

Contact Energy M&A due diligence overview

This document summarises the key due diligence steps that Contact will follow in any merger, acquisition or joint venture. The level of due diligence carried out will vary with the size and complexity of the deal.

1. Target identification

- Contact applies a set of agreed criteria to identify potential investment opportunities. We maintain a pipeline of short- and long-list of these opportunities, and respond to reactive opportunities as they arise.

2. High level deal assessment

- We make contact with the companies that meet our criteria, to gather more information and test the appetite for a deal.
- Contact may consider any M&A targets as part of a consortium.

3. Project Management & Administration

- We establish the project management / administration processes and activities required for the M&A process.
- Resourcing requirements are set, with project work allocated to a number of workstreams.
- External advisors may be appointed in specialist areas.

4. Perform valuation analysis

- If the initial contact goes well, we ask the target company to provide substantial information to enable us to further evaluate the target.

5. Negotiations

- After producing several valuation models of the target company, we formulate an offer and present it to the target company for more detailed negotiation of terms.

6. M&A due diligence

- Our due diligence process aims to confirm or correct our assessment of the value of the target company, through a detailed analysis of all aspects of the target company's operations. Depending on the specific opportunity, this may cover areas including financial metrics, assets and liabilities, legal and regulatory, information technology, human resources, human rights and insurance.
- The scope of our due diligence will be based on a robust risk assessment.
- Financial due diligence may include:
 - Balance sheets and income statements
 - Inventory schedules
 - Future forecasts and projections
 - Revenue, profit, and growth trends
 - Stock history and options
 - Short and long-term debts

- Tax forms and documents
- Valuation multiples and ratios in comparison to competitors and industry benchmarks
- Other due diligence should include an investigation of the target's approach to human rights and modern slavery issues, including identification of related risks in its operations and supply chain. Contact's Human Rights Policy and Supplier Code of Conduct should be used as a reference, with consideration of issues including adherence to ethical business and international labour standards (e.g. right to collective bargaining; freedom of association), monitoring of human trafficking and child labour, and equal opportunities.
- Target companies may be asked to complete Contact's 'Supplier Assessment & Evaluation process' to identify risks associated with ESG, including environmental standards, human rights and modern slavery.

7. Analysis and reporting

- Requirements will depend on the specific project and available time.

8. Approvals

- A set of internal processes outline the key internal & external approvals that may be required as part of a transaction.

9. Purchase and sale contract

- If due diligence is completed successfully, the parties make a final decision on the type of purchase agreement and we execute a final sale contract.

10. Closing and integration of the acquisition

- The management teams of Contact and the target company work together on the merger process.