

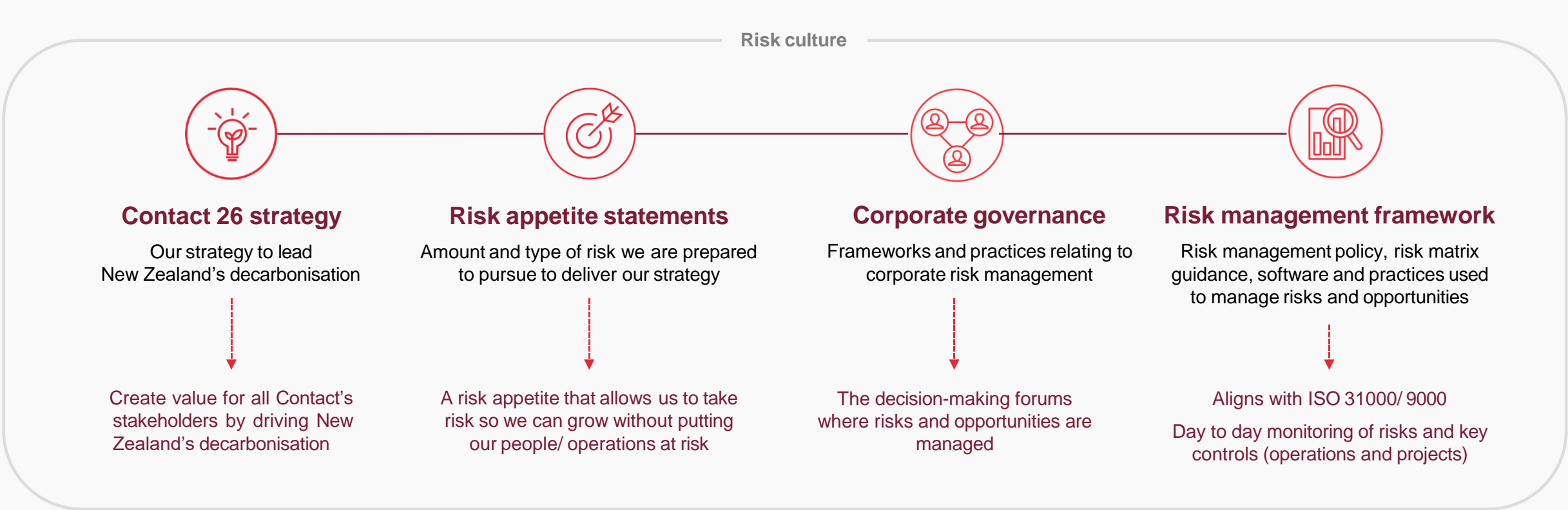
Risk Reporting

2024



Enterprise Risk Framework

A risk management framework is an essential requirement for any business. Contact's risk management framework aims to be a strategic enabler, embedded in all of our processes, functions, systems and culture. It is executed at all levels of the organisation.



Risk Appetite Statements

Contact Energy's risk appetite statements define the amount and type of risk we are prepared to pursue, retain or take in pursuit of achieving our strategy and objectives. The statements need to be aligned to our Contact 26 Strategy (see extract to the right) to ensure that our risk appetite enables growth, and does not hinder our ability to achieve the objectives.

No decision and opportunity comes without risk and as a result, it is not possible to eliminate risk without compromising on our strategy and operational performance. We need to set our risk appetite at a level that allows us to take the necessary risk to grow, without putting ourselves, the operations and our people at a risk that is unacceptable to us. This is a critical trade off and will need to be revisited as we adapt our strategy, as our risk profile changes, as our financial and/or organisational capacity changes and as the market opportunity and landscape changes. As we pursue growth we need to ensure that we have the leadership, organisational capacity and capability to execute our strategy.

In general, Contact has a moderate risk appetite and a willingness to experiment and learn as we pursue our strategy. We have a higher appetite for risks related to the strategic or commercial choices required to execute on our strategy. There is a focus on long term financial growth and providing value for all of our stakeholders. Our appetite for any potential harm to our people or for compliance breaches is very low. Contact Energy operates in a dynamic environment and as such, decisions often need to be made quickly. The risk appetite statement should enable quick decision making while also providing a process where the right level of oversight and scrutiny can be applied.



Risk Reporting

Risk reporting regularly takes place with the Leadership Team and Audit and Risk Committee (ARC). Risk reporting to ARC includes an update on environmental changes, identification of top risks, a description of the risks, and the current status of the risk, as well as controls and mitigations that are in place and key assurance reviews (recent and planned) that relate to the risk. The following tables set out two of Contact’s enterprise risks and mitigating actions. The target risk ratings for these two risks are driven by Contact’s risk appetite statements which are regularly shared with the business and available on our intranet.

Risk Theme	Description	Consequence	Likelihood	June 24 Risk Rating	Actions and mitigations	Target Rating
Regulatory intervention	There is the risk of government or regulator intervention in the wholesale market due to security of supply concerns and/or electricity price pressures resulting in negative outcomes	Critical	Unlikely	High	<ul style="list-style-type: none"> Refer to slide 13 of the 2024 interim financial statements presentation for Contact's approach to mitigating this risk: https://contact.co.nz/aboutus/investor-centre/reports-and-presentations#Annual-and-half-year-reports 	Medium
Health, Safety and Wellbeing	There is the risk of harm, serious injury or death due to a degradation or failure of health, safety and wellbeing controls resulting in fines or penalties, remediation costs or claims or reputational damage.	Critical	Unlikely	High	<ul style="list-style-type: none"> Verification of presence and effectiveness of controls leading to continuous improvement of all existing controls Onboard all contractors with StayLive Competency tool and use tool for credentials verification before safety critical work. Redesign how we learn to include learning from normal work, having more scalable learning tools, bringing learnings to life for our people, capture learnings in a "Knowledge Well" for future generations Build content on protect@contact in response to worker needs 	High

Risk Training

Directors have participated in two externally facilitated upskilling sessions in FY24: an introduction to the Climate Related Disclosure (CRD) Framework and a workshop on climate scenarios, risks, and opportunities

Emerging Risks 3-5 years +

The following slides set out reporting for two of Contact’s emerging risks. Emerging risk reporting includes identification of emerging risks, a description of the risks, assessment of the potential impact, and mitigating actions for the risk.

Emerging Risk 1	
Risk	Global Instability
Description	There is the risk of increasing global instability due to the escalating hostilities in multiple regions, economic uncertainty, the threat of misinformation and 3 billion people worldwide (eg the US, India and the UK etc) heading to the electoral polls resulting in potential increased fuel costs, supply chain constraints and project delays.
Impact	<ul style="list-style-type: none"> • Surge in costs, project delays • Delays to the renewable energy transition • Increased shipping costs as a result of using less efficient shipping routes • Increased shipping costs as a result of using alternative shipping methods. • Loss of trust in Contact Energy
Mitigating actions	<ul style="list-style-type: none"> • Supply chain mapped and overlaid with areas of conflict • Maintaining supplies of critical spares • Strengthening procurement guidelines and policies • Strong inventory planning and management • Strategic stockpiling • Monitoring of shipping routes for disruption • Focussed attention on global events and developments.

Emerging Risks

Emerging Risk 2	
Risk	Energy disruption
Description	There is the risk Contact misses an 'energy disruption' opportunity with the increasing pace of technological, product and market change exceeding Contact's current vision/expectations due to excessive internal/industry focus resulting in lower future returns.
Impact	<ul style="list-style-type: none"> • Not identifying and leveraging the right opportunities. • Loss of strategic and market relevance • Failure to adapt and loss of shareholder value • Lack of preparedness for the future landscape • Inability to decarbonise as quickly as competitors.
Mitigating actions	<ul style="list-style-type: none"> • Robust risk management strategy that incorporates future trends in the decision making process • Build relationships with emerging energy technology companies and startups • Continuing board and senior executive study tours • Monitoring of offshore developments with energy companies transitioning to renewables • Partnerships or memberships with companies monitoring or investing in emerging technologies. • Build capability and knowledge within Contact to identify and stay informed on energy disruption trends.