



CORPORATE GOVERNANCE STATEMENT 2019

At Contact we believe that good corporate governance is important. It protects the interests of all stakeholders, and creates and enhances value over the short and long term. We regularly review our corporate governance systems and are always looking for opportunities to improve the way we do things.

This Corporate Governance Statement was approved by the Contact Board on 9 August 2019. All of the policies and charters referred to below are available on our [website](#).

Unless stated otherwise, all of the information in this statement is current as at 30 June 2019.

As at 30 June 2019, we comply with the recommendations of the NZX Corporate Governance Code in all material respects.

PRINCIPLE 1 – CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Conduct

At Contact, we expect all of our people to act honestly, with integrity, in Contact's best interests and in accordance with the law at all times. This expectation is enshrined in our [Code of Conduct](#), which forms the base of our corporate policy framework.

Our Tikanga – our set of beliefs, comprising our purpose, commitments, principles and behaviours – sits at the heart of our Code of Conduct. These beliefs guide the actions we take, both as individuals and as an organisation, our decision-making, and the way we treat each other and our customers, shareholders and the communities we are part of.

As well as our purpose, commitments, principles and behaviours, our Code of Conduct incorporates by reference a number of policies about business and individual conduct. Together, the Code of Conduct and these policies set out our expectation that our people:

- act honestly, conscientiously, reasonably and in good faith at all times
- act in the best interests of Contact and in accordance with the law
- preserve and respect the confidentiality of information about Contact, its employees and its customers

- only offer or accept gifts in appropriate circumstances and, in any case, disclose and seek approval for any gift over \$200 in value
- avoid conflicts of interest, and declare and manage potential conflicts of interest. Directors are expected to give proper attention to the matters before them and have disclosed certain interests as set out in the 'Other Disclosures' section of our annual report.

Training on the Code of Conduct is provided to all new employees and all of Contact's people complete that training again every two years.

Contact people are encouraged to report breaches, or suspected breaches, of the Code of Conduct to their manager, a Leadership Team member or a representative from People and Safety. Directors are required to bring any breach or potential breach to the attention of the Chair of the Board or the Chair of the Audit Committee. Breaches of the Code of Conduct or other serious wrongdoing may also be reported via the whistleblowing procedures of our [Protected Disclosures \(Whistleblowing\) Policy](#), which includes an option for people to report an issue or potential issue through an external independent reporting service. Any disclosures that are made through the independent reporting service are reported to the CEO and, where appropriate, the Chair. In addition, this year the annual entity level controls audit was focused on culture and conduct.

Any actual or suspected breaches of the Code of Conduct are dealt with in accordance with our Coaching and Discipline Procedure. Any actual or suspected breaches by a director would be dealt with by the Chair of the Board or the Chair of the Audit Committee. In FY19, no material breaches or suspected breaches of the Code of Conduct were reported.

The Code of Conduct is regularly reviewed and was last approved by the Board on 10 August 2018.

Securities Trading Policy

Our *Securities Trading Policy* sets out Contact's expectations and requirements for all our people, including directors, when buying, selling or otherwise dealing with Contact shares or bonds.

In addition to the prohibition on insider trading, Contact people must not buy or sell Contact securities during 'blackout periods'. These blackout periods occur twice per year, before each of the half- and full-year results. Certain individuals within Contact, including the directors, all members of the Leadership Team and some others ('restricted persons') must obtain the written consent of the company before buying or selling Contact securities (which can only occur outside of blackout periods).

We offer our people training on securities trading law and how it relates to Contact procedures. Anyone who, from time to time, may be in possession of material information about Contact is required to complete this training every two years. Through our share registrar, Link Market Services (Link), we actively monitor trading in Contact shares by our restricted persons.

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Our Board consists of seven directors, with a wide range of skills, experience and points of view. See *Leadership* for profiles of each director, including length of service. Our Board has a policy that directors are required to hold a minimum of 20,000 shares within three years of appointment. Details of Contact shares and bonds owned by directors are set out in the 'Other Disclosures' section of our annual report.

The Board considers all of the current directors, including the Chair, to be independent in that they are not executives of the company and do not have a direct or indirect interest, position, association or relationship that could reasonably influence, in a material way, their decisions in relation to Contact.

The Board's role and responsibilities

Our Board is elected by our shareholders and is accountable to them for the performance of Contact. The Board is responsible for the governance, direction, management and performance of Contact, and for guiding Contact in what the Board believes to be the best interests of Contact. Specific responsibilities are set out in the *Board Charter*.

These responsibilities include:

- setting and approving the strategic direction of Contact, and overseeing its implementation by management
- monitoring financial performance, including approval of the interim and annual financial statements and reports

- appointing the chief executive officer (CEO) and monitoring the performance of the CEO and senior management
- reviewing and approving our risk capacity and tolerance, and ensuring appropriate systems are established to manage risk
- reviewing and approving our compliance systems, including corporate governance policies
- ensuring we comply with our continuous disclosure obligations, and
- overseeing our commitment to our values, sustainable development, the community and environment, and the health and safety of our people.

The Board has delegated the day-to-day management of Contact to the CEO, who may in turn delegate authority to other Contact people to enable efficient, effective and professional decision-making at the most appropriate level of management.

The Board Charter was last approved by the Board in March 2019 and is regularly reviewed to ensure it remains fit for purpose.

Director nomination and appointment

The People Committee is responsible for assessing the desired skills and experience for the Board, the extent to which these are represented, and recommending suitable candidates for appointment to the Board, having regard to the skills, diversity and experience so identified. The Board's assessment of the skills of current directors is set out in the director skills matrix in the annual report.

In accordance with the NZX Listing Rules, each director must retire by rotation every three years at the annual meeting. Retiring directors are eligible to stand for re-election by shareholders. Any director who is appointed by the Board will stand for election at the next annual meeting after their appointment. Information about candidates for election or re-election is included in the notice of meeting, to assist the shareholders' decision as to whether or not to elect or re-elect the candidate.

Written agreements are entered into with each newly appointed director, establishing the terms of their appointment. These written agreements include information about term of appointment, director obligations and responsibilities, time commitment, remuneration, indemnity and insurance arrangements, a requirement to disclose interests that may affect the director's independence, confidentiality obligations, and access to information and independent advice.

New directors receive due diligence packs and induction training, which primarily involves presentations by, and question and answer sessions with, the CEO and Leadership Team (collectively and individually) on the key strategic and operational business issues facing Contact. New directors also visit Contact generation and customer call centre sites.

Board performance

We recognise the value of professional development and the need for directors to remain current in relation to both industry and corporate governance matters. Contact assists directors with their professional development in a number of ways, including briefings and presentations to upskill the Board on new developments and topical issues, 'deep-dive' workshops on key issues, and Board study tours. A fund of \$30,000 is available for director development opportunities. Expenditure from this fund is approved by the Chair where the Chair is satisfied that the training opportunity is of benefit for both Contact and the individual director.

Reviews of the performance of the Board and individual directors are carried out regularly to ensure the Board as a whole and individual directors are performing to a high standard. A comprehensive review is carried out approximately every two years. The next comprehensive review is scheduled for the end of the 2019 calendar year. In addition, a review of the performance of each director standing for re-election at the annual meeting is carried out before that meeting, and the Board's recommendation on re-election, as a result of that review, is made available to shareholders in the notice of meeting.

Diversity

We believe an inclusive culture and a diverse workforce leads to diversity of thought, better decision-making, drives stronger business performance, and creates a stronger economy and a better world. Our *Inclusion and Diversity Policy* provides the framework for diversity and inclusion initiatives at Contact.

Our approach to diversity and inclusion is guided by our Tikanga. In particular:

- we encourage our people to 'bring your human to work'
- we develop people's leadership skills to manage diverse individuals and teams, and create a culture where multiple voices are heard, and their opinions are valued and considered
- we are committed to pay equity
- we actively seek opportunities to take a leadership position on inclusion and diversity matters outside of Contact to attract diverse talent
- we provide flexible working practices to leverage the breadth of our people's knowledge and skills, and support better lives for our people
- we recognise that all of our people own and lead an inclusive culture.

Our diversity objectives are set by the Board. Each year the Board reviews the objectives with management and assesses our progress towards meeting them. Details about our diversity performance during the financial year are set out in our annual report.

PRINCIPLE 3 – BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

The Board has established Board committees to perform work and provide specialist advice in particular areas. The committees review and analyse policies, strategies and performance, and provide recommendations to the Board on certain matters.

We have three standing committees:

- the Audit Committee
- the People Committee, and
- the Health, Safety and Environment Committee.

Members are chosen for the skills, experience and other qualities they bring to the relevant committee.

Audit Committee

Dame Therese Walsh (Chair), Victoria Crone, Whaimutu Dewes

The Audit Committee's role is to help the Board fulfil its responsibilities in relation to Contact's external financial reporting, internal control environment, internal and external audit functions, and risk management practices.

All members of the Audit Committee are independent, non-executive directors. The roles of the Board Chair and Audit Committee Chair are separate. Dame Therese Walsh chairs the Audit Committee. Therese is a Fellow of the Institute of Chartered Accountants.

The committee's responsibilities are outlined in its *Charter*. These responsibilities include:

- reviewing and overseeing Contact's half- and full-year reporting
- monitoring the internal audit work plan and overseeing the independence and objectivity of the internal audit function
- advising the Board on the appointment of the external auditors, monitoring their independence and effectiveness, and approving audit fees and audit partner rotation, and
- ensuring an appropriate risk management framework has been established, and assessing the effectiveness of, and monitoring compliance with, that framework.

The CEO, chief financial officer (CFO), and other employees attend Audit Committee meetings at the discretion and invitation of the Audit Committee. The committee holds private sessions with the Head of Risk and Assurance, the external auditors, the CEO and the CFO regularly as required.

In FY20, the Audit Committee will become the Audit and Risk Committee, with increased responsibility for risk management.

People Committee

Robert McDonald (Chair), Jon Macdonald and Dame Therese Walsh

To reflect the importance of people to our success, Contact's Remuneration and Nominations Committee became the People Committee in September 2018, with a broader mandate to support and advise the Board in fulfilling its responsibilities across all aspects of Contact's people and capability strategies, policies and practices.

In addition to its expanded role, the People Committee retains responsibility for supporting and advising the Board on:

- remuneration for the CEO, Leadership Team and directors
- remuneration policy and practices for employees
- the appointment and performance of the CEO
- the composition and performance of the Board.

All members of the People Committee are independent directors. The committee invites the CEO and other executives to participate in meetings, as required.

Further details of the committee's responsibilities are set out in the *People Committee Charter*.

Health, Safety and Environment Committee

Whaimutu Dewes (Chair), David Smol and Elena Trout

Given the nature of our business and the importance we place on health, safety and environment (HSE) matters, we have chosen to have a standing Health, Safety and Environment Committee. Responsibilities of the committee include:

- overseeing the establishment of HSE policies and recommending targets for HSE performance
- ensuring Contact has appropriate resources and practices to operate the business safely
- monitoring the effectiveness of Contact's HSE management system
- periodically reviewing Contact's overall management of HSE risk and identifying continuous improvement opportunities
- oversight of climate-related matters.

These responsibilities are outlined in more detail in the *Health, Safety and Environment Committee Charter*.

Attendance at Board and committee meetings

There have been a number of changes to the Board during FY19. Sir Ralph Norris and Sue Sheldon retired from the Board on 31 August 2018 and Robert McDonald was appointed chair. Dame Therese Walsh, David Smol and Jon Macdonald joined the Board on 1 September 2018, 1 October 2018 and 1 November 2018, respectively. Accordingly, there were a number of changes to the membership of Board committees over the year.

The table below records director attendance at Board and committee meetings. In addition, a number of directors attended meetings of committees that they were not a member of as an observer. The Chair of the Board attended every board committee meeting held during the year.

| | Meeting attended ¹ | | | |
|---------------------------|-------------------------------|-----------------|---------------|-------------------------------|
| | Board | Audit Committee | HSE Committee | People Committee ² |
| Current directors | | | | |
| Robert McDonald | 10/10 | 1/1 | | 2/2 |
| Victoria Crone | 10/10 | 3/3 | 1/1 | 1/1 |
| Whaimutu Dewes | 9/10 | 4/4 | 3/3 | |
| Jon Macdonald | 7/7 | | | 2/2 |
| David Smol | 8/8 | | 2/2 | |
| Elena Trout | 10/10 | | 3/3 | |
| Dame Therese Walsh | 8/9 | 3/3 | | 1/2 |
| Outgoing directors | | | | |
| Sir Ralph Norris | 1/1 | | | 1/1 |
| Sue Sheldon | 1/1 | 1/1 | | 1/1 |

1. This table records the number of Board and committee meetings each director attended as a member of the Board or relevant committee, alongside the number of meetings held while that director was a member.
2. The Remuneration and Nominations Committee became the People Committee from September 2018.

Takeover protocols

Contact has prepared a Takeover Response Manual, in line with Principle 3.6 of the NZX Corporate Governance Code. The Manual is updated each year.

PRINCIPLE 4 – REPORTING AND DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

We appreciate that investors and other stakeholders value both financial and non-financial reporting, and we strive to report in a way that is clear, meaningful and balanced. All of our key governance documents, including the Code of Conduct, key corporate policies, and Board and committee charters are available on the *Governance page* of our website. We also maintain copies of our stock exchange announcements there, as well as copies of annual reports, financial statements, investor presentations and details of annual shareholder meetings.

Continuous disclosure

We are committed to ensuring that all of our investors have timely access to full and accurate material information about Contact. Our *Market Disclosure Policy* sets out procedures that are in place to make sure all material information is identified, reported for review and, where required, disclosed in a timely manner.

In FY19, we reviewed and updated the Market Disclosure Policy to reflect the new NZX Listing Rules, in particular the addition of the constructive knowledge element to the test for when a director or senior manager becomes aware of material information. The policy also describes the procedures that have been adopted to prevent the selective disclosure of material, non-public information.

Under the policy, Leadership Team members and other executives are required to escalate any potential 'material information' matters to the CEO, CFO and general counsel (the Disclosure Group). The Disclosure Group is ultimately responsible for approving the form and content of material information that is disclosed. The company secretary then coordinates disclosure to the market. We also monitor information in the market about Contact and will release information to the extent necessary to prevent development of a false market for Contact shares.

Financial reporting

The Audit Committee oversees the preparation of our financial statements, including materiality guidance and setting policy to ensure the information presented is useful for investors and other stakeholders. We make our financial statements easy to read by using clear, plain language, and structure them so that key information is presented at the beginning. In addition to the full-year audit, our auditors complete a review of the half-year financial statements and we undertake an internal certification process to ensure the information presented is accurate, balanced and objective.

Non-financial reporting

As part of our commitment to providing our investors and other stakeholders with access to all relevant information about Contact, we report on material environmental, social and governance factors and practices in accordance with the Global Reporting Initiative (GRI) guidelines (Core option) in our annual report. We've chosen to use GRI because it is an internationally recognised framework under which we can present information on the particular matters that are significant for Contact and our stakeholders.

This year we have also started to use the International Integrated Reporting <IR> Framework as we continue to seek best practice in sustainability reporting. While we do not have a policy on the assurance of non-financial or sustainability data, our sustainability reporting data is independently reviewed by Deloitte.

PRINCIPLE 5 – REMUNERATION

The remuneration of directors and executives should be transparent, fair and reasonable.

For a number of years, we have adopted a practice of transparently reporting director and CEO remuneration. The 'Remuneration Report' in our annual report sets out the detail of director and CEO remuneration for FY19. For directors, this includes a breakdown of Board and committee fees and actual amounts paid. For the CEO, it includes details of both fixed remuneration and pay for performance remuneration, including both short- and long-term incentives.

Contact's director fee pool was approved by shareholders in 2008 and has not been increased since then. Actual fees paid to directors are determined by the Board on the recommendation of the People Committee.

Our practices for setting remuneration for our directors, the CEO, the Leadership Team and all employees are detailed in our *Remuneration Policy*. Our remuneration structure is designed to attract, reward and retain high-performing people who are able to enhance Contact's performance. For employees, the policy sets out the framework for the three components of remuneration, being fixed remuneration, at-risk/variable remuneration to reward performance, and other benefits. The weighting of each component is aligned with position grades to reflect the complexity of the role. More information about each of these components is in the 'Remuneration Report' in our annual report.

PRINCIPLE 6 – RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Our Board has established a robust risk management framework across the business, which is aligned to the International Standard ISO 31000 Risk Management – Guidelines. Our framework ensures that there are appropriate systems in place to identify material risks that Contact faces. We make sure that we understand the potential impact of identified risks and that, where applicable, appropriate tolerance limits are set by the Board. Our framework ensures that responsibilities are assigned to individuals to manage identified risks and that any material changes to Contact's risk profile are monitored.

The Board has overall responsibility for our risk management framework. It is supported by the Audit Committee, whose role is to assess the effectiveness of and monitor compliance with the framework.

The Board and the Audit Committee receive regular reports providing updates on key risks and identifying emerging risks for their consideration. Current risks topics and themes being discussed include health and safety, long- and short-term changes in supply of and demand for electricity, the impact of disruptive technology, accelerated customer expectations, competition in the retail market, cyber security and regulatory risk.

Health, safety and environment risks

Health, safety and the environment are key areas of focus for Contact. We have a specific Board committee dedicated to managing health, safety and environmental risks. In FY19, we formalised the Board's oversight of climate-related matters through the HSE Committee. More detail about the HSE Committee's responsibilities is set out under Principle 3 – Board Committees.

Our commitment to health, safety and the environment is outlined in our *Health, Safety and Environment Policy*. Under this policy, health, safety and environmental risks are managed through effective leadership and by engaging our people in health, safety and environment activities. We work with our people to develop robust processes and procedures that lay the foundation for safe and sustainable work. By focusing on learning and improving, and empowering workers at the front line to actively manage safety outcomes, we continually strengthen our capacity to fail safely and reduce our environmental impact.

More information about our health, safety and environmental performance is in our annual report.

PRINCIPLE 7 – AUDITORS

The Board should ensure the quality and independence of the external audit process.

We recognise that the role of our external auditor is critical for the integrity of our financial reporting. KPMG is our external auditor and David Gates has been our audit partner for four financial years.

Our External Audit Independence Policy sets out the framework under which we ensure the independence of the external auditors is maintained and their ability to carry out their statutory audit role is not impaired. Under this policy, the external auditor may not undertake any work for Contact that compromises, or is seen to compromise, the independence and objectivity of the external audit process. In addition, KPMG confirms their continuing independent status to the Board every six months.

Before KPMG undertakes any non-audit work for Contact, specific approval must be given by the Audit Committee or the Audit Committee Chair. Approval will only be given where the performance of such work does not compromise KPMG's independence. There was no non-audit work undertaken by KPMG during FY19.

We have procedures to ensure that communication is sustained between KPMG and the Audit Committee. In particular, KPMG meets with the Audit Committee every quarter and a direct line of communication has been established between the audit partner and the Chair of the Audit Committee.

Representatives from KPMG attend Contact's annual shareholder meeting each year, where they are available to answer any questions from shareholders in relation to the audit.

Assurance

Our Business Assurance team fulfils our internal audit function and provides objective assurance of the effectiveness of our internal control framework. The team is based in-house, but draws on external expertise where required.

The team helps us to achieve our objectives by bringing a disciplined approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes. We use a risk-based assurance approach driven from our risk management system. The Business Assurance team also assists external audits by making findings from the internal assurance process available for the external auditor to consider when providing their opinion on the financial statements. The team has unrestricted access to all of Contact's departments, records and systems, and to the external auditor and other third parties as it deems necessary.

The Audit Committee oversees the assurance programme and provides the Business Assurance team with the mandate to perform the agreed assurance programme. The Head of Risk and Assurance meets quarterly with the Chair of the Audit Committee and separately with the Audit Committee as required. Results of assurance reviews are reported to the Leadership Team; Audit Committee; Health, Safety and Environment Committee (where applicable); and in summary form to the Board. The Business Assurance team also has the autonomy to report significant issues directly to the CEO, CFO and the Audit Committee or, if considered necessary, to the Chair of the Board.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND RELATIONS

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

We welcome the opportunity to engage with our shareholders, to find out the issues that matter to them, and to share with them information about Contact and our aspirations for its future. We engage with our shareholders in a number of ways, including at our annual shareholder meeting and investor presentations during the year.

Investor relations programme

We have designed and implemented an investor relations programme to facilitate effective two-way communication with investors. The investor relations programme provides the context in which shareholders and potential investors can make an informed judgement about the fair value of Contact's shares consistently over time.

A primary aim of our investor relations programme is to allow investors and other financial market participants to gain a greater understanding of Contact's business, governance, financial performance and prospects. It also provides an opportunity for investors and other financial market participants to express their views on matters of concern or interest to them, and for those views to then be distilled and communicated to our Board.

We are always keen to hear feedback from our investors. Any shareholder who wants to get in touch with us can contact investor.centre@contactenergy.co.nz.

Investor communication and information

Our website is regularly updated. It contains brief biographies of directors, the CEO and Leadership Team; financial and operational information (including copies of annual reports and financial statements); details of previous annual shareholder meetings; key governance documents; and copies of NZX/ASX announcements.

To ensure that our investors and the market are kept up to date, in addition to our half-year and full-year financial reporting, we release a monthly operating report that sets out key information about Contact's performance. These reports are also available on our [website](#).

We encourage our investors to receive communications from us electronically because investors will receive key information faster, it is better for the environment and it keeps our costs down. Any investor who is currently receiving hard copy material and wishes to receive it electronically should visit the [Link Investor Centre](#) to supply their email address.

Annual shareholder meeting

Our last annual shareholder meeting was held in Wellington on 14 November 2018. We hold the annual meeting in a location and at a time that enables as many shareholders as possible to attend. Our directors, CEO and members of our Leadership Team attend the meeting each year and really enjoy the opportunity to meet and talk with our shareholders.

We offered our shareholders the opportunity to attend the meeting virtually via an online platform for the first time in 2018. This meant that shareholders who were not able to be at the venue in person could attend and fully participate in the meeting, including by asking questions and voting.

Our notice of meeting is sent to all of our shareholders and posted on our website at least 20 working days before the meeting.

Voting at our annual shareholder meeting is by poll (one vote per share).

During FY19, there have not been any decisions that would change the nature of Contact. Where any such matters are considered, shareholder approval would be sought in accordance with the requirements of the Listing Rules and the Companies Act 1993.