at any time if (i) there are less than 100,000,000 Capital Bonds on issue, (ii) a Tax Event occurs or (iii) a Rating Agency Event occurs.

The Supervisor may elect (and must elect if directed by a Bondholder Special Resolution) to demand for repayment of all of your Capital Bonds early on the occurrence of an Event of Default which is continuing.

In some situations Contact must Repurchase your Capital Bonds early as part of an Election Process.

See section 5 of this PDS (*Key features of the Capital Bonds*) for more information.

Sale of Capital Bonds

Contact intends to quote the Capital Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Capital Bonds, the price you get will vary depending on factors such as the financial condition of Contact and movements in market interest rates. You may receive less than the full amount that you have paid for them.

HOW CAPITAL BONDS RANK FOR REPAYMENT

The Capital Bonds are referred to as subordinated bonds because they are subordinated to all other indebtedness of Contact, other than indebtedness expressed to rank equally with, or subordinate to the Capital Bonds. On a liquidation of Contact, your claim for repayment of the Redemption Amount will rank:

- behind liabilities preferred by law, guaranteed liabilities, other borrowings secured over assets of Contact and other unsubordinated liabilities;
- equally with other Bondholders and with all unsecured and subordinated financial indebtedness of Contact (for example, any other bonds ranking equally with the Capital Bonds that may be issued by Contact in the future); and
- ahead of claims of holders of ordinary shares in Contact and holders of securities and other financial products and financial indebtedness that rank after the Capital Bonds (including any bonds ranking behind the Capital Bonds that may be issued by Contact in the future).

See section 5 of this PDS (*Key features of the Capital Bonds*) for more information.

NO SECURITY

The Capital Bonds are not secured.

KEY RISKS AFFECTING THIS INVESTMENT

Investments in debt securities have risks. A key risk is that Contact does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of the PDS (*Risks of investing*) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you. The interest rate for these Capital Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer is fair.

Contact considers that the most significant risk factors are:

- **Risks relating to managing the energy supply/demand balance** – Contact faces the dual risks of oversupply/demand reduction on the one hand and undersupply/demand above expectations on the other. Energy market oversupply may occur leading to low wholesale prices and a reduction in Contact's revenue and profit. Alternatively, energy market undersupply could occur leading to unsustainably high wholesale prices and potentially adverse Government intervention in an attempt by them to rebalance the market.
- **Risks relating to regulation** – material changes to market regulation by the Government or regulators (such as the Electricity Authority or the Commerce Commission) could have a material impact on Contact's financial performance. Contact's decarbonisation strategy aligns with the Government's aspirations of 100% renewable electricity generation by 2030; however, an interventionist approach by politicians or regulators could reduce Contact's ability to respond to market conditions and may impose greater costs or constraints that could have a material impact on Contact's business.

This summary does not cover all of the risks of investing in these Capital Bonds. You should also read section 6 of this PDS (*Risks of investing*) and section 5 of this PDS (*Key features of the Capital Bonds*).

WHAT IS CONTACT'S CREDIT RATING?

A credit rating is an independent opinion of the capability and willingness of an entity to repay its debts (in other words, its creditworthiness). It is not a guarantee that the financial product being offered is a safe investment. A credit rating should be considered alongside all other relevant information when making an investment decision.

Contact has been rated by S&P Global Ratings (**S&P**). S&P gives ratings from AAA through to C. S&P's ratings may be modified with a (+) or (-) sign to show relative standing within a rating category.

As at the date of this PDS, Contact has been assigned a long term credit rating of BBB with a stable outlook by S&P. The Capital Bonds are to be rated by S&P. Contact expects the initial credit rating assigned to the Capital Bonds by S&P will be BB+. This is two notches below Contact's issuer credit rating. One notch is deducted for the Capital Bonds being subordinated and a second notch is deducted because of the potential for interest payments to be deferred.

S&P								
				Contact's credit rating BBB (stable outlook)	Expected Capital Bond issue credit rating BB+			
Rating	AAA	AA	A	BBB	BB	B	CCC	CC to C
Summary description (capacity of issuer to meet its financial obligations)	Extremely strong	Very strong	Strong	Adequate	Less vulnerable	More vulnerable	Currently vulnerable	Currently highly vulnerable
Approximate probability of default over 5 years*	1 in 600	1 in 300	1 in 150	1 in 30	1 in 10	1 in 5	1 in 2	

*The approximate, median likelihood that an investor will not receive repayment on a five-year investment on time and in full based upon historical default rates published by S&P, Moody's and Fitch (source: Reserve Bank of New Zealand publication "Explaining Credit Ratings", dated November 2008)

WHERE YOU CAN FIND OTHER MARKET INFORMATION ABOUT CONTACT

The Offer is being made under a short-form disclosure process that Contact is permitted to use because the Capital Bonds rank in priority to ordinary shares in Contact, which are traded on the NZX Main Board and the ASX. Contact is subject to a disclosure obligation that requires it to notify certain material information to the market for the purpose of that information being made available to participants in the market. Contact's page on the NZX website, which includes information made available under the relevant disclosure obligation referred to above, can be found at www.nzx.com/companies/CEN.

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Offer of Capital Bonds by Contact Energy

Dear Investor,

On behalf of the Board of Directors of Contact Energy (**Contact**), I am pleased to present you with this opportunity to invest in Capital Bonds issued by Contact. This provides you with an opportunity to invest in one of New Zealand's leading renewable energy companies.

Our strategy

We are pursuing our long-term vision to build a better New Zealand by playing a leading role in the country's decarbonisation journey.

The societal push toward decarbonisation has combined with advances in technology to accelerate the shift toward electrification across the economy. Clean, low-cost, renewable electricity will be increasingly attractive and in demand. The Contact26 strategy we are pursuing will deliver decarbonisation by electrifying New Zealand's energy needs, as well as new global industrial supply chains.

We have strong capabilities in decarbonisation that mean we are well-positioned to take advantage of this shift. This includes our existing portfolio of high quality, efficient, renewable generation assets delivering low-cost, low-emission baseload electricity. In FY21, more than 80 per cent of the 8.4 terawatt hours of electricity generated by Contact was from hydro and geothermal sources.

Contact also has a growing pipeline of renewable generation development options that are ready to back the growing demand for electricity where it makes sense to invest. This includes additional geothermal developments, and opportunities such as wind, and batteries for renewable energy storage.

One exciting development is in progress at Tauhara in the central North Island where we are building a 152 megawatt geothermal power station. We believe this project is New Zealand's best low-carbon renewable electricity development. Once completed in 2023 it will operate around the clock, will not be reliant on weather and will be ideally positioned to displace baseload fossil fuel generation and significantly reduce New Zealand's emissions.

Environmental, Social and Governance (ESG) commitment

We know enhancing our strong environmental, social and governance credentials will help us create long-term value. We have renewed our efforts here and we are in a good place with many ESG factors built into the DNA of the company.

This starts with our Tikanga – our commitment to being a responsible organisation – and our built-in reliance on natural resources, good people and strong communities to sustain our operations. It includes our market-leading efforts around decarbonisation, integrated reporting, commitment to science-based targets, carbon disclosure, diversity and inclusion, site-based environmental management, sustainability policies and our green borrowing programme.

The Capital Bonds

The Capital Bonds will be certified as 'green' by the [Climate Bonds Initiative](#) as part of our [green borrowing programme](#) and will be New Zealand's first certified green capital bonds. This continues Contact's leadership in the sustainable financing area with all bi-lateral bank facilities converted to sustainability-linked loans earlier this calendar year and all eligible debt now certified as 'green'.

The proceeds from the issue of the Capital Bonds will be used to effectively fund the repayment of Contact's green bonds that mature in November 2021 and to finance and refinance renewable generation and other green assets.

The Board of Directors and management believe hybrid securities such as these Capital Bonds are an effective capital management tool, and we intend to maintain these instruments as a key feature of the company's capital structure into the future.

Important details

This Product Disclosure Statement describes the Capital Bonds and the Offer and includes other important information, including an overview of some of the key risks associated with investing which may affect your returns and repayment of your investment.

Please read this document, the additional information contained on the Offer Register and Contact's recent market announcements carefully and in full. This includes our investor presentation and our 2021 Integrated Report. You can find our announcements online at nzx.com under the code "CEN" and on our investor website (contact.co.nz/aboutus/investor-centre).

We recommend you consult your financial advice provider before making any decisions with respect to investing in the Capital Bonds.

Thank you

On behalf of our Board, I invite you to consider the Offer and would welcome your support of Contact.

Ngā mihi nui,

A handwritten signature in black ink, appearing to read 'Robert McDonald', with a stylized flourish at the end.

Robert McDonald

Chair

2. KEY DATES AND OFFER PROCESS

PDS lodged	Friday, 29 October 2021
Announcement of Minimum Interest Rate and indicative Margin range	Monday, 8 November 2021
Opening Date	Monday, 8 November 2021
Closing Date	Friday, 12 November 2021 at 12.00pm
Rate Set Date	Friday, 12 November 2021
Issue Date	Friday, 19 November 2021
Expected date of initial quotation and trading of the Capital Bonds on the NZX Debt Market	Monday, 22 November 2021
Interest Payment Dates	19 February, 19 May, 19 August and 19 November each year*
First Interest Payment Date	19 February 2022*
First Reset Date	19 November 2026
Expected date of equity credit falling to minimal (0%)	19 November 2031
Maturity Date	19 November 2051**

* If any scheduled Interest Payment Date is not a Business Day, payment will be made on the next Business Day. Interest payments may be deferred at Contact's discretion, as described in this PDS.

** Unless Redeemed before the Maturity Date as described in this PDS.

This timetable is indicative only and Contact, in conjunction with the Joint Lead Managers, may change the dates set out in this timetable. Contact has the right in its absolute discretion and without notice to vary the timetable (including by opening or closing the Offer early, extending the Closing Date or choosing not to proceed with the Offer). If the Closing Date is changed, subsequent dates may be changed accordingly.

3. TERMS OF THE OFFER

DESCRIPTION OF THE CAPITAL BONDS

Issuer	Contact Energy Limited.
Description of the Capital Bonds	Unsecured, subordinated, redeemable, interest bearing debt securities.
Equity content	<p>Intermediate.</p> <p>S&P has assigned an “intermediate” equity content to the Capital Bonds. Where such equity credit content is assigned, S&P will consider that the Capital Bonds comprise 50% equity when calculating its financial ratios for Contact. The equity content is expected to fall to minimal (0%) from 19 November 2031.</p>
Green Borrowing Programme and Climate Bonds Standard	<p>The Capital Bonds are Green Debt Instruments under Contact’s Green Borrowing Programme Framework and are certified by the Climate Bonds Initiative based on the Climate Bonds Standard. Contact has developed and adopted the Green Borrowing Programme to ensure that, as at the date of this PDS, its processes for identifying Green Assets and managing the use of the proceeds of the Capital Bonds are consistent with the Green Bond Principles and the Climate Bonds Standard. A copy of the Green Borrowing Programme Framework is available on Contact’s website: www.contact.co.nz/aboutus/sustainability/financial-sustainability.</p> <p>See section 5 of this PDS (<i>Key features of the Capital Bonds</i>) for more information.</p>
Interest Rate	<p>The Capital Bonds will pay a fixed rate of interest for the first five years until the First Reset Date.</p> <p>This Interest Rate for the initial five year period will be determined by Contact in conjunction with the Joint Lead Managers following the Bookbuild. It will be set at the percentage per annum equal to the sum of the Benchmark Rate (determined on the Rate Set Date) plus the Margin, subject to the Minimum Interest Rate.</p> <p>If not Redeemed prior, the Interest Rate applying from each Reset Date up to but excluding the next Reset Date will be a fixed rate of interest expressed as a percentage per annum equal to the then Benchmark Rate on that Reset Date plus the Margin plus the Step-up Percentage.</p> <p>If Contact runs an Election Process, a new Interest Rate may be set via that process as described in section 5 of this PDS (<i>Key features of the Capital Bonds</i>) under the heading 'Election Process'.</p>
Indicative Margin range and Minimum Interest Rate	The indicative Margin range and Minimum Interest Rate will be announced by Contact via NZX on or about the Opening Date.
Margin	The Margin for the Capital Bonds will be set by Contact (in consultation with the Joint Lead Managers) on the Rate Set Date following the Bookbuild and will be announced by Contact via NZX on the Rate Set Date.

Interest Payment Dates	<p>Interest is scheduled to be paid on 19 February, 19 May, 19 August and 19 November (or if that scheduled day is not a Business Day, the next Business Day), with the first Interest Payment Date being 19 February 2022, subject to Contact's right to defer payment of interest as described under 'Discretionary deferral of interest' below.</p>
Payment of interest and entitlement	<p>Regular scheduled payments of interest will be of equal quarterly amounts.</p> <p>Any interest on Capital Bonds payable on a date which is not an Interest Payment Date will be calculated on the basis of the number of days elapsed and a 365-day year, and shall accrue in respect of the period from, and including, the previous Interest Payment Date until, but excluding, the date for payment of that interest.</p> <p>Interest will be payable on an Interest Payment Date and (if the date on which Redemption is to occur is not an Interest Payment Date) the date in respect of which any Capital Bonds are to be Redeemed, to the Bondholder as at 5.00pm on the relevant Record Date.</p>
Discretionary deferral of interest	<p>Contact may defer payments of interest on the Capital Bonds at any time for up to five years at its sole discretion by notifying Bondholders. Where an interest payment has not been paid on its due date, notice of its deferral shall be deemed to have been given. A failure to pay interest that has been deferred is not an Event of Default.</p> <p>If an interest payment is deferred, the deferred interest will itself accrue interest at the prevailing Interest Rate on the Capital Bonds until the Interest Payment Date on which that deferred interest is paid.</p>
Distribution Stopper	<p>The Distribution Stopper will apply if and for so long as there is any Unpaid Interest outstanding.</p> <p>In summary, while the Distribution Stopper applies, Contact will not be able to pay distributions or make any other payments on or with respect to shares or other securities or indebtedness ranking equally with, or subordinate to, the Capital Bonds, without obtaining a Bondholder Special Resolution, or in the case of securities or indebtedness that rank equally with Capital Bonds where such action is undertaken on a pro rata basis.</p>
Election Process	<p>No earlier than six months and not later than 30 Business Days before any Reset Date, Contact may give to each Bondholder an Election Notice specifying New Conditions proposed to apply from the next Reset Date. Bondholders may elect to accept or reject the New Conditions in respect of some or all of their Capital Bonds.</p> <p>If Contact declares a Successful Election Process then it is obliged to Repurchase any Capital Bonds held by a Bondholder who has rejected the New Conditions for the Repurchase Amount. If Contact does not wish to Repurchase all Capital Bonds from those Bondholders that have rejected the New Conditions then Contact must declare that the Election Process has failed, in which case the existing Conditions will continue to apply and all Capital Bonds will remain outstanding.</p> <p>See section 5 of this PDS (<i>Key features of the Capital Bonds</i>) under the heading 'Election Process' for more information.</p>

<p>Optional early Redemption by Contact</p>	<p>Contact may, by giving Bondholders prior written notice, Redeem some or all of the Capital Bonds on:</p> <ul style="list-style-type: none"> • any Reset Date for the Redemption Amount; or • any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken in respect of that Reset Date for the Alternative Redemption Amount, <p>provided that after any partial Redemption, there will still be at least 100,000,000 Capital Bonds outstanding. Any partial Redemption will be done on a proportionate basis and may include adjustments to take account of the effect on marketable parcels and other logistical considerations.</p> <p>Contact may Redeem all (but not some only) of the Capital Bonds if:</p> <ul style="list-style-type: none"> • there are less than 100,000,000 Capital Bonds on issue for the Redemption Amount; • a Tax Event occurs for the Redemption Amount; or • a Rating Agency Event occurs for the Alternative Redemption Amount.
<p>Ranking</p>	<p>On a liquidation of Contact, the Capital Bonds will rank:</p> <ul style="list-style-type: none"> • behind liabilities preferred by law, guaranteed liabilities, other borrowings secured over assets of Contact and other unsubordinated liabilities; • equally with all other unsecured, subordinated obligations of Contact; and • ahead of claims of holders of ordinary shares in Contact and holders of securities and other financial products and financial indebtedness that rank after the Capital Bonds. <p>See section 5 of this PDS (<i>Key features of the Capital Bonds</i>) under the heading 'Ranking' for more information.</p>
<p>No guarantee</p>	<p>Contact is the issuer and the sole obligor in respect of the Capital Bonds. No subsidiary of Contact or any other person guarantees the Capital Bonds.</p>
<p>Events of Default</p>	<p>If an Event of Default occurs and is continuing the Supervisor may in its discretion, and must upon being directed to do so by a Bondholder Special Resolution, declare the Capital Bonds to be immediately due and payable.</p> <p>A failure to pay interest that has been deferred is not an Event of Default. Contact may defer payment of interest for up to five years at any time at its sole discretion.</p> <p>The Events of Default are set out in the corresponding definition in clause 1.2 of the Supplemental Trust Deed and are summarised in section 5 of this PDS (<i>Key features of the Capital Bonds</i>) under the heading 'Events of Default'.</p>

Transfer restrictions	As a Bondholder, you may only transfer Capital Bonds if the transfer is in respect of Capital Bonds having an aggregate Principal Amount that is an integral multiple of \$1,000. However, Contact will not register any transfer of Capital Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Capital Bonds with an aggregate Principal Amount of less than \$5,000, unless the transferor would then hold no Capital Bonds.
Sale of less than Minimum Holding	If you hold less than the requisite Minimum Holding of Capital Bonds, Contact may give notice of its intention to exercise a power of sale in respect of those Capital Bonds. If that power becomes exercisable Contact may arrange for the sale of your Capital Bonds through the NZX Debt Market (or in some other manner approved by NZX) and account to you the net proceeds of such sale.
Further payments, fees or charges	You are not required to pay brokerage or any other fees or charges to Contact to purchase the Capital Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Capital Bonds or for the transfer of Capital Bonds.

DESCRIPTION OF THE OFFER

Offer amount	Up to \$200 million (with the ability to accept oversubscriptions of up to an additional \$25 million at Contact's discretion). The final Offer amount will be determined by Contact in conjunction with the Joint Lead Managers and announced via NZX on or about the Rate Set Date.
Issue price	\$1.00 per Capital Bond, being the Principal Amount of each Capital Bond.
Who may apply under the Offer	All of the Capital Bonds offered under the Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, NZX Firms and other approved financial intermediaries invited to participate in the Bookbuild. There will be no public pool for the Capital Bonds.
Opening Date	8 November 2021.
Closing Date	12 November 2021 at 12.00pm.
Minimum subscription	\$5,000 and multiples of \$1,000 thereafter.
How to apply	Application instructions are set out in section 11 of this PDS (<i>How to apply</i>).
No underwriting	The Offer is not underwritten.

Quotation	<p>An application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all of the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been duly complied with. However, the Capital Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS.</p> <p>NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the Financial Markets Conduct Act 2013.</p> <p>NZX Debt Market ticker code CEN060 has been reserved for the Capital Bonds.</p>
Selling restrictions	<p>This Offer is only made in New Zealand.</p> <p>You may only offer for sale or sell any Capital Bonds in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered.</p> <p>Contact has not taken and will not take any action which would permit a public offering of Capital Bonds, or possession or distribution of any offering material in respect of the Capital Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand).</p> <p>Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Capital Bonds may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).</p> <p>By subscribing for or otherwise acquiring any Capital Bonds, you agree to indemnify, among others, Contact, the Supervisor, the Joint Arrangers and the Joint Lead Managers for any loss suffered as a result of any breach by you of the selling restrictions referred to in this section.</p>
Governing law	New Zealand.

OTHER DOCUMENTS

The terms of the Capital Bonds, and other key terms of the Offer, are set out in the Master Trust Deed, as supplemented by the Supplemental Trust Deed.

You should read each of these documents. Copies may be obtained from the Offer Register at www.companies.govt.nz/disclose, offer number OFR13200. Copies are also available at www.contact.co.nz/capitalbondoffer.

4. PURPOSE OF THE OFFER

Contact believes that hybrid securities that are ascribed equity content such as the Capital Bonds are an effective capital management tool and intends to maintain such instruments as a key feature of its capital structure going forward.

The Capital Bonds provide investors with an opportunity to assist Contact in the financing of renewable power generation assets that meet the Green Bond Principles and the Climate Bonds Standard.

The proceeds from the issue of the Capital Bonds will be used by Contact for the financing and refinancing of renewable generation and other eligible Green Assets in accordance with the terms of the Green Borrowing Programme Framework. Under the Green Borrowing Programme Framework, any surplus proceeds that are not internally allocated to Green Assets will be temporarily invested in assets such as cash or cash equivalents or otherwise in accordance with the Climate Bonds Standard to ensure the proceeds are not contaminated and applied to non-Green Assets. In particular, as at the date of this PDS, Contact expects to apply \$150 million of the net proceeds of the Offer to effectively fund the repayment of the CEN030 green retail bond that matures on 15 November 2021. This purpose will not change, irrespective of the total amount that is raised under the Offer.

Whilst Contact's operations may extend to investments which are not governed by the Green Bond Principles, proceeds of the Capital Bonds are earmarked for Green Assets.

If Contact fails to comply with the Green Borrowing Programme Framework or related matters, or if the Capital Bonds cease to satisfy the Green Bond Principles published by the International Capital Market Association or the Climate Bonds Standard:

- no Event of Default or any other breach will occur in relation to the Capital Bonds; and
- neither you nor Contact have any right for the Capital Bonds to be repaid early.

See also section 5 of this PDS (*Key features of the Capital Bonds*) for more information.

The Offer is not underwritten.

5. KEY FEATURES OF THE CAPITAL BONDS

A number of key features of the Capital Bonds are described in section 3 of this PDS (*Terms of the Offer*). The other key features of the Capital Bonds are described in this section 5.

CONTACT'S GREEN BORROWING PROGRAMME FRAMEWORK

Green Bond Principles

The Green Bond Principles are voluntary process guidelines for issuing green bonds published by the International Capital Market Association. As at the date of this PDS, the Green Bond Principles establish four core components for an instrument to be considered to be a green bond:

- **Use of proceeds:** the proceeds of the green bond must be used to finance or refinance assets or other projects that have clear environmental benefits.
- **Process for evaluation and selection:** the issuer should provide clear information to investors about the issuer's environmental sustainability objectives; the process for evaluation of eligible projects and associated environmental and social risks; and the eligibility criteria.
- **Management of proceeds:** the issuer should have internal processes to track and attest to the use of the proceeds of the green bond.
- **Reporting:** the issuer should keep and make readily available up to date information on the use of the proceeds of the green bond.

Set out below is a summary of the way in which the Green Borrowing Programme Framework addresses the Green Bond Principles as at the date of this PDS. To confirm the integrity of the Capital Bonds as a Green Debt Instrument under its Green Borrowing Programme Framework, Contact has ensured that, as at the date of this PDS, the Capital Bonds comply with both the Green Bond Principles and the Climate Bonds Standard.

Contact may amend the Green Borrowing Programme Framework from time to time. Any amendments to the Green Borrowing Programme Framework would apply to the Capital Bonds. See under the 'Reporting' heading below as to where you can access a copy of the Green Borrowing Programme Framework and related materials.

Certification and assurance

Contact's current Green Debt Instruments have been certified by CBI against the Climate Bonds Standard. In summary, the CBI certification process involves both pre-issuance and post-issuance certification. The pre-issuance certification consists of an assessment of Contact's internal processes, including its selection process for Green Assets and the internal tracking of proceeds. Contact has received a pre-issuance certification from CBI in respect of the Capital Bonds.

Contact has engaged KPMG to provide independent assurance of the Green Borrowing Programme to confirm that the Green Borrowing Programme continues to meet the requirements of the Climate Bonds Standard and the Green Bond Principles. Contact will seek to obtain further assurance at least annually.

Copies of the CBI certification and the latest KPMG independent limited assurance report (which details the assurance procedures and standards followed) can be found here:

www.contact.co.nz/aboutus/sustainability/financial-sustainability.

Use of proceeds

In accordance with the Green Borrowing Programme Framework and as described in section 4 of this PDS (*Purpose of the Offer*), the proceeds of this Offer will be used by Contact for the financing and refinancing of renewable generation and other eligible Green Assets.

The Green Borrowing Programme Framework seeks to identify the use of proceeds of Green Debt Instruments issued under the Green Borrowing Programme Framework, and ensure that the proceeds are applied to expenditure within Contact's business and operations that promote the transition to a low carbon and climate resilient economy. Specifically, the proceeds of Contact's Green Borrowing Programme will be used to finance Green Assets, namely:

- existing renewable power generation assets, specifically hydropower and geothermal generation assets; and
- future renewable power generation assets including hydropower, geothermal, wind and solar generation assets, and batteries for renewable energy storage,

that meet the Green Bond Principles and the Climate Bonds Standard, including CBI's relevant sector specific criteria.

Evaluation and selection

Contact's Green Borrowing Programme will be managed in accordance with its Green Borrowing Programme Framework and established governance arrangements. The Board of Contact were involved in the initial development of the Green Borrowing Programme Framework and continue to have oversight through review of the annual Green Borrowing Programme assurance statements (as detailed under the 'Reporting' heading below).

Contact has established a Sustainable Finance Committee (**SFC**) made up of senior treasury, financial accounting, sustainability and investor relations personnel. The SFC will meet at least semi-annually, prior to half yearly and full year reporting, to review relevant elements of the Green Borrowing Programme including, but not limited to compliance with the Green Borrowing Programme Framework including the Green Bond Principles and the Climate Bonds Standard together with relevant sector specific criteria.

Management of proceeds

The Green Borrowing Programme Framework provides that Contact will track the receipt and use of proceeds of the Capital Bonds via its internal information systems. In addition, to ensure appropriate earmarking for the purpose of internal monitoring and external reporting of proceeds, Contact has established a register that contains: a) details of all Green Debt Instruments under its Green Borrowing Programme Framework and b) all Green Assets and their book value for existing assets and project cost for assets not yet commissioned. Any surplus proceeds that are not internally allocated to Green Assets will be invested in cash deposits, government bills, government bonds, used to repay other Green Debt Instruments or otherwise in accordance with the Climate Bonds Standard to ensure the proceeds are not contaminated and applied to non-Green Assets.

Reporting

Contact recognises investor interest in transparency and disclosure and, accordingly, the Green Borrowing Programme Framework provides that Contact intends to make information available as follows:

Disclosure Item	Timing	Location
Green Borrowing Programme Framework	Upon announcement of the Green Borrowing Programme Framework and following any review/update	The sustainability section of Contact's website (www.contact.co.nz/aboutus/sustainability)
Assurance statements	Upon completion of each assurance process to extent allowed by assurer	
CBI certification	Upon announcement of the Green Borrowing Programme Framework, and upon completion of any subsequent certification process	
Green Borrowing Programme report – use of proceeds	At least semi-annually in line with half and full year results reporting	
Green Borrowing Programme report – impact analysis	Annually in line with full year results reporting	
		Annual report available on Contact's website (www.contact.co.nz)

Contact also discloses its performance in respect of emissions and climate related issues in its annual reports using the guidelines recommended by the Task Force on Climate-related Financial Disclosures.

No Event of Default

If Contact fails to:

- allocate the proceeds of the Capital Bonds as described in this PDS or the Green Borrowing Programme Framework;
- meet the Climate Bonds Standard, Green Bond Principles or the Green Borrowing Programme Framework in respect of the Capital Bonds;
- maintain CBI certification of the Capital Bonds or other Green Debt Instruments;
- comply with any environmental laws and standards in respect of the Green Assets or otherwise;
- receive further assurance from CBI;
- comply with the Green Borrowing Programme Framework (including updating its website in respect of the Capital Bonds);
- notify Bondholders that the Capital Bonds cease to comply with the Green Borrowing Programme Framework, the Green Bond Principles or the Climate Bonds Standard; or
- in any other way ensure that the Capital Bonds retain their green attributes,

then:

- no Event of Default or any other breach will occur in relation to the Capital Bonds;
- neither you nor Contact have any right for the Capital Bonds to be repaid early; and
- Contact may, depending on the exact circumstances, provide the market with an update in relation to the ongoing status of the Capital Bonds as green capital bonds.

Contact's obligations under the Trust Deed are not affected by the labelling of the Capital Bonds as green capital bonds, and any breach of the Trust Deed is to be determined without regard to any such green bond label, the Green Borrowing Programme Framework, the Green Bond Principles or the Climate Bonds Standard.

RANKING

Ranking on liquidation

On a liquidation of Contact the Capital Bonds will rank as unsecured subordinated obligations of Contact.

Amounts owing under Contact's bank debt, senior bonds, US private placement notes, commercial paper, unsubordinated general and trade creditors, indebtedness preferred by law and secured indebtedness will rank in a liquidation in priority to amounts owing under the Capital Bonds. The ranking of the Capital Bonds on a liquidation of Contact is summarised in the following diagram.

Diagram showing ranking of the Capital Bonds on a liquidation of Contact

Ranking	Ranking on liquidation	Type of liability/equity	Amount ¹
Higher ranking/earlier priority	Liabilities that rank in priority to the Capital Bonds	Liabilities preferred by law (e.g. Inland Revenue and employee entitlements) ²	\$53 million
		Other borrowings secured over assets of Contact	\$21 million
		Unsubordinated liabilities, including to US private placement noteholders, holders of commercial paper, banks and certain financial institutions that have lent money to Contact, trade and general creditors and certain derivative transactions	\$1,242 million
Lower ranking/later priority	Liabilities that rank equally with the Capital Bonds (including the Capital Bonds)	Capital Bonds ³	\$225 million
	Liabilities that rank below the Capital Bonds	N/A	\$Nil
	Equity ⁴	Shares, reserves and retained earnings	\$2,927 million

Notes to diagram:

¹ Amounts shown above are indicative based on the financial position of Contact as at 30 June 2021, being Contact's most recent balance date, adjusted for the issue of the Capital Bonds and the repayment of the maturing \$150 million retail bond (with the balance of the Offer proceeds going to short-term deposits). These amounts are subject to rounding adjustments.

² Liabilities that rank in priority to the Capital Bonds on liquidation include certain employee entitlements for unpaid salaries and wages, holiday pay and bonuses and PAYE deductions and amounts owing to Inland Revenue. There are typically other preferred claims which arise when a company is liquidated which are not possible to foresee and cannot therefore be quantified.

³ This table assumes \$225 million of Capital Bonds are issued under the Offer. Assuming the adjustments in note 1 above, if less than \$150 million of Capital Bonds are issued under the Offer then the unsubordinated liabilities will be higher by the amount of the shortfall.

⁴ The amount of equity stated in the diagram includes an amount in relation to Contact's existing quoted financial products (i.e. Contact's ordinary shares which are quoted on the NZX Main Board).

Further borrowing and security

After the issue of the Capital Bonds, Contact may (without the consent of Bondholders) borrow money or otherwise incur liabilities from time to time that rank equally with or in priority to the Capital Bonds on a

liquidation of Contact and/or grant security over some or all of its assets and/or provide guarantees in favour of certain creditors.

The financial covenants, negative pledge and other terms described below limit, to some extent, the ability of Contact to borrow money that ranks equally with, or above, the Capital Bonds.

Restrictions on borrowing

The terms of the Capital Bonds do not limit the ability of Contact to borrow further money. The Trust Deed does not contain any restrictions on the ability of Contact to borrow or incur further indebtedness.

The Negative Pledge Deed contains certain financial and other covenants that various providers of unsecured unsubordinated financial accommodation of any nature whatsoever now or in the future (**Financiers**) have the benefit of. Certain terms in the Negative Pledge Deed limit the ability of Contact to borrow money. Pursuant to the Negative Pledge Deed Contact covenants in favour of the Financiers that, among other things, the ratio of (i) consolidated unsubordinated group debt to (ii) consolidated unsubordinated group debt plus shareholders' funds (all as described in the Negative Pledge Deed) must not exceed 60%.

Bondholders do not, and will not, have the benefit of the Negative Pledge Deed, and the restrictions and other terms in the Negative Pledge Deed may be amended or waived without the consent of or notice to the Bondholders.

Restrictions on granting security

Among other things, the Negative Pledge Deed provides that Contact will not grant or permit to subsist any security interest in its assets except under certain limited exceptions set out in the Negative Pledge Deed, including a general exception for a principal amount so secured of up to 5% of consolidated Total Tangible Assets (as defined in the Negative Pledge Deed).

The Capital Bonds are unsecured. Bondholders do not, and will not, have the benefit of the Negative Pledge Deed, and the restrictions and other terms in the Negative Pledge Deed may be amended or waived without the consent of or notice to the Bondholders.

Guarantees

The Capital Bonds are not guaranteed by any person. Bondholders do not, and will not, have the benefit of the Negative Pledge Deed, and will not receive the benefit from any guarantees granted in favour of the Financiers.

SUPERVISOR

The Supervisor is appointed to act as supervisor and trustee for the Bondholders on the terms contained in the Trust Deed.

You can only enforce your rights under the Capital Bonds through the Supervisor (although you can enforce your rights under the Capital Bonds against Contact directly if the Supervisor is obliged to enforce, but has failed to do so).

EVENTS OF DEFAULT

The Events of Default are contained in the Supplemental Trust Deed. They include:

- a failure by Contact to make a payment, including of principal or interest (to the extent payment of interest has not been, or is not capable of being, deferred) due in respect of the Capital Bonds, including on Redemption, when due (subject to applicable grace periods);
- a failure by Contact to comply with the Distribution Stopper (when it is applicable); and
- an insolvency event of Contact occurs in the nature of the appointment of a liquidator, receiver, statutory manager, administrator or any analogous appointment.

This summary does not cover all of the Events of Default. For full details of the Events of Default see the corresponding definition in clause 1.2 of the Supplemental Trust Deed.

If an Event of Default occurs and is continuing, the Supervisor may in its discretion, and must upon being directed to do so by a Bondholder Special Resolution, declare the Principal Amount and any accrued interest on the Capital Bonds due and payable. If this occurs, Contact must repay to Bondholders the Redemption Amount.

ELECTION PROCESS

No earlier than six months and not later than 30 Business Days before any Reset Date, Contact may provide notice specifying new terms and conditions proposed to apply from the next Reset Date. The New Conditions may modify the Conditions applying to the Capital Bonds (including, for example, the Interest Rate, the Margin and future Reset Dates). If Contact runs an Election Process, Contact will send you an Election Notice asking you to accept or reject the New Conditions of the Capital Bonds that are proposed to apply from the relevant Reset Date. You can accept or reject the New Conditions in respect of some or all of your Capital Bonds.

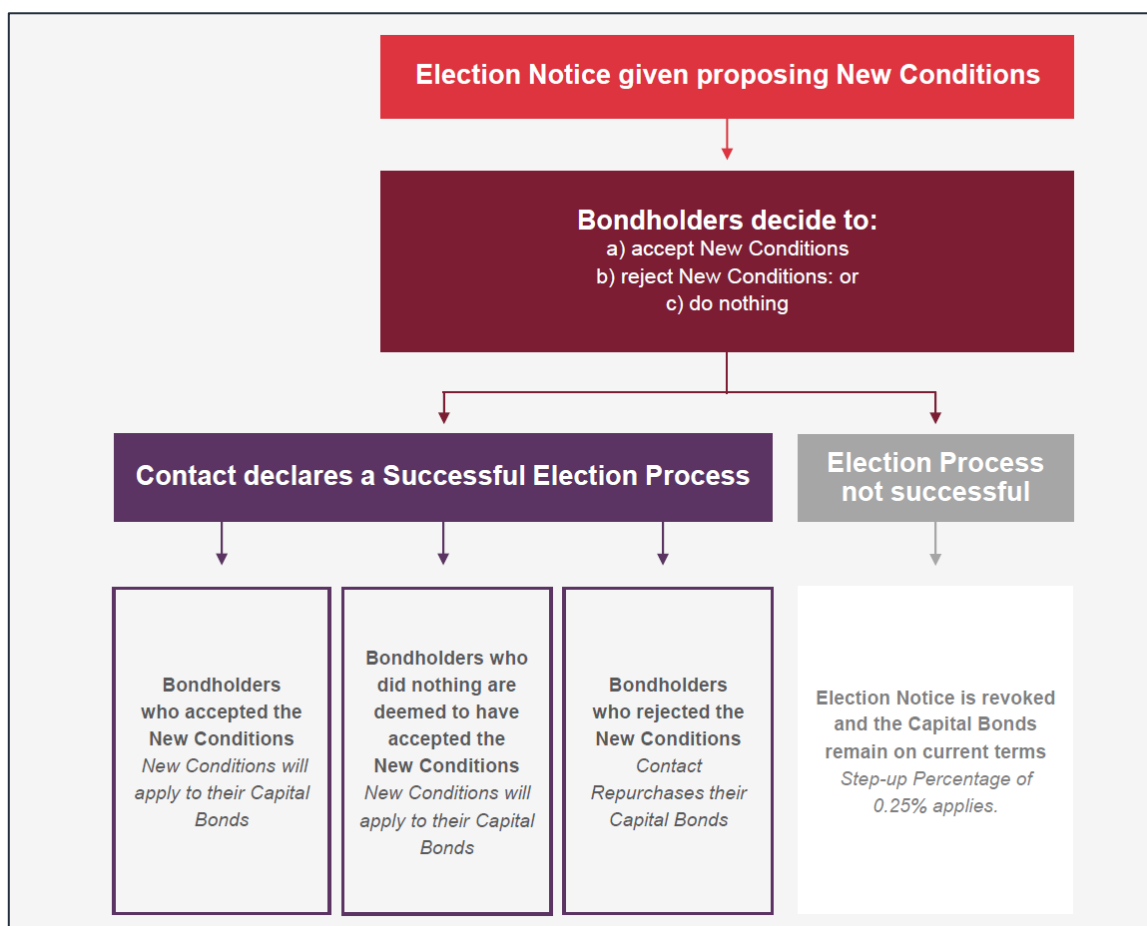
You will then need to make your decision and respond to the Election Notice within the period specified by Contact in the Election Notice which must be at least 15 Business Days before the relevant Reset Date. If you do not respond to, or fail to properly complete, the Election Notice you will be deemed to have accepted the New Conditions and you will continue to hold Capital Bonds from the relevant Reset Date subject to the New Conditions.

Following an Election Process Contact must determine (in its sole discretion) whether the Election Process succeeded or failed. If Contact declares a Successful Election Process then it is obliged to Repurchase any Capital Bonds held by a Bondholder who has rejected the New Conditions for the Repurchase Amount. Contact may choose to establish a resale facility to seek buyers for those Capital Bonds.

If Contact does not wish to Repurchase all Capital Bonds from those Bondholders that have rejected the New Conditions then Contact must declare that the Election Process has failed in which case the existing Conditions will continue to apply and all Capital Bonds will remain outstanding.

Ineligible Holders may not receive an Election Notice. Instead, Ineligible Holders may have their Capital Bonds Redeemed on the Reset Date for the Redemption Amount.

The diagram on the next page summarises the Election Process.



TAX EVENT

Contact may choose to Redeem all (but not some only) of the Capital Bonds for the Redemption Amount if a Tax Event occurs.

If Contact chooses to Redeem the Capital Bonds in these circumstances, it will announce the Redemption via NZX together with the date set for Redemption. Before making an election to Redeem the Capital Bonds, Contact must provide to the Supervisor a certificate signed by two directors of Contact stating that a Tax Event has occurred (including a description thereof and any reasonable supporting information or opinions requested by the Supervisor) and is continuing as at the date of the certificate.

For full details of the definition of, and requirements for, a Tax Event see condition 1.2 in Schedule 1 of the Supplemental Trust Deed.

RATING AGENCY EVENT

Contact may choose to Redeem all (but not some only) of the Capital Bonds for the Alternative Redemption Amount if a Rating Agency Event occurs.

If Contact chooses to Redeem the Capital Bonds in these circumstances, it will announce the Redemption via NZX together with the date set for Redemption.

For full details of the definition of, and requirements for, a Rating Agency Event see condition 1.2 in schedule 1 of the Supplemental Trust Deed.

OTHER RELEVANT INFORMATION ABOUT THE TRUST DEED

The Trust Deed contains a number of standard provisions, including in relation to the powers and duties of the Supervisor, and the process for amending the Trust Deed. You can find a copy of the Trust Deed on the Offer Register.

You should read the Trust Deed for further information.

6. RISKS OF INVESTING

INTRODUCTION

This section describes the following potential key risk factors:

- general risks associated with an investment in the Capital Bonds; and
- specific risks relating to Contact's creditworthiness.

The selection of risks has been based on an assessment of a combination of the probability of a risk occurring and its potential impact (individually or in combination with other key risks) at the date of this PDS. There is no guarantee or assurance that the importance of different risks will not change or that no other risks may emerge over time.

You should carefully consider these risks (together with the other information in this PDS) before deciding to invest in the Capital Bonds. This summary does not cover all of the risks of investing in the Capital Bonds.

The statement of risks in this section does not take account of the personal circumstances, financial position or investment requirements of any particular person. It is important, therefore, that before making any investment decision, you give consideration to the suitability of an investment in the Capital Bonds in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

You should also carefully consider the features of the Capital Bonds which differ from the features of a standard senior bond. Those features include the ability of Contact to defer interest, optional early redemption rights for Contact, a margin step-up, an election process and the subordinated nature of the Capital Bonds.

RISKS

GENERAL RISKS: an investment in the Capital Bonds is subject to the following general risks

Credit risk on Contact

There is a risk that you may not be able to recover your full principal investment and/or any interest due and unpaid if Contact encounters severe financial difficulty or becomes insolvent. In that case Contact may be unable to meet its obligations under the Capital Bonds. If Contact defers interest payments in accordance with the terms of the Capital Bonds you will not be able to take any action against Contact, unless an Event of Default subsequently occurs.

See section 5 of this PDS (*Key features of the Capital Bonds*) for more information on the ranking of the Capital Bonds in the event of a liquidation of Contact.

Secondary market risk

Contact intends to quote the Capital Bonds on the NZX Debt Market, which means you may be able to sell them on the NZX Debt Market before the Maturity Date.

There is a risk that, if you wish to sell your Bonds before maturity:

- you may be unable to find a buyer; or
- the price (if any) at which you are able to sell them is less than the amount you paid for them.

These outcomes may arise because of factors related to Contact's creditworthiness, or because of other factors. These other factors may include the following:

- The fact that a trading market for the Capital Bonds never develops, or if it develops is not very liquid. Although permission is expected to be granted to quote the Capital Bonds on the NZX Debt Market, this does not guarantee any trading market in the Capital Bonds;
- The level, direction and volatility of market interest rates. For example, if market interest rates go up, the market value of the Capital Bonds would typically be expected to go down and vice versa;
- The fact that Bondholders seeking to sell relatively small or relatively large amounts of Capital Bonds may not be able to do so at prices comparable to those available to other Bondholders;
- The subordinated nature of the Capital Bonds, possibility of interest payment deferral and optional early redemption rights for Contact may also increase the volatility of the market price of the Capital Bonds, and they may be more sensitive generally to adverse changes in Contact's financial condition than other debt securities; and
- The fact that the Capital Bonds may cease to meet (or Contact may fail to comply with) the requirements of the Green Bond Principles or the Climate Bonds Standard or that market practices, standards, principles or regulations further develop in a way that the Capital Bonds are not consistent with.

SPECIFIC RISKS RELATING TO CONTACT'S CREDITWORTHINESS: Contact considers that the main circumstances which could significantly affect, either individually or in combination, the future financial position and financial performance of Contact, and therefore significantly increase the risk that Contact may default on its payment obligations under the Capital Bonds are as follows.

Economic downturn and other risks arising from COVID-19

While the New Zealand electricity industry has to-date not been as severely impacted as some sectors of the New Zealand economy since the onset of the COVID-19 pandemic, the risk of economic downturn and other flow-on implications of COVID-19 has heightened some risks for Contact including:

- A potential material sustained reduction in electricity demand, particularly among commercial and industrial consumers, increasing the risk of oversupply of generation and depressed pricing in the wholesale market;
- Effects on the global supply chain and its impact on availability, costs and delivery times of key items including materials;
- Consumers may experience greater difficulty in meeting energy costs with the result that there may be increased regulatory focus on pricing or other intervention;
- Ongoing community outbreaks of COVID-19 may mean New Zealand enters further lockdown periods or COVID-19 becomes a long-term feature of life, suppressing economic activity and energy demand;
- Key plant or facilities availability may be impacted by COVID-19 in the community, meaning Contact would be unable to operate as it normally would;
- Ongoing border restrictions may affect Contact's ability to obtain international expertise required for delivering on the strategy or result in wider market reluctance to commit to growth projects due to uncertainty; and
- As the Government evolves its COVID-19 strategy (and focuses on increased levels of vaccination before ultimately ending lockdowns and reopening the borders), this may lead to further disruption due to higher levels of COVID-19 in the community.

These risks, and other unforeseen COVID-19 related matters, could adversely impact the economy and/or Contact's ability to operate its business and/or implement its ongoing capital investment projects.

Oversupply / reduced demand risk

Energy market oversupply may lead to low wholesale electricity prices and reduced earnings. Potential key contributors to oversupply include:

- The potential closure of the Tiwai aluminium smelter in the future. The smelter currently takes around 13% of national electricity production. The amended electricity transmission and supply arrangements, and extension of operations at the smelter announced recently provide some time for the electricity industry to prepare for a potential closure of the smelter. It is expected that this will result in the closure of some less efficient generation within the industry, and provide time for the industry to develop alternative sources of electricity demand. However, that may not occur, meaning any closure of the Tiwai smelter in the future could still adversely impact the industry and Contact,

	<p>although the lower South Island transmission line upgrade will mitigate some of this risk. There is also no guarantee that operations will continue at the smelter until December 2024, despite the January 2021 announcement and any expectation that this will be the case;</p> <ul style="list-style-type: none"> • Reduction in demand by other major industrial consumers, reducing demand for electricity; • The decreasing cost of renewable generation. As renewable generation (particularly wind and solar) becomes more economic, there is the risk of increased investment in renewable generation as part of decarbonisation efforts by several different market participants resulting in wholesale market oversupply; and • Economic conditions. Reduction in demand could occur as a result of a recessionary economic environment, whether or not arising from the COVID-19 pandemic. <p>The risks described below under Regulatory risk and Change in competitive environment risk could also contribute to the risk of oversupply/reduced demand.</p>
<p>Undersupply/demand above forecast risk</p>	<p>Energy market undersupply could occur, leading to unsustainably high wholesale prices and an adverse Government intervention. The components of undersupply risk include:</p> <ul style="list-style-type: none"> • Shorter-term: <ul style="list-style-type: none"> ○ sudden thermal plant retirement, coincident fuel constraints, major plant or grid outage, reduction in gas field delivery, rejection of coal generation as an acceptable source of dry year cover increases wholesale prices; and ○ a temporary spike in commodity prices and global supply chain constraints due to increased demand as the world recovers from COVID-19, coupled with new more onerous resource management act consenting requirements delays the build of renewable generation; and • Longer-term: <ul style="list-style-type: none"> ○ limited forward investment in gas fields, thermal generation retirements, and an inability of gas producers to attract capital for development reducing the reliability of the electricity supply system leading to higher prices and an increased risk from low hydrology years; and ○ faster than expected decarbonisation to meet New Zealand's 2050 emissions targets increases the demand for electricity before additional renewable stations are built.
<p>Regulatory risk</p>	<ul style="list-style-type: none"> • Changes to market regulation by the Government or regulators such as the Electricity Authority or the Commerce Commission could have a material impact on Contact's financial performance. • Contact's decarbonisation strategy aligns with the Government's aspirations of 100 percent renewable electricity generation by 2030. However an

	<p>interventionist approach by politicians and/or regulators could reduce Contact's ability to respond to market conditions and may impose greater costs or constraints on the business. Government-backed projects in the industry may also distort existing market forces in a way that cannot currently be predicted and which may be adverse to Contact.</p> <ul style="list-style-type: none"> • Regulators or Government bodies regularly release reports on the industry and the latest of those is an Electricity Authority observations and preliminary issues paper on its competition review of the wholesale market. It is possible that regulatory change could be an eventual outcome of this review, which may have long-term implications for the wholesale electricity market. Any impact this has on Contact is currently too uncertain to form a view on. • The Electricity Authority is also currently consulting on changes to its transmission pricing methodology for a proposed final implementation by April 2023. The final adopted form may impose additional material costs on Contact or Contact's customers, and might negatively impact battery investment returns. <p>Contact seeks to mitigate these risks through ongoing engagement with the Government and key regulators. Contact also actively participates in consultations on areas of legal and regulatory reform that will have a direct impact on Contact's business and financial performance.</p>
<p>Change in competitive environment risk</p>	<ul style="list-style-type: none"> • New generation built by competitors of Contact could adversely affect the prices that Contact can achieve in the wholesale market for electricity sales. • Contact depends on its ability to compete effectively by providing products and services that keep pace with consumer expectations at competitive prices. This could be a challenge if there is a significant change in the competitive environment, potentially leading to a material adverse impact on revenue if Contact is not able to compete effectively.
<p>Environment and health & safety risk</p>	<ul style="list-style-type: none"> • The nature of Contact's business means that Contact and some of its workers and contractors can be exposed to hazardous materials, heavy machinery and dangerous plant. There is the potential for an incident or accident to occur at one of Contact's sites which results in serious injury. Non-compliance with environmental and health and safety laws and regulations by either Contact or its employees or contractors could result in fines or penalties, remediation costs or claims made against Contact, as well as reputational damage. • Changes to laws and regulations could result in an increase in required capital expenditure or ongoing compliance costs. <p>Contact has a strong focus on ensuring the health and safety of its employees and contractors, and it seeks to manage risks relating to environment and health and safety through various mechanisms including through imposing strict contractual requirements on, and management of, services provided by third parties.</p>

IT systems and infrastructure risk	<ul style="list-style-type: none"> • Contact is reliant on the performance of its and its suppliers' technology infrastructure to manage its widely geographically distributed generation assets and other plant. • If Contact's information technology infrastructure was interrupted, compromised or damaged, Contact could suffer loss of control of assets, inability to dispatch electricity or gas into the market or adjust to pricing variations, resulting in revenue loss, material harm to its reputation and/or significant expenditure to restore functionality.
Data security risk	<ul style="list-style-type: none"> • Given Contact's large customer base, its systems hold large volumes of confidential personal and business data. Data held by Contact may be accessed or used in an unauthorised manner, including due to a cyber-attack. The frequency and sophistication of cyber-attacks on businesses is growing. If Contact suffered a major cyber-attack or data security breach, Contact's reputation would be damaged – which could lead to a loss of existing customers, an inability to attract new customers and a corresponding loss in revenue. Contact may also incur fines, penalties or claims as a result of any privacy breach. Contact could also lose control of its assets, leading to risk of damage or injury. • Like many businesses Contact has experienced attempted attacks on its systems from time to time. To date these have not resulted in any material interruption, outage, suspension or loss of data, but there is a risk that a cyber-attack is successful or another event including human or technical error or acts of terrorism or vandalism results in a data breach or loss of capacity. <p>Contact invests considerable capital to ensure security and sufficient reliability and diversity of its information technology infrastructure.</p>
Significant or prolonged infrastructure damage risk	<ul style="list-style-type: none"> • Contact is dependent on a number of key generation and transmission assets located throughout the country, not all of which are owned by or under the control of Contact. These assets, ancillary assets or infrastructure connecting those assets to transmission and distribution networks, could be damaged or destroyed by a natural disaster such as a major volcanic eruption, earthquake or storm. This could result in a major interruption in Contact's ability to generate and dispatch electricity into the market, having a material adverse impact on its financial position and performance. <p>Contact maintains insurance to cover it against certain events, but the insured sum does not cover the full replacement value of all plant and insurance policies do not cover all possible adverse events. To help manage this risk, Contact regularly reviews the level and nature of its insurance cover.</p>
Project and resource risks	<ul style="list-style-type: none"> • The Tauhara project carries construction and project-related risks that Contact considers normal for this type of investment. These risks include the risk of accident or other health and safety event, supply-chain risks, errors in the design, geotechnical conditions varying materially from what is expected, lack of availability of specialist equipment or people, unfavourable weather

conditions for construction, contractor default, delay, cost overrun where pricing is not fixed and failure to achieve intended specifications. These risks are in part mitigated by the terms of the engineering, procurement and construction contract which covers a significant amount of the Tauhara project capex.

- The resource consents that are required for the operation of the Wairakei steamfield, and the associated Wairakei and Te Mihi power stations, expire in 2026. Renewal of these resource consents is a key focus of the Contact management team but is subject to the determination of third party consenting authorities outside of Contact's control.
- Contact is also exposed to risks associated with geothermal generation and the natural decline in the enthalpy from production wells. Enthalpy decline is modelled in the project design but could be more significant than expected, requiring a greater number of wells to be drilled or a lower output, which would impact cost and performance of the plant.
- Contact has other projects that it may implement to maintain and improve assets, reduce operating expenses, and introduce new products and services. These other projects may be subject to similar project related risks as described above in relation to Tauhara.
- While it continues to operate thermal plants, Contact is exposed to the risk of a shortage in gas supplies. Recent reductions in production from the Kupe and Pohokura fields exacerbate this risk. Contact is also exposed to the risk of its hydro plants being unable to operate to full capacity (or at all) in the event of extremely low water levels.

Project and resource risks are also mitigated to a large extent by Contact's previous experience of successfully implementing similar projects.

7. TAX

Resident Withholding Tax

If you are tax resident in New Zealand or otherwise receive payments of interest on the Capital Bonds that are subject to the resident withholding tax (**RWT**) rules, Contact will deduct RWT from interest paid or credited to you at the relevant rate, unless you produce to the Securities Registrar evidence that you are exempt from RWT on or before the Record Date for the relevant payment.

Approved Issuer Levy

If you are not a resident of New Zealand for tax purposes and the interest on your Capital Bonds is subject to the non-resident withholding tax (**NRWT**) rules, Contact will deduct approved issuer levy (**AIL**), in lieu of deducting NRWT, from the interest payment unless you elect, and Contact agrees, for NRWT to be deducted or AIL is not applicable under the law. Contact may apply the zero-percent rate of AIL (rather than the standard AIL rate of 2%) where it is able to do so. If the AIL regime or rate changes in the future, Contact reserves the right not to deduct AIL.

Indemnity

If, in respect of any of your Capital Bonds, the Securities Registrar or Contact becomes liable to account for withholding taxes, or make any payment of, or on account of, tax payable by you, then the Securities Registrar and Contact shall be indemnified by you in respect of such liability.

General

There may be other tax consequences from acquiring or disposing of the Capital Bonds including income tax consequences. If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences in light of your specific circumstances.

Taxes may affect your returns. The preceding information does not constitute taxation advice to any Bondholder, is general in nature and limited to consideration of New Zealand taxation impacts as at the date of this PDS.

8. WHO IS INVOLVED?

	Name	Role
Issuer	Contact Energy Limited	Issuer of the Capital Bonds.
Supervisor	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Bondholders, including the right to enforce Contact's obligations under the Capital Bonds.
Joint Arrangers	Craigs Investment Partners Limited and Forsyth Barr Limited	Provides advice and assistance to Contact in arranging the Offer.
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited	<p>Assists with the Bookbuild and with the marketing and distribution of the Offer.</p> <p>Except as described above, the Joint Arrangers and Joint Lead Managers are not otherwise involved in the Offer.</p> <p>None of the Joint Arrangers, the Joint Lead Managers and their respective directors, employees, agents and advisers have independently verified the content of this PDS.</p> <p>This PDS does not constitute a recommendation by the Joint Arrangers, any Joint Lead Manager, or any of their respective directors, officers, employees, agents or advisers to purchase any Capital Bonds.</p>
Securities Registrar	Link Market Services Limited	Maintains the Bond Register.
Solicitors to Contact	Buddle Findlay	Provides legal advice to Contact in respect of the Offer.
Solicitors to Supervisor	Bell Gully	Provides legal advice to the Supervisor in respect of the Offer.
Green Programme Co-ordinator	Bank of New Zealand	Provides advice and assistance to Contact in relation to its Green Borrowing Programme Framework

9. HOW TO COMPLAIN

Complaints about the Capital Bonds can be directed to:

Contact Energy Limited at:

Level 2, Harbour City Tower
29 Brandon Street
Wellington 6143

Phone: +64 4 499 4001

Email: investor.centre@contactenergy.co.nz

If for any reason Contact is **unable** to resolve your complaint, please contact:

The Supervisor at:

The New Zealand Guardian Trust Company Limited
Level 2, 99 Customhouse Quay
Wellington 6140

Phone: +64 4 901 5402

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (**FSCL**) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by submitting a complaint form on FSCL's website (www.fscl.org.nz), emailing complaints@fscl.org.nz, calling FSCL on 0800 347 257, or writing to FSCL at PO Box 5967, Wellington 6145. The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be made to the Financial Markets Authority through their website (www.fma.govt.nz/).

10. WHERE YOU CAN FIND MORE INFORMATION

Further information relating to Contact and the Capital Bonds is available on the Offer Register. The Offer Register can be accessed at www.companiesoffice.govt.nz/disclose, offer number OFR13200.

A copy of the information on the Offer Register is available on request to the Registrar of Financial Service Providers. The information contained on that register includes a copy of the Trust Deed and other material information.

Contact is subject to a disclosure obligation in relation to its shares and other bonds that require it to notify certain material information to the NZX and the ASX for the purpose of that information being made available to participants in the market. You can obtain information, including information made available under the disclosure obligations referred to above, free of charge on Contact's page on the NZX website at www.nzx.com/companies/CEN and on the ASX website at www2.asx.com.au/markets/company/cen.

A copy of the Green Borrowing Programme Framework is available on Contact's website at www.contact.co.nz/aboutus/sustainability/financial-sustainability.

11. HOW TO APPLY

All of the Capital Bonds offered under the Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, NZX Firms and other approved financial intermediaries invited to participate in the Bookbuild.

There is no public pool for the Capital Bonds.

This means that you can only apply for Capital Bonds through an NZX Firm or approved financial intermediary who has obtained an allocation. You can find an NZX Firm by visiting www.nzx.com/services/market-participants/find-a-participant.

The NZX Firm or financial intermediary will:

- provide you with a copy of this PDS (if you have not already received a copy);
- explain what you need to do to apply for Capital Bonds; and
- explain what payments need to be made by you, and by when.

Your financial adviser will be able to advise you as to what arrangements will need to be put in place for you to trade the Capital Bonds, including obtaining a Common Shareholder Number (CSN), an Authorisation Code (FIN) and opening an account with an NZX Firm as well as the costs and timeframes for putting such arrangements in place.

12. CONTACT INFORMATION

Issuer

Contact Energy Limited

Level 2, Harbour City Tower
29 Brandon Street
Wellington 6143
+64 4 499 4001

Securities Registrar

Link Market Services Limited

Level 30, PwC Tower
15 Customs Street West
Auckland 1010
+64 9 375 5998

Joint Arrangers and Joint Lead Managers

Craigs Investment Partners Limited

Level 32, Vero Centre
48 Shortland Street
Auckland 1010
0800 226 263

Forsyth Barr Limited

Level 22, NTT Tower
157 Lambton Quay
Wellington 6011
0800 367 227

Joint Lead Manager and Green Programme Co-ordinator

Bank of New Zealand

Level 6, Deloitte Centre
80 Queen Street
Auckland 1010
0800 284 017

Supervisor

The New Zealand Guardian Trust Company Limited

Level 2, 99 Customhouse Quay
Wellington 6011
Phone: +64 4 901 5402

GLOSSARY

\$ or NZ\$	New Zealand dollars
Alternative Redemption Amount	In relation to the Redemption of Capital Bonds, the greater of: (i) the Redemption Amount; and (ii) the market price of the Capital Bonds (determined in accordance with the Trust Deed), which will include accrued interest at the relevant time
ASX	ASX Limited, or the financial market operated by ASX Limited, as the context requires, also known as the Australian Securities Exchange
Benchmark Rate	5-year mid-market NZD Swap Rate (adjusted to a quarterly equivalent rate as necessary) calculated by Contact, according to market convention, with reference to Bloomberg page 'ICNZ4' (or any successor page), (rounded to 2 decimal places, if necessary, with 0.005 being rounded up) determined on the Rate Set Date (in consultation with the Joint Lead Managers) and at or around 11.00am New Zealand time on each Reset Date
Bondholder or you	A person whose name is entered in the Bond Register as a holder of a Capital Bond
Bond Register	The register in respect of the Capital Bonds maintained by the Securities Registrar
Bookbuild	The bookbuild process to determine the Margin by reference to bids from market participants for an allocation of Capital Bonds, expected to be conducted by the Joint Lead Managers on the Rate Set Date
Business Day	A day (other than a Saturday or Sunday) on which banks are generally open for business in Auckland and Wellington If an Interest Payment Date, Redemption Date or the Maturity Date falls on a day that is not a Business Day, the due date for any payment to be made on that date will be the next following Business Day
Capital Bonds	The green capital bonds constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS
CBI	Climate Bonds Initiative
Climate Bonds Standard	The Climate Bonds Standard, currently version 3.0, as amended from time to time
Closing Date	12 November 2021 at 12.00pm
Conditions	The terms and conditions of the Capital Bonds as set out in schedule 1 to the Supplemental Trust Deed

Distribution Stopper	<p>Means, while it applies, that Contact must not:</p> <ul style="list-style-type: none"> • make any dividends, distributions or payments of interest on any shares or securities ranking after the Capital Bonds; or • acquire, redeem or repay any share or other security ranking after the Capital Bonds (or provide financial assistance for the acquisition of such shares or securities), <p>in each case, without obtaining a Bondholder Special Resolution; or</p> <ul style="list-style-type: none"> • make any dividends, distributions or payments of interest on any other securities ranking pari passu with the Capital Bonds; or • acquire, redeem or repay any other security ranking pari passu with the Capital Bonds (or provide financial assistance for the acquisition of such securities), <p>in each case, other than on a pro rata basis</p>
Election Notice	The notice given by Contact to Bondholders to initiate an Election Process
Election Process	The election process described in section 5 of this PDS (<i>Key features of the Capital Bonds</i>) under the heading 'Election Process'
Event of Default	Each event set out in the corresponding definition in clause 1.2 of the Supplemental Trust Deed, which are summarised in section 5 of this PDS (<i>Key features of the Capital Bonds</i>) under the heading 'Events of Default'
First Reset Date	The date that is five years after the Issue Date
Green Assets	Renewable power generation assets including hydropower, geothermal, wind and solar generation assets, and batteries for renewable energy storage that meet the Green Bond Principles and the Climate Bonds Standard and have been identified by Contact as meeting the criteria for "Green Assets", a schedule of such assets is set out in Appendix 1 of the Green Borrowing Programme Framework
Green Bond Principles	The Green Bond Principles dated June 2021 as published by the International Capital Market Association, as amended from time to time. A copy of which is available at www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/
Green Borrowing Programme Framework	The document developed and adopted by Contact and entitled "Contact Energy Limited Green Borrowing Programme Framework" as may be amended by Contact from time to time. A copy of the current version is available at www.contact.co.nz/aboutus/sustainability/financial-sustainability
Green Debt Instruments	Certain debt instruments including bank facilities, commercial paper, wholesale bonds, listed retail bonds and US private placement notes issued from time to time as part of the Green Borrowing Programme, a schedule summarising the latest position of such instruments is set out in Appendix 2 of the Green Borrowing Programme Framework

Ineligible Holder	<p>In summary, a Bondholder:</p> <ul style="list-style-type: none"> • whose address in the register for the Capital Bonds is a place outside New Zealand; or • who Contact believes may not be resident in New Zealand, <p>and where Contact is not satisfied that the laws of the country in which Contact believes the Bondholder is resident permit participation by the Bondholder in the Election Process</p>
Inland Revenue	The New Zealand Inland Revenue Department
Interest Payment Dates	<p>Unless otherwise determined as part of a Successful Election Process, 19 February, 19 May, 19 August and 19 November (or if that day is not a Business Day, the next Business Day), until and including the Maturity Date, with the first Interest Payment Date being 19 February 2022</p> <p>Interest payments are subject to deferral of interest at Contact's discretion, as described in section 3 of this PDS (<i>Terms of the Offer</i>) under the heading 'Discretionary deferral of interest'</p>
Interest Rate	The interest rate for the Capital Bonds in place from time to time, as described in section 3 of this PDS (<i>Terms of the Offer</i>)
Issue Date	19 November 2021
Joint Arrangers	Craigs Investment Partners Limited and Forsyth Barr Limited
Joint Lead Managers	Bank of New Zealand, Craigs Investment Partners Limited and Forsyth Barr Limited
Margin	<p>Means:</p> <ul style="list-style-type: none"> • during the period prior to the First Reset Date, the initial margin set by Contact (in consultation with the Joint Lead Managers) following the Bookbuild as announced by Contact via NZX on the Rate Set Date; or • during any subsequent period which commences on a Reset Date, the Margin that applied immediately prior to that Reset Date, unless otherwise determined as part of a Successful Election Process
Master Trust Deed	The Master Trust Deed dated 23 February 2009 as amended and restated on 21 August 2015, amended on 1 November 2016 and amended on 15 February 2019 between Contact and the Supervisor pursuant to which certain bonds, including the Capital Bonds, may be issued (as amended or supplemented from time to time), a copy of which is available on the Offer Register
Maturity Date	19 November 2051
Minimum Holding	In relation to the Capital Bonds, has the same meaning as "Minimum Holding" in the NZX Listing Rules

Minimum Interest Rate	The minimum interest rate announced by Contact on or about the Opening Date
Negative Pledge Deed	The deed of negative pledge and guarantee dated 19 May 2005 provided by Contact and the Guaranteeing Group Companies (as defined therein). Bondholders do not have the benefit of this deed
New Conditions	New terms and conditions set out in an Election Notice to apply to the Capital Bonds from a Reset Date following a Successful Election Process
NZX	NZX Limited
NZX Debt Market	The debt security market operated by NZX
NZX Firm	Any company, firm, organisation or corporation designated or approved by NZX as a Primary Market Participant (as defined in the NZX Participant Rules) from time to time
NZX Main Board	The main board equity security market operated by NZX
Offer	The offer of Capital Bonds made by Contact under this PDS
Offer Register	The online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose" and accessible online at www.companiesoffice.govt.nz/disclose , offer number OFR13200
Opening Date	8 November 2021
PDS	This product disclosure statement
Principal Amount	\$1.00 per Capital Bond
Rate Set Date	12 November 2021
Rating Agency Event	Means: <ul style="list-style-type: none"> the receipt by Contact of notice from S&P that, as a result of a change of criteria, the Capital Bonds will no longer have the same equity content classification from S&P as it had immediately prior to the change in criteria; or Contact ceasing to hold a credit rating
Record Date	In relation to: <ul style="list-style-type: none"> any payments due on a Capital Bond, means the date which is 10 calendar days before the due date for the payment; and an Election Process, the date which is two Business Days prior to the date on which the applicable Election Notice is given, in either case, if that date is not a Business Day, the Record Date will be the preceding Business Day
Redemption	The redemption of your Capital Bonds by Contact and Redeem , Redeemed and Redeeming have corresponding meanings
Redemption Amount	The aggregate of the Principal Amount of the Capital Bonds, any Unpaid Interest and any accrued but unpaid interest as at the applicable date of Redemption

Repurchase	The purchase of your Capital Bonds either by Contact or procured by Contact if relevant as part of an Election Process
Repurchase Amount	The aggregate of the Principal Amount of the Capital Bonds, any Unpaid Interest and any interest scheduled to paid as at the applicable Reset Date
Reset Date	The date occurring five years after the Issue Date and every five years thereafter, unless otherwise determined as part of a Successful Election Process
Securities Registrar	Link Market Services Limited
Special Resolution	Has the meaning given to the term 'Extraordinary Resolution' in the Master Trust Deed
Step-up Percentage	0.25%
Successful Election Process	Occurs in relation to an Election Process where Contact determines in its sole discretion and notifies Bondholders (or is deemed to have notified Bondholders in accordance with the Trust Deed) that it will Repurchase all Capital Bonds which Bondholders have elected to sell as part of that Election Process either directly from the Bondholder or through a resale facility established by Contact
Supervisor	The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time
Supplemental Trust Deed	The Supplemental Trust Deed dated 29 October 2021 between Contact and the Supervisor, setting out the terms and conditions of the Capital Bonds (as amended or supplemented from time to time), a copy of which is available on the Offer Register
Tax Event	A Tax Event will occur if Contact (having taken appropriate legal or tax advice) determines that there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which any interest payable on the Capital Bonds is not, or will not be, fully deductible for income tax purposes
Trust Deed	The Master Trust Deed, and, where the context requires, includes the Supplemental Trust Deed
Unpaid Interest	The aggregate of interest payments that Contact defers at its sole discretion, plus the interest accrued on such deferred interest payments (which will accrue at the prevailing Interest Rate on the Capital Bonds), compounding on each Interest Payment Date until paid